

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

**Basic Financial Statements**

**December 31, 2021**



**City of Dayton  
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**City of Dayton  
Elected Officials and Administration  
December 31, 2021**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Dennis Fisher	Mayor	December 31, 2022
Travis Henderson	Council Member	December 31, 2024
Julie Gustafson	Council Member	December 31, 2022
Scott Salonek	Council Member	December 31, 2022
David Fashant	Council Member	December 31, 2022
<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 Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota, as of and for the year ended December 31, 2021, and the related notes to financial statements, which collectively comprise the City of Dayton's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dayton, Minnesota, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dayton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dayton's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Dayton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dayton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

## **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dayton's basic financial statements. The individual fund schedule, combining nonmajor fund financial statements and Schedule of Expenditures of Federal Awards are 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund schedule, combining 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 9, 2022, 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 9, 2022

## **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, 2021.

### **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 \$85,238,178 (net position).
- The City's total net position increased by \$23,803,025.
- As of the close of the current year, all the City's governmental funds reported combined ending fund balances of \$15,585,708, an increase of \$4,228,357 in comparison with the prior year.
- At the end of the current year, unassigned fund balance for the General fund was \$2,052,639, or 39.20%, of total General fund expenditures.
- The City's total bonded debt decreased \$2,068,000 during the current fiscal year due to scheduled principal payments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position provides information on all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with a difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

### **FUND FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

### **NOTES TO THE FINANCIAL STATEMENTS**

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

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

### **OTHER INFORMATION**

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85,238,178 at the close of the most recent fiscal year.

A portion of the City's net position (\$60,583,778 or 71.1%) 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 (\$9,458,397 or 11.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 15,196,003 or 17.8%) 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	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 25,709,414	\$ 21,096,572	\$ 6,093,906	\$ 4,133,853	\$ 31,803,320	\$ 25,230,425
Capital assets (net of Accumulated depreciation)	59,262,052	44,763,411	21,119,628	19,899,001	80,381,680	64,662,412
Total assets	<u>84,971,466</u>	<u>65,859,983</u>	<u>27,213,534</u>	<u>24,032,854</u>	<u>112,185,000</u>	<u>89,892,837</u>
<b>Deferred Outflows of Resources</b>						
Deferred outflows of resources related to OPEB	-	2,191	-	196	-	2,387
Deferred outflows of resources related to pensions	1,591,476	784,057	93,236	38,586	1,684,712	822,643
Total deferred inflows of resources	<u>1,591,476</u>	<u>786,248</u>	<u>93,236</u>	<u>38,782</u>	<u>1,684,712</u>	<u>825,030</u>
Total assets and deferred outflows of resources	<u>\$ 86,562,942</u>	<u>\$ 66,646,231</u>	<u>\$ 27,306,770</u>	<u>\$ 24,071,636</u>	<u>\$ 113,869,712</u>	<u>\$ 90,717,867</u>
<b>Liabilities</b>						
Current liabilities	\$ 6,968,996	\$ 5,815,437	\$ 492,905	\$ 554,527	\$ 7,461,901	\$ 6,369,964
Noncurrent liabilities	17,936,762	20,750,406	135,553	170,000	18,072,315	20,920,406
Total liabilities	<u>24,905,758</u>	<u>26,565,843</u>	<u>628,458</u>	<u>724,527</u>	<u>25,534,216</u>	<u>27,290,370</u>
<b>Deferred Inflows of Resources</b>						
Advanced appropriations - State Shared Taxes	1,091,809	1,352,441	-	-	1,091,809	1,352,441
Deferred inflows of resources related to OPEB	-	51,905	-	4,636	-	56,541
Deferred inflows of resources related to pensions	1,909,392	578,094	96,117	5,268	2,005,509	583,362
Total deferred inflows of resources	<u>3,001,201</u>	<u>1,982,440</u>	<u>96,117</u>	<u>9,904</u>	<u>3,097,318</u>	<u>1,992,344</u>
<b>Net Position</b>						
Net investment in capital assets	46,381,500	31,567,710	21,119,628	19,899,001	60,583,778	43,806,211
Restricted	9,446,614	9,260,485	11,783	11,216	9,458,397	9,271,701
Unrestricted	2,827,869	(2,730,247)	5,450,784	3,426,988	15,196,003	8,357,241
Total net position	<u>58,655,983</u>	<u>38,097,948</u>	<u>26,582,195</u>	<u>23,337,205</u>	<u>85,238,178</u>	<u>61,435,153</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 86,562,942</u>	<u>\$ 66,646,231</u>	<u>\$ 27,306,770</u>	<u>\$ 24,071,636</u>	<u>\$ 113,869,712</u>	<u>\$ 90,717,867</u>

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

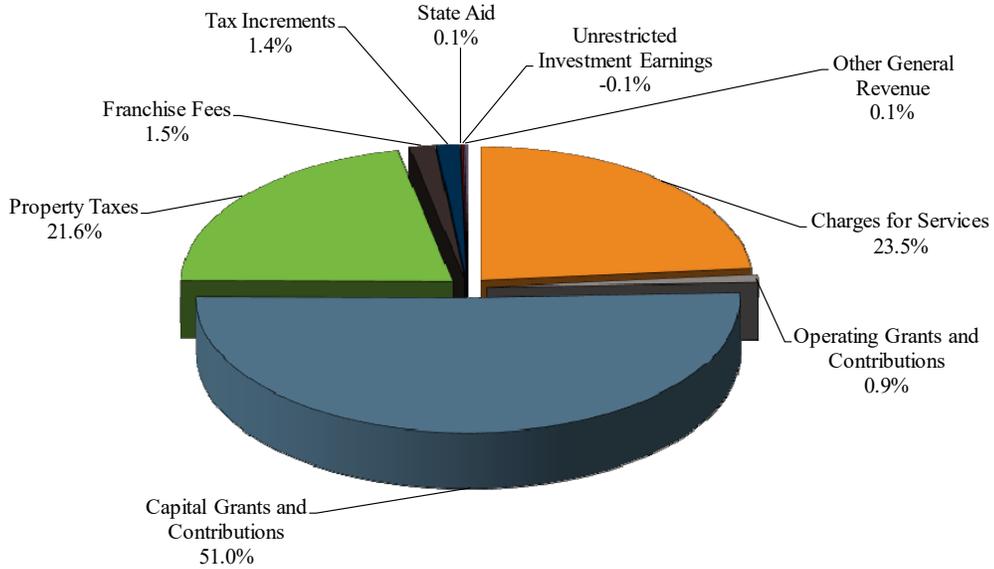
	Governmental Activities 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 6,487,571	\$ 3,147,453	\$ 6,130,015	\$ 3,883,163	\$ 12,617,586	\$ 7,030,616
Operating grants and contributions	257,591	767,404	29,900	-	287,491	767,404
Capital grants and contributions	13,962,576	10,768,785	353,746	150,108	14,316,322	10,918,893
General revenues						
Property taxes	5,963,396	5,365,652	-	-	5,963,396	5,365,652
Franchise fees	421,845	367,075	-	-	421,845	367,075
Tax increments	379,395	311,831	-	-	379,395	311,831
State aid	33,211	20,139	-	-	33,211	20,139
Unrestricted investment earnings	(34,188)	335,217	(8,924)	99,653	(43,112)	434,870
Other general revenue	33,844	40,832	-	-	33,844	40,832
Gain on sale of capital assets	-	5,869	-	-	-	5,869
Total revenues	<u>27,505,241</u>	<u>21,130,257</u>	<u>6,504,737</u>	<u>4,132,924</u>	<u>34,009,978</u>	<u>25,263,181</u>
<b>Expenses</b>						
General government	1,194,392	1,644,087	-	-	1,194,392	1,644,087
Public safety	2,536,283	2,394,198	-	-	2,536,283	2,394,198
Public works	2,657,582	1,996,257	-	-	2,657,582	1,996,257
Parks and recreation	517,023	438,961	-	-	517,023	438,961
Economic development	372,879	392,242	-	-	372,879	392,242
Interest on long-term debt	471,983	528,857	-	-	471,983	528,857
Water	-	-	1,531,408	1,295,279	1,531,408	1,295,279
Sewer	-	-	925,403	857,521	925,403	857,521
Total expenses	<u>7,750,142</u>	<u>7,394,602</u>	<u>2,456,811</u>	<u>2,152,800</u>	<u>10,206,953</u>	<u>9,547,402</u>
Change in net position before transfers	19,755,099	13,735,655	4,047,926	1,980,124	23,803,025	15,715,779
Transfers	802,936	746,789	(802,936)	(746,789)	-	-
Change in net position	20,558,035	14,482,444	3,244,990	1,233,335	23,803,025	15,715,779
Net position - beginning of year	38,097,948	23,615,504	23,337,205	22,103,870	61,435,153	45,719,374
Net position - ending	<u>\$ 58,655,983</u>	<u>\$ 38,097,948</u>	<u>\$ 26,582,195</u>	<u>\$ 23,337,205</u>	<u>\$ 85,238,178</u>	<u>\$ 61,435,153</u>

# City of Dayton Management's Discussion And Analysis

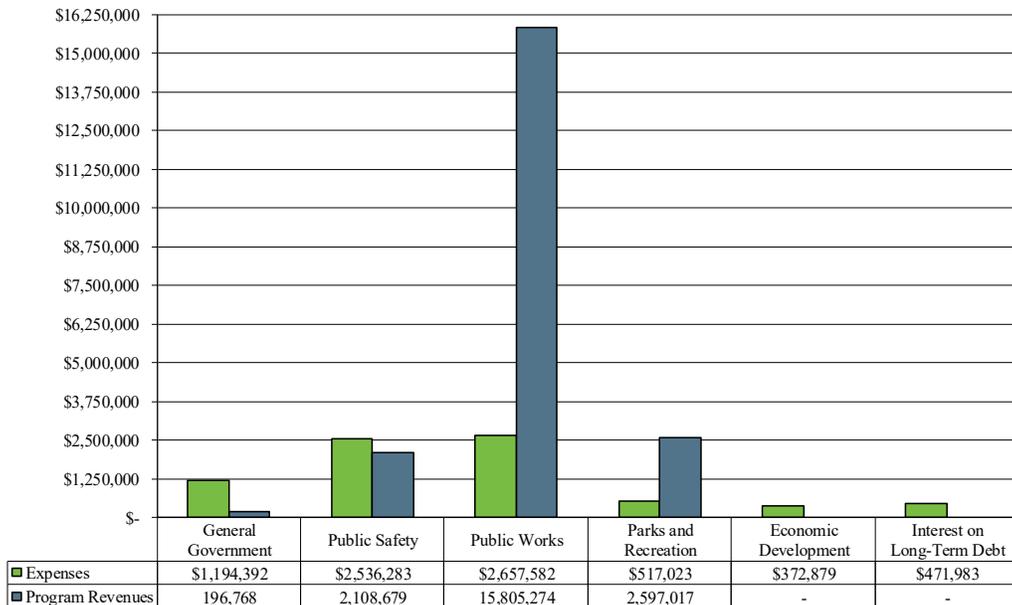
## GOVERNMENTAL ACTIVITIES

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

**Revenues by Source - Governmental Activities**



**Expenses and Program Revenues - Governmental Activities**

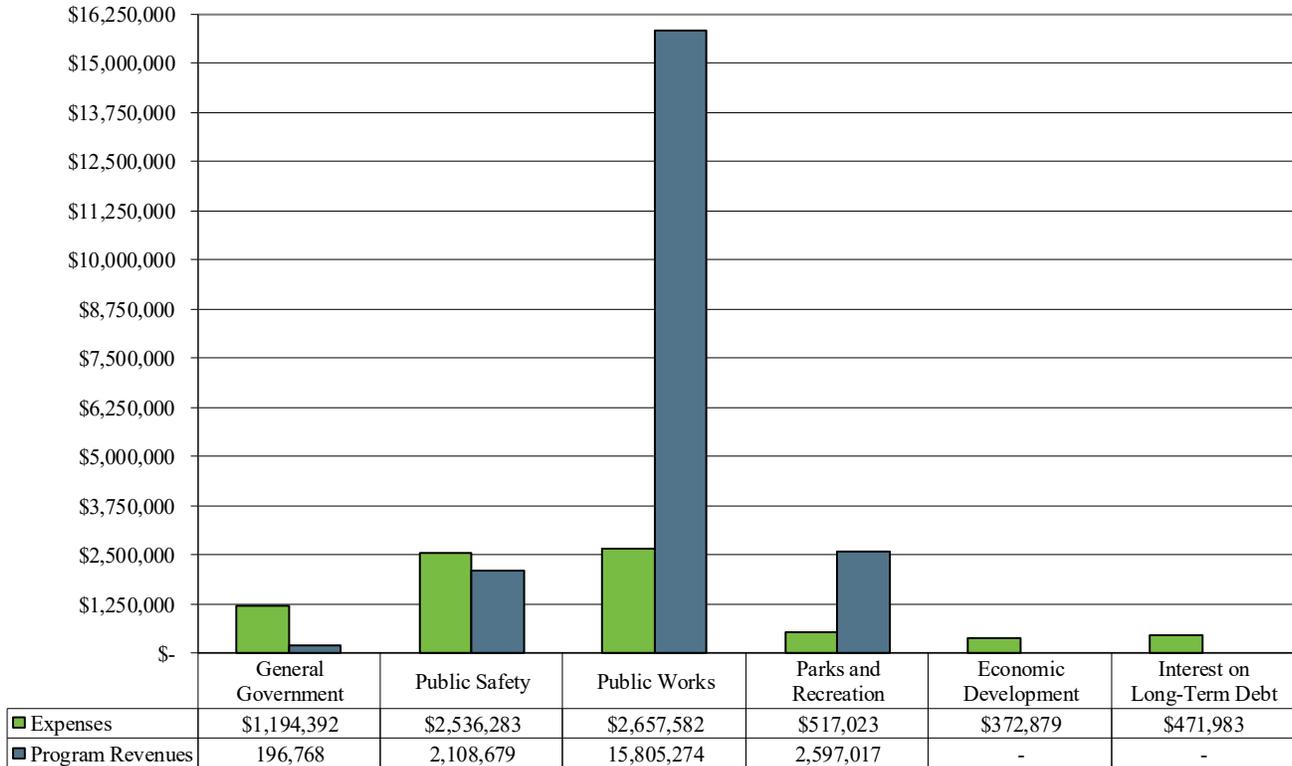


**City of Dayton  
Management's Discussion and Analysis**

**BUSINESS-TYPE ACTIVITIES**

**Business-Type Activities** - Business-type activities increased the City's net position \$3,244,990.

**Expenses and Program Revenues - Governmental Activities**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$15,585,708 an increase of \$4,228,357 in comparison with the prior year. Of this total amount, (\$778,982) 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 \$191,579, 2) Restricted \$5,396,978, 3) Committed \$1,017,896, and 4) Assigned \$9,758,237.

**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 \$2,244,218. 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 40.2% of total General Fund budgeted expenditures for the following year.

The fund balance of the City's General fund increased \$138,408 in 2021.

**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 \$5,450,784. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's General fund budget was not amended during the year and was approved as a balanced budget. Total revenues were over budget by \$1,117,376. Total expenditures and transfers out were over budget by \$978,968. Some of the significant variances can be briefly summarized as follows:

- Licenses and permits and charges for services were over budget by \$961,905 and \$115,325 respectively, due to more than anticipated residential development in the City.
- General government expenditures were over budget by \$157,387 due to general operations and use of consultants being more prevalent with the increased demand created by new development.
- Public safety expenditures were over budget by \$187,137 primarily due to inspection services related to new development and the use of professional services for this workload.
- Transfers out of General fund surplus (\$564,500) 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, 2021, amounted to \$80,381,680 (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. Finishing touches on this project are being completed in 2022.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,925,462	\$ 2,925,462	\$ 113,767	\$ 113,767	\$ 3,039,229	\$ 3,039,229
Buildings and improvements	5,779,721	5,717,830	-	-	5,779,721	5,717,830
Infrastructure	31,863,529	26,709,598	-	-	31,863,529	26,709,598
Collection and distribution system	-	-	30,089,076	26,752,865	30,089,076	26,752,865
Machinery and equipment	7,273,719	5,234,763	164,898	134,508	7,438,617	5,369,271
Construction in progress	27,228,418	18,337,386	43,909	1,423,382	27,272,327	19,760,768
<b>Total capital assets</b>	<b>75,070,849</b>	<b>58,925,039</b>	<b>30,411,650</b>	<b>28,424,522</b>	<b>105,482,499</b>	<b>87,349,561</b>
Less accumulated depreciation	(15,808,797)	(14,161,628)	(9,292,022)	(8,525,521)	(25,100,819)	(22,687,149)
<b>Net capital assets</b>	<b>\$ 59,262,052</b>	<b>\$ 44,763,411</b>	<b>\$ 21,119,628</b>	<b>\$ 19,899,001</b>	<b>\$ 80,381,680</b>	<b>\$ 64,662,412</b>

**Long-term Debt** – At the end of the current fiscal year, the City had total bonded debt outstanding of \$18,143,000. 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	
	2021	2020	2021	2020	2021	2020
G.O. Bonds, net	\$ 18,349,385	\$ 20,430,201	\$ -	\$ -	\$ 18,349,385	\$ 20,430,201
PFA notes	343,000	426,000	-	-	343,000	426,000
Compensated absences	250,997	231,385	34,011	26,781	285,008	258,166
<b>Total</b>	<b>\$ 18,943,382</b>	<b>\$ 21,087,586</b>	<b>\$ 34,011</b>	<b>\$ 26,781</b>	<b>\$ 18,977,393</b>	<b>\$ 21,114,367</b>

The City's total bonded debt decreased \$2,068,000 due to scheduled principal payments.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City has adopted a balanced budget for 2022. The General fund revenue and expenditure budgets both total \$5,580,775. The general portion of the property tax levy for 2022 increased by 8.74% to \$4,002,160 while the debt service portion of the levy decreased by 1.93% to \$535,000.

The City continues to emphasize the accumulation of resources for the acquisition, construction, or upgrade of the city's infrastructure, facilities, and equipment in the near future. The 2022 property tax levy includes \$1,765,000 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 52.59% in 2021 to 48.44% in 2022.

The City has experienced an increase in residential development in 2021 with this trend continuing into 2022. The City will put the final touches together to complete 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, 2021**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments (including cash equivalents)	\$ 20,781,490	\$ 5,497,318	\$ 26,278,808
Taxes receivable - delinquent	53,785	-	53,785
Accounts receivable	316,658	312,249	628,907
Interest receivable	21,124	-	21,124
Due from other governments	99,861	26,837	126,698
Due from other funds (internal balances)	(85,714)	85,714	-
Special assessments receivable			
Current	9,868	-	9,868
Delinquent	3,728	1,535	5,263
Deferred charges	4,258,292	141,092	4,399,384
Inventories	18,564	-	18,564
Land held for resale	65,697	-	65,697
Prepaid items	122,916	29,161	152,077
Net pension asset - fire relief association	43,145	-	43,145
Capital assets not being depreciated			
Land	2,925,462	113,767	3,039,229
Construction in progress	27,228,418	43,909	27,272,327
Capital assets (net of accumulated depreciation)			
Buildings and improvements	4,186,147	-	4,186,147
Infrastructure	20,415,319	-	20,415,319
Collection and distribution system	-	20,871,630	20,871,630
Machinery and equipment	4,506,706	90,322	4,597,028
Total assets	<u>84,971,466</u>	<u>27,213,534</u>	<u>112,185,000</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pensions	<u>1,591,476</u>	<u>93,236</u>	<u>1,684,712</u>
Total assets and deferred outflows of resources	<u>\$ 86,562,942</u>	<u>\$ 27,306,770</u>	<u>\$ 113,869,712</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 4,428,108	\$ 93,801	\$ 4,521,909
Due to other governments	109,755	378,114	487,869
Salaries and benefits payable	123,500	12,670	136,170
Interest payable	210,949	-	210,949
Unearned revenue	11,584	4,919	16,503
Bonds payable, net			
Payable within one year	2,020,000	-	2,020,000
Payable after one year	16,329,385	-	16,329,385
Notes from direct borrowing			
Payable within one year	40,000	-	40,000
Payable after one year	303,000	-	303,000
Compensated absences payable			
Payable within one year	25,100	3,401	28,501
Payable after one year	225,897	30,610	256,507
Net pension liability	<u>1,078,480</u>	<u>104,943</u>	<u>1,183,423</u>
Total liabilities	<u>24,905,758</u>	<u>628,458</u>	<u>25,534,216</u>
<b>Deferred Inflows of Resources</b>			
Advanced appropriations - State Shared Taxes	1,091,809	-	1,091,809
Deferred inflows of resources related to pensions	<u>1,909,392</u>	<u>96,117</u>	<u>2,005,509</u>
Total deferred inflows of resources	<u>3,001,201</u>	<u>96,117</u>	<u>3,097,318</u>
<b>Net Position</b>			
Net investment in capital assets	46,381,500	21,119,628	60,583,778
Restricted for			
Debt service	7,456,945	-	7,456,945
Police forfeitures	8,920	-	8,920
Park dedication	1,917,389	-	1,917,389
Tax increment	63,360	-	63,360
Infrastructure replacement	-	11,783	11,783
Unrestricted	<u>2,827,869</u>	<u>5,450,784</u>	<u>15,196,003</u>
Total net position	<u>58,655,983</u>	<u>26,582,195</u>	<u>85,238,178</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 86,562,942</u>	<u>\$ 27,306,770</u>	<u>\$ 113,869,712</u>

**City of Dayton**  
**Statement of Activities**  
**Year Ended December 31, 2021**

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
<b>Governmental activities</b>							
General government	\$ 1,194,392	\$ 193,523	\$ 3,245	\$ -	\$ (997,624)	\$ -	\$ (997,624)
Public safety	2,536,283	1,956,171	152,508	-	(427,604)	-	(427,604)
Public works	2,657,582	1,740,860	101,838	13,962,576	13,147,692	-	13,147,692
Parks and recreation	517,023	2,597,017	-	-	2,079,994	-	2,079,994
Economic development	372,879	-	-	-	(372,879)	-	(372,879)
Interest on long-term debt	471,983	-	-	-	(471,983)	-	(471,983)
Total governmental activities	<u>7,750,142</u>	<u>6,487,571</u>	<u>257,591</u>	<u>13,962,576</u>	<u>12,957,596</u>	<u>-</u>	<u>12,957,596</u>
<b>Business-type activities</b>							
Water	1,531,408	4,358,423	-	353,746	-	3,180,761	3,180,761
Sewer	925,403	1,771,592	29,900	-	-	876,089	876,089
Total business-type activities	<u>2,456,811</u>	<u>6,130,015</u>	<u>29,900</u>	<u>353,746</u>	<u>-</u>	<u>4,056,850</u>	<u>4,056,850</u>
<b>Total governmental and business-type activities</b>	<u>\$ 10,206,953</u>	<u>\$ 12,617,586</u>	<u>\$ 287,491</u>	<u>\$ 14,316,322</u>	12,957,596	4,056,850	17,014,446
<b>General revenues</b>							
Property taxes					5,963,396	-	5,963,396
Franchise fees					421,845	-	421,845
Tax increments					379,395	-	379,395
State aids					33,211	-	33,211
Unrestricted investment earnings					(34,188)	(8,924)	(43,112)
Other general revenue					33,844	-	33,844
Transfers					802,936	(802,936)	-
Total general revenues and transfers					<u>7,600,439</u>	<u>(811,860)</u>	<u>6,788,579</u>
Change in net position					20,558,035	3,244,990	23,803,025
Net position - beginning of year					38,097,948	23,337,205	61,435,153
Net position - end of year					<u>\$ 58,655,983</u>	<u>\$ 26,582,195</u>	<u>\$ 85,238,178</u>

See notes to basic financial statements.

**City of Dayton**  
**Balance Sheet - Governmental Funds**  
**December 31, 2021**

	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)
<b>Assets</b>				
Cash and investments	\$ 2,310,317	\$ 2,141,922	\$ 246,960	\$ -
Receivables				
Taxes receivable - delinquent	53,785	-	-	-
Accounts receivable	40,937	-	-	-
Interest receivable	21,124	-	-	-
Due from other governments	63,727	-	-	-
Special assessments receivable				
Current	-	8,192	1,638	-
Delinquent	-	2,958	31	-
Deferred	1,435	2,212,762	1,486,978	-
Due from other funds	-	-	-	-
Advances to other funds	50,099	-	-	-
Inventories	18,564	-	-	-
Land held for resale	-	-	-	-
Prepaid items	122,916	-	-	-
	<u>\$ 2,682,904</u>	<u>\$ 4,365,834</u>	<u>\$ 1,735,607</u>	<u>\$ -</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 164,910	\$ -	\$ 1,302	\$ 38,414
Due to other funds	-	-	-	591,257
Advance from other funds	-	-	-	-
Due to other governments	83,472	-	-	-
Salaries and benefits payable	123,500	-	-	-
Unearned revenue	11,584	-	-	-
Total liabilities	<u>383,466</u>	<u>-</u>	<u>1,302</u>	<u>629,671</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	53,785	-	-	-
Advanced appropriations - State Shared Taxes	-	-	-	1,091,809
Unavailable revenue - special assessments	1,435	2,215,720	1,487,009	-
Total deferred inflows of resources	<u>55,220</u>	<u>2,215,720</u>	<u>1,487,009</u>	<u>1,091,809</u>
<b>Fund Balances</b>				
Nonspendable	191,579	-	-	-
Restricted	-	2,150,114	247,296	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,052,639	-	-	(1,721,480)
Total fund balances	<u>2,244,218</u>	<u>2,150,114</u>	<u>247,296</u>	<u>(1,721,480)</u>
	<u>\$ 2,682,904</u>	<u>\$ 4,365,834</u>	<u>\$ 1,735,607</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources, and fund balances				

Capital Projects

Dayton Parkway Interchange (480)	Landscaping Escrow Fund (420)	Other Governmental Funds	Total Governmental Funds
\$ 126,985	\$ 2,334,000	\$ 13,621,306	\$ 20,781,490
-	-	-	53,785
-	-	275,721	316,658
-	-	-	21,124
31,588	-	4,546	99,861
-	-	38	9,868
-	-	739	3,728
-	-	557,117	4,258,292
-	-	605,329	605,329
-	-	-	50,099
-	-	-	18,564
-	-	65,697	65,697
-	-	-	122,916
<u>\$ 158,573</u>	<u>\$ 2,334,000</u>	<u>\$ 15,130,493</u>	<u>\$ 26,407,411</u>
\$ 1,089,399	\$ 2,334,000	\$ 800,083	\$ 4,428,108
-	-	14,072	605,329
-	-	135,813	135,813
24,093	-	2,190	109,755
-	-	-	123,500
-	-	-	11,584
<u>1,113,492</u>	<u>2,334,000</u>	<u>952,158</u>	<u>5,414,089</u>
-	-	-	53,785
-	-	-	1,091,809
-	-	557,856	4,262,020
<u>-</u>	<u>-</u>	<u>557,856</u>	<u>5,407,614</u>
-	-	-	191,579
-	-	2,999,568	5,396,978
-	-	1,017,896	1,017,896
-	-	9,758,237	9,758,237
(954,919)	-	(155,222)	(778,982)
<u>(954,919)</u>	<u>-</u>	<u>13,620,479</u>	<u>15,585,708</u>
<u>\$ 158,573</u>	<u>\$ 2,334,000</u>	<u>\$ 15,130,493</u>	<u>\$ 26,407,411</u>

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**City of Dayton**  
**Reconciliation of the Balance Sheet to**  
**the Statement of Net Position - Governmental Funds**  
**December 31, 2021**

Total fund balances - governmental funds \$ 15,585,708

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	75,070,849
Less accumulated depreciation	(15,808,797)

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	(17,800,000)
Unamortized bond premium	(549,385)
Notes payable	(343,000)
Compensated absences payable	(250,997)
Net pension liability	(1,078,480)

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

Deferred inflows of resources related to pensions	(1,909,392)
Deferred outflows of resources related to pensions	1,591,476

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

43,145

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	53,785
Delinquent special assessments receivable	3,728

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

Deferred special assessments receivable	4,258,292
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Governmental funds do not report a liability for accrued interest due and payable.

(210,949)

Total net position - governmental activities

\$ 58,655,983

**City of Dayton**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended December 31, 2021**

	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)
<b>Revenues</b>				
Property taxes	\$ 3,468,017	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	564,235	185,277	-
Licenses and permits	1,556,875	-	-	-
Intergovernmental	285,807	-	-	260,632
Charges for services	514,725	-	-	-
Fines and forfeitures	36,009	-	-	-
Miscellaneous				
Investment income	(4,281)	(1,022)	(765)	119
Contributions and donations	3,485	-	-	-
Other	78,289	-	-	-
Total revenues	<u>5,938,926</u>	<u>563,213</u>	<u>184,512</u>	<u>260,751</u>
<b>Expenditures</b>				
Current				
General government	1,116,207	-	-	-
Public safety	2,537,657	-	-	-
Public works	1,178,918	-	-	-
Parks and recreation	285,836	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	1,170,000	185,000	-
Interest and other charges	-	383,113	102,927	-
Capital outlay				
General government	21,138	-	-	-
Public safety	9,879	-	-	-
Public works	68,222	-	-	596,116
Parks and recreation	18,161	-	-	-
Total expenditures	<u>5,236,018</u>	<u>1,553,113</u>	<u>287,927</u>	<u>596,116</u>
Excess of revenues over (under) expenditures	702,908	(989,900)	(103,415)	(335,365)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	872,850	-	-
Transfers out	(564,500)	-	-	-
Total other financing sources (uses)	<u>(564,500)</u>	<u>872,850</u>	<u>-</u>	<u>-</u>
Net change in fund balances	138,408	(117,050)	(103,415)	(335,365)
<b>Fund Balances</b>				
Beginning of year	<u>2,105,810</u>	<u>2,267,164</u>	<u>350,711</u>	<u>(1,386,115)</u>
End of year	<u>\$ 2,244,218</u>	<u>\$ 2,150,114</u>	<u>\$ 247,296</u>	<u>\$ (1,721,480)</u>

<u>Capital Projects</u>		
<u>Dayton Parkway Interchange (480)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,482,760	\$ 5,950,777
-	379,395	379,395
-	421,845	421,845
-	157,157	906,669
-	-	1,556,875
13,290,749	100,000	13,937,188
-	4,320,524	4,835,249
-	3,600	39,609
94	(28,333)	(34,188)
-	-	3,485
-	4,750	83,039
<u>13,290,843</u>	<u>7,841,698</u>	<u>28,079,943</u>
-	16,673	1,132,880
-	-	2,537,657
-	-	1,178,918
-	91,839	377,675
-	371,314	371,314
-	713,000	2,068,000
475	109,753	596,268
-	14,662	35,800
-	566,361	576,240
14,554,791	405,994	15,625,123
-	136,486	154,647
<u>14,555,266</u>	<u>2,426,082</u>	<u>24,654,522</u>
(1,264,423)	5,415,616	3,425,421
-	721,382	1,594,232
-	(226,796)	(791,296)
-	<u>494,586</u>	<u>802,936</u>
(1,264,423)	5,910,202	4,228,357
<u>309,504</u>	<u>7,710,277</u>	<u>11,357,351</u>
<u>\$ (954,919)</u>	<u>\$ 13,620,479</u>	<u>\$ 15,585,708</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, 2021**

Net change in fund balances - governmental funds \$ 4,228,357

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	16,154,740
Depreciation expense	(1,656,099)

Compensated absences are recognized as paid in the governmental funds, but recognized as the expense is incurred in the Statement of Activities.	(19,612)
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OPEB costs are recognized as paid in the governmental funds but recognized as the expense incurred in the Statement of Activities.	65,463
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Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
Pension expense	167,603
State aid related to pension expense	11,393

Principal payments on long-term debt are recognized as expenditures in the governmental funds, but have no effect on net position in the Statement of Activities.	2,068,000
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Governmental funds report the effects of bond discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	95,816
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	28,469
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds until measurable and available.	
Deferred special assessments	(590,035)
Delinquent special assessments	(8,679)

Delinquent property taxes receivable will be collected in subsequent years, and, therefore, are deferred in the funds.	<u>12,619</u>
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Change in net position - governmental activities	<u><u>\$ 20,558,035</u></u>
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**City of Dayton**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Property taxes	\$ 3,480,835	\$ 3,468,017	\$ (12,818)
Licenses and permits	594,970	1,556,875	961,905
Intergovernmental revenue	243,345	285,807	42,462
Charges for services	399,400	514,725	115,325
Fines and forfeitures	40,000	36,009	(3,991)
Miscellaneous			
Investment income	28,000	(4,281)	(32,281)
Contributions and donations	-	3,485	3,485
Other	35,000	78,289	43,289
Total revenues	<u>4,821,550</u>	<u>5,938,926</u>	<u>1,117,376</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	958,820	1,116,207	157,387
Public safety	2,350,520	2,537,657	187,137
Public works	1,141,570	1,178,918	37,348
Parks and recreation	262,640	285,836	23,196
<b>Capital outlay</b>			
General government	20,000	21,138	1,138
Public safety	16,000	9,879	(6,121)
Public works	37,000	68,222	31,222
Parks and recreation	35,000	18,161	(16,839)
Total expenditures	<u>4,821,550</u>	<u>5,236,018</u>	<u>414,468</u>
Excess of revenues over (under) expenditures	-	702,908	702,908
<b>Other Financing Sources (Uses)</b>			
Transfers out	-	(564,500)	(564,500)
Total other financing sources (uses)	<u>-</u>	<u>(564,500)</u>	<u>(564,500)</u>
Net change in fund balance	<u>\$ -</u>	138,408	<u>\$ 138,408</u>
<b>Fund Balance</b>			
Beginning of year		<u>2,105,810</u>	
End of year		<u>\$ 2,244,218</u>	

**City of Dayton**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2021**

	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Total</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 3,991,694	\$ 1,505,624	\$ 5,497,318
Accounts receivable	157,705	154,544	312,249
Special assessments receivable	17,190	125,437	142,627
Advances to other funds	42,857	42,857	85,714
Due from other governments	7,244	19,593	26,837
Prepaid expenses	1,477	27,684	29,161
<b>Total current assets</b>	<u>4,218,167</u>	<u>1,875,739</u>	<u>6,093,906</u>
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Land	113,767	-	113,767
Collection and distribution system	15,470,251	14,618,825	30,089,076
Machinery and equipment	61,282	103,616	164,898
Construction in progress	43,909	-	43,909
<b>Total capital assets</b>	<u>15,689,209</u>	<u>14,722,441</u>	<u>30,411,650</u>
Less accumulated depreciation	(4,247,995)	(5,044,027)	(9,292,022)
<b>Net capital assets</b>	<u>11,441,214</u>	<u>9,678,414</u>	<u>21,119,628</u>
<b>Total assets</b>	<u>15,659,381</u>	<u>11,554,153</u>	<u>27,213,534</u>
<b>Deferred outflows of resources related to pensions</b>			
Deferred outflows of resources related to pensions	49,674	43,562	93,236
<b>Total assets and deferred outflows of resources</b>	<u>\$ 15,709,055</u>	<u>\$ 11,597,715</u>	<u>\$ 27,306,770</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 87,696	\$ 6,105	\$ 93,801
Salaries and benefits payable	6,702	5,968	12,670
Due to other governments	248,912	129,202	378,114
Current compensated absences	1,717	1,684	3,401
Unearned revenue	4,919	-	4,919
<b>Total current liabilities</b>	<u>349,946</u>	<u>142,959</u>	<u>492,905</u>
<b>Noncurrent liabilities</b>			
Compensated absences	15,452	15,158	30,610
Net pension liability	55,911	49,032	104,943
<b>Total noncurrent liabilities</b>	<u>71,363</u>	<u>64,190</u>	<u>135,553</u>
<b>Total liabilities</b>	<u>421,309</u>	<u>207,149</u>	<u>628,458</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to pensions	51,209	44,908	96,117
<b>Net Position</b>			
Net investment in capital assets	11,441,214	9,678,414	21,119,628
Restricted for infrastructure replacement	-	11,783	11,783
Unrestricted	3,795,323	1,655,461	5,450,784
<b>Total net position</b>	<u>15,236,537</u>	<u>11,345,658</u>	<u>26,582,195</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 15,709,055</u>	<u>\$ 11,597,715</u>	<u>\$ 27,306,770</u>

See notes to basic financial statements.

**City of Dayton**  
**Statement of Revenues, Expenses, and Changes**  
**in Net Position - Proprietary Funds**  
**Year Ended December 31, 2021**

	Water (601)	Sewer (602)	Total
Operating Revenues			
Charges for services	\$ 1,021,531	\$ 742,192	\$ 1,763,723
Permits, hookup fees, and penalties	167,491	660	168,151
Operating grants and contributions	-	29,900	29,900
Other charges	7,906	7,906	15,812
Total operating revenues	<u>1,196,928</u>	<u>780,658</u>	<u>1,977,586</u>
Operating Expenses			
Wages and salaries	105,846	93,643	199,489
Employee benefits	41,769	37,963	79,732
Materials and supplies	291,067	1,262	292,329
Repairs and maintenance	10,495	20,639	31,134
Contracted services	496,929	343,044	839,973
Utilities	206,788	10,671	217,459
Depreciation	364,585	401,916	766,501
Miscellaneous	13,929	16,265	30,194
Total operating expenses	<u>1,531,408</u>	<u>925,403</u>	<u>2,456,811</u>
Operating loss	(334,480)	(144,745)	(479,225)
Nonoperating Revenues			
Investment income	(6,633)	(2,291)	(8,924)
Connection charges	3,161,495	1,020,834	4,182,329
Capital grants and contributions	353,746	-	353,746
Total nonoperating revenue	<u>3,508,608</u>	<u>1,018,543</u>	<u>4,527,151</u>
Income before transfers	3,174,128	873,798	4,047,926
Transfers out	<u>(467,850)</u>	<u>(335,086)</u>	<u>(802,936)</u>
Change in net position	2,706,278	538,712	3,244,990
Net Position			
Beginning of year	<u>12,530,259</u>	<u>10,806,946</u>	<u>23,337,205</u>
End of year	<u>\$ 15,236,537</u>	<u>\$ 11,345,658</u>	<u>\$ 26,582,195</u>

**City of Dayton**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2021**

	<u>Water (601)</u>	<u>Sewer (602)</u>	<u>Total</u>
<b>Cash Flows - Operating Activities</b>			
Receipts from customers and users	\$ 1,164,756	\$ 754,770	\$ 1,919,526
Payments to suppliers	(1,086,263)	(403,609)	(1,489,872)
Payments to employees	(147,562)	(129,729)	(277,291)
Operating grants and contributions	-	29,900	29,900
Net cash flows - operating activities	<u>(69,069)</u>	<u>251,332</u>	<u>182,263</u>
<b>Cash Flows - Noncapital Financing Activities</b>			
Loan to/from other funds	42,857	42,857	85,714
Transfer to other funds	<u>(467,850)</u>	<u>(335,086)</u>	<u>(802,936)</u>
Net cash flows - noncapital financing activities	<u>(424,993)</u>	<u>(292,229)</u>	<u>(717,222)</u>
<b>Cash Flows - Capital and Related Financing Activities</b>			
Connection charges	3,161,495	1,020,834	4,182,329
Capital grants and contributions	353,746	-	353,746
Acquisition of capital assets	<u>(1,956,738)</u>	<u>(30,390)</u>	<u>(1,987,128)</u>
Net cash flows - capital and related financing activities	<u>1,558,503</u>	<u>990,444</u>	<u>2,548,947</u>
<b>Cash Flows - Investing Activities</b>			
Interest and dividends received	<u>(6,633)</u>	<u>(2,291)</u>	<u>(8,924)</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,057,808	947,256	2,005,064
<b>Cash and Cash Equivalents</b>			
January 1	<u>2,933,886</u>	<u>558,368</u>	<u>3,492,254</u>
December 31	<u>\$ 3,991,694</u>	<u>\$ 1,505,624</u>	<u>\$ 5,497,318</u>
<b>Reconciliation of Operating Loss to Net Cash Flows - Operating Activities</b>			
Operating loss	\$ (334,480)	\$ (144,745)	\$ (479,225)
Adjustments to reconcile operating loss to net cash flows - operating activities			
Unearned revenue	22	-	22
Depreciation expense	364,585	401,916	766,501
Net pension expense	(2,317)	(1,031)	(3,348)
Accounts receivable	(25,030)	(27,039)	(52,069)
Special assessments receivable	(7,173)	25,009	17,836
Due from other governments	9	6,042	6,051
Prepaid items	(1,256)	(6,368)	(7,624)
Accounts payable	(94,925)	(6,747)	(101,672)
Contracts payable	(26,460)	-	(26,460)
Due to other governments	55,586	1,387	56,973
Salaries payable	1,985	1,910	3,895
Compensated absences payable	3,309	3,921	7,230
Total OPEB expense	<u>(2,924)</u>	<u>(2,923)</u>	<u>(5,847)</u>
Total adjustments	<u>265,411</u>	<u>396,077</u>	<u>661,488</u>
Net cash flows - operating activities	<u>\$ (69,069)</u>	<u>\$ 251,332</u>	<u>\$ 182,263</u>

See notes to basic financial statements.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Dayton is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, account groups, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, a certain organization has been defined and is presented in this report as follows:

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

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

**1. Blended Component Unit**

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

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

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

**Description of Funds:**

Major Governmental Funds:

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

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

2020A 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 Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Description of Funds: (Continued)**

Major Governmental Funds: (Continued)

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 Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**1. Deposits and Investments (Continued)**

*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 Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**3. Inventory and Prepaid Items**

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:

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

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**5. Deferred Outflows/Inflows of Resources (Continued)**

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

**6. Compensated Absences**

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

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

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

**7. Long-Term Obligations**

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

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**8. Pensions**

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

**9. Fund Equity**

**a. Classification**

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

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution. Committed balances can only be removed or changed through council resolution.
- **Assigned Fund Balance** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator based on the City Council's direction.
- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9. Fund Equity (Continued)**

**a. Classification (Continued)**

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

**b. Minimum Fund Balance**

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

**10. Net Position**

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. A reclassification of \$6,917,350 was made between this net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**11. Use of Estimates**

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

**E. Budgetary Information**

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgetary Information (Continued)**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balance**

The following Funds had a deficit fund balance at December 31, 2021:

City Wide Transportation Project	\$ 1,721,480
Dayton Parkway Interchange	954,919
TIF No. 16 Sand Companies	336
TIF No. 15 French Lake Industrial Park	13,898
TIF No. 17 Graco	10,089
Sundance Sewer Trunk	121,429
TIF No. 19 CRG	5,805
TIF No. 18 Scannell	3,665

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

**A. Deposits**

**Custodial Credit Risk – Deposits:** For deposits, this is the risk that in the event of bank failure, the City's deposits, and investments may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all deposits will be insured or collateralized in accordance with *Minnesota Statutes* 118A. As of December 31, 2021, 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.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

As of December 31, 2021, the City's book balance for deposits was as follows:

Deposits	\$ 15,687,953
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**B. Investments**

As of December 31, 2021, 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	\$ 1,205,056	\$ -	\$ 776,655	\$ 428,401	\$ -
Government Securities	8,995,209	1,293,651	3,900,759	3,250,730	550,069
Corporate Securities	147,664	-	-	147,664	-
Brokered money market account	141,002	141,002	-	-	-
4M fund	101,924	101,924	-	-	-
Total	\$ 10,590,855	\$ 1,536,577	\$ 4,677,414	\$ 3,826,795	\$ 550,069

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

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. As of December 31, 2021, no investments exceeded 5% of the City's total investments.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all financial institutions and broker/dealers qualified for investment transactions with the City must comply with *Minnesota Statutes* 118A. The policy further states all investment securities will be held by brokers only to the extent SIPC and excess SIPC coverage is available. The City's investments held by the broker-dealer were insured by Securities Investor Protection Corporation (SIPC) or other supplemental insurance as of December 31, 2021. 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.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

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, 2021:

- \$9,142,872 of investments are valued using a quoted market prices (Level 1 inputs)
- \$1,205,056 of investments are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits	\$ 15,687,953
Investments	<u>10,590,855</u>
Total deposits and investments	<u><u>\$ 26,278,808</u></u>

Deposits and investments are presented in the December 31, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments (including cash equivalents)	<u><u>\$ 26,278,808</u></u>

**NOTE 4 – INTERFUND ACTIVITY**

**A. Transfers**

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

	Transfers In		Total
	2014A and 2015A G.O. Improvement Bonds	Other Governmental Funds	
Transfers out			
General Fund	\$ -	\$ 564,500	\$ 564,500
Other governmental funds	196,200	30,596	226,796
Water Fund	467,850	-	467,850
Sewer Fund	208,800	126,286	335,086
Total	<u><u>\$ 872,850</u></u>	<u><u>\$ 721,382</u></u>	<u><u>\$ 1,594,232</u></u>

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 4 – INTERFUND ACTIVITY (CONTINUED)**

**B. Interfund Balances**

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

	Due to Other Funds		
	City Wide Transportation Project	Other Governmental Funds	Total
Due from other funds			
Other Governmental Funds	\$ 591,257	\$ 14,072	\$ 605,329

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	\$ 50,099
Water Fund	42,857
Sewer Fund	42,857
Total	\$ 135,813

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 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>18,337,386</u>	<u>15,732,289</u>	<u>6,841,257</u>	<u>27,228,418</u>
Total capital assets not being depreciated	<u>21,262,848</u>	<u>15,732,289</u>	<u>6,841,257</u>	<u>30,153,880</u>
Capital assets being depreciated				
Buildings and improvements	5,717,830	70,822	8,931	5,779,721
Infrastructure	26,709,598	5,153,931	-	31,863,529
Machinery and equipment	<u>5,234,763</u>	<u>2,038,956</u>	<u>-</u>	<u>7,273,719</u>
Total capital assets being depreciated	<u>37,662,191</u>	<u>7,263,709</u>	<u>8,931</u>	<u>44,916,969</u>
Less accumulated depreciation for				
Buildings and improvements	1,423,957	178,548	8,931	1,593,574
Infrastructure	10,397,478	1,050,732	-	11,448,210
Machinery and equipment	<u>2,340,194</u>	<u>426,819</u>	<u>-</u>	<u>2,767,013</u>
Total accumulated depreciation	<u>14,161,629</u>	<u>1,656,099</u>	<u>8,931</u>	<u>15,808,797</u>
Total capital assets being depreciated, net	<u>23,500,562</u>	<u>5,607,610</u>	<u>-</u>	<u>29,108,172</u>
Governmental activities capital assets, net	<u><u>\$ 44,763,410</u></u>	<u><u>\$ 21,339,899</u></u>	<u><u>\$ 6,841,257</u></u>	<u><u>\$ 59,262,052</u></u>

**City of Dayton**  
**Notes to Basic 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>1,423,382</u>	<u>1,956,739</u>	<u>3,336,212</u>	<u>43,909</u>
Total capital assets not being depreciated	<u>1,537,149</u>	<u>1,956,739</u>	<u>3,336,212</u>	<u>157,676</u>
Capital assets being depreciated				
Collection and distribution system	26,752,865	3,336,211	-	30,089,076
Machinery and equipment	<u>134,508</u>	<u>30,390</u>	-	<u>164,898</u>
Total capital assets being depreciated	<u>26,887,373</u>	<u>3,366,601</u>	<u>-</u>	<u>30,253,974</u>
Less accumulated depreciation for				
Collection and distribution system	8,467,989	749,457	-	9,217,446
Machinery and equipment	<u>57,532</u>	<u>17,044</u>	-	<u>74,576</u>
Total accumulated depreciation	<u>8,525,521</u>	<u>766,501</u>	<u>-</u>	<u>9,292,022</u>
Total capital assets being depreciated, net	<u>18,361,852</u>	<u>2,600,100</u>	<u>-</u>	<u>20,961,952</u>
Business-type activities, capital assets, net	<u>\$ 19,899,001</u>	<u>\$ 4,556,839</u>	<u>\$ 3,336,212</u>	<u>\$ 21,119,628</u>

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

Governmental activities	
General government	\$ 60,441
Public safety	211,880
Public works	1,252,230
Parks and recreation	<u>131,548</u>
Total depreciation expense - governmental activities	<u>\$ 1,656,099</u>
Business-type activities	
Water	\$ 364,585
Sewer	<u>401,916</u>
Total depreciation expense - business-type activities	<u>\$ 766,501</u>

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
Governmental activities						
Bonds payable						
2014A G.O. Refunding	09/09/14	2.0%-3.0%	\$ 9,685,000	02/01/30	\$ 7,265,000	\$ 485,000
2015A G.O. Refunding	01/08/15	2.25%-3.0%	7,430,000	02/01/27	4,985,000	720,000
2016A G.O. CIP	09/01/16	2.00%-2.75%	3,610,000	02/01/37	2,840,000	215,000
2020A G.O. Improvement						
Street reconstruction	06/04/20	2.0%-3.0%	1,935,000	02/01/30	1,750,000	170,000
2015B G.O. Street Reconstruction	05/13/15	2.000%	2,325,000	02/01/23	695,000	345,000
2013A G.O. Utility Revenue	11/20/13	3.0%	2,335,000	02/01/24	265,000	85,000
PFA notes from direct borrowing						
2010A Improvement Notes	05/06/10	1.65%	750,449	08/20/29	343,000	40,000
Unamortized premium					549,385	-
Compensated absences					250,997	25,100
Total governmental activities					<u>18,943,382</u>	<u>2,085,100</u>
Business-type activities						
Compensated absences					34,011	3,401
Total long-term liabilities					<u>\$18,977,393</u>	<u>\$ 2,088,501</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 Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**B. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2021, 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	\$ 4,980,000	\$ -	\$ 390,000	\$ 4,590,000
G.O. Refunding Bonds	13,420,000	-	1,170,000	12,250,000
G.O. Utility Revenue	350,000	-	85,000	265,000
G.O. Street Construction	1,035,000	-	340,000	695,000
Notes from direct borrowing	426,000	-	83,000	343,000
Unamortized premium	645,201	-	95,816	549,385
Compensated absences	231,385	265,242	245,630	250,997
	<u>21,087,586</u>	<u>265,242</u>	<u>2,409,446</u>	<u>18,943,382</u>
Total governmental activities				
Business-type activities				
Compensated absences	26,781	30,589	23,359	34,011
	<u>26,781</u>	<u>30,589</u>	<u>23,359</u>	<u>34,011</u>
Total long-term liabilities	<u>\$ 21,114,367</u>	<u>\$ 295,831</u>	<u>\$ 2,432,805</u>	<u>\$ 18,977,393</u>

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

**C. Long-Term Debt**

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

Year Ended December 31,	Governmental Activities			
	G.O. Improvement Bonds		PFA - Notes from Direct Borrowing	
	Principal	Interest	Principal	Interest
2022	\$ 385,000	\$ 105,563	\$ 40,000	\$ 5,673
2023	330,000	96,663	41,000	5,012
2024	340,000	88,137	42,000	4,333
2025	345,000	79,412	43,000	3,639
2026	355,000	70,487	43,000	2,928
2027-2031	1,680,000	229,394	134,000	4,449
2032-2036	950,000	92,544	-	-
2037	205,000	2,819	-	-
Total	<u>\$ 4,590,000</u>	<u>\$ 765,019</u>	<u>\$ 343,000</u>	<u>\$ 26,034</u>

Year Ended December 31,	Governmental Activities			
	G.O. Street Reconstruction		G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 345,000	\$ 10,450	\$ 1,205,000	\$ 346,588
2023	350,000	3,500	1,240,000	305,088
2024	-	-	1,270,000	265,731
2025	-	-	1,315,000	228,556
2026	-	-	1,360,000	191,587
2027-2031	-	-	5,860,000	355,519
Total	<u>\$ 695,000</u>	<u>\$ 13,950</u>	<u>\$ 12,250,000</u>	<u>\$ 1,693,069</u>

Year Ended December 31,	Governmental Activities			
	G.O. Utility Revenue		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2022	\$ 85,000	\$ 6,675	\$ 2,060,000	\$ 474,949
2023	90,000	4,050	2,051,000	414,313
2024	90,000	1,350	1,742,000	359,551
2025	-	-	1,703,000	311,607
2026	-	-	1,758,000	265,002
2027-2031	-	-	7,674,000	589,362
2032-2036	-	-	950,000	92,544
2037	-	-	205,000	2,819
Total	<u>\$ 265,000</u>	<u>\$ 12,075</u>	<u>\$ 18,143,000</u>	<u>\$ 2,510,147</u>

**City of Dayton**  
**Notes to Basic 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
<b>Nonspendable</b>							
Advances to other funds	\$ 50,099	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,099
Inventory	18,564	-	-	-	-	-	18,564
Prepaid items	122,916	-	-	-	-	-	122,916
Total nonspendable	<u>191,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,579</u>
<b>Restricted</b>							
Debt service	-	2,150,114	247,296	-	-	1,009,899	3,407,309
Police forfeitures	-	-	-	-	-	8,920	8,920
TIF districts	-	-	-	-	-	63,360	63,360
Park dedication	-	-	-	-	-	1,917,389	1,917,389
Total restricted	<u>-</u>	<u>2,150,114</u>	<u>247,296</u>	<u>-</u>	<u>-</u>	<u>2,999,568</u>	<u>5,396,978</u>
<b>Committed</b>							
Cable fund	-	-	-	-	-	198,114	198,114
EDA	-	-	-	-	-	487,274	487,274
Gambling	-	-	-	-	-	426	426
Equipment purchases	-	-	-	-	-	163,659	163,659
Park development	-	-	-	-	-	168,423	168,423
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,017,896</u>	<u>1,017,896</u>
<b>Assigned</b>							
Park trails	-	-	-	-	-	2,040,140	2,040,140
Capital projects	-	-	-	-	-	7,718,097	7,718,097
Total unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,758,237</u>	<u>9,758,237</u>
<b>Unassigned</b>							
	<u>2,052,639</u>	<u>-</u>	<u>-</u>	<u>(1,721,480)</u>	<u>(954,919)</u>	<u>(155,222)</u>	<u>(778,982)</u>
Total fund balance	<u>\$ 2,244,218</u>	<u>\$ 2,150,114</u>	<u>\$ 247,296</u>	<u>\$ (1,721,480)</u>	<u>\$ (954,919)</u>	<u>\$ 13,620,479</u>	<u>\$ 15,585,708</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 2021 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

At December 31, 2021, 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, 2021, was \$155,392. The components of pension expense are noted in the following plan summaries.

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

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Plan**

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

**Public Employees Police and Fire Plan**

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

**B. Benefits Provided**

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

**City of Dayton**  
**Notes to Basic Financial Statements**

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

Police and Fire Plan Benefits

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

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

**C. Contributions**

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 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 2021 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, 2021, were \$96,084. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2021, were \$146,769. 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, 2021, the City reported a liability of \$687,542 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 \$21,007. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0161% at the end of the measurement period and 0.0149% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 687,542
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>21,007</u>
Total	<u><u>\$ 708,549</u></u>

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2021, the City recognized pension expense of \$116,870 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$1,695 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, 2021, 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	\$ 3,280	\$ 20,860
Changes in actuarial assumptions	419,799	13,355
Net collective difference between projected and actual investment earnings	-	595,507
Changes in proportion	139,721	-
Contributions paid to PERA subsequent to the measurement date	48,042	-
Total	\$ 610,842	\$ 629,722

The \$48,042 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, 2022. 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
2022	\$ 45,342
2023	39,252
2024	10,892
2025	(162,408)
Total	\$ (66,922)

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$495,881 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0650% at the end of the measurement period and 0.0661% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2020. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although it is not anticipated that they will be phased out during the fiscal year ended 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer pension allocation schedules for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2021, the City recognized pension expense of \$17,954 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$4,107 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$5,850 for the year ended December 31, 2021, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

Police and Fire Fund Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 94,709	\$ -
Changes in actuarial assumptions	737,413	220,379
Net collective difference between projected and actual investment earnings	-	952,642
Changes in proportion	86,281	25,462
Contributions paid to PERA subsequent to the measurement date	<u>73,384</u>	<u>-</u>
Total	<u>\$ 991,787</u>	<u>\$ 1,198,483</u>

The \$73,384 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, 2022. 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>
2022	\$ (266,412)
2023	(35,331)
2024	(45,202)
2025	(92,149)
2026	<u>159,014</u>
Total	<u>\$ (280,080)</u>

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Long-Term Expected Return on Investment**

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

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

**F. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

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

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

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

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

Changes in Actuarial Assumptions (Continued)

- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net 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.

**H. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 1,402,235	\$ 687,542	\$ 101,093
City's proportionate share of the Police and Fire Fund net pension liability	\$ 1,587,061	\$ 495,881	\$ (398,616)

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 9 – PENSION PLANS (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**I. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://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, 2020, the following employees were covered by the benefit terms:

Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>21</u>
Total	<u><u>28</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 \$49,410 made by the State of Minnesota for the Relief Association.

**City of Dayton**  
**Notes to Basic 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

*Actuarial Assumptions:*

The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

**City of Dayton**  
**Notes to Basic 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 5.75%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

**F. Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 504,869	\$ 380,812	\$ 124,057
Changes for the year			
Service cost	35,374	-	35,374
Interest	29,874	-	29,874
Difference between expected and actual experience	(112,314)	-	(112,314)
Changes in assumptions	7,593	-	7,593
State and municipal contributions	-	78,897	(78,897)
Gain or loss	-	58,746	(58,746)
Benefit payments, including refunds of employee contributions	(84,688)	(84,688)	-
Administrative expense	-	(9,914)	9,914
Net changes	(124,161)	43,041	(167,202)
Balances at December 31, 2021	\$ 380,708	\$ 423,853	\$ (43,145)

**City of Dayton**  
**Notes to Basic 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 5.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	1% Decrease in Discount Rate (4.75%)	Current Discount Rate Rate (5.75%)	1% Increase in Discount Rate (6.75%)
City's net pension liability (asset)	\$ (25,078)	\$ (43,145)	\$ (60,407)

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, 2021, the City recognized pension expense of \$20,568. At December 31, 2021, 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	\$ -	\$ 54,401
Change of assumptions	9,237	13,526
Difference between expected and actual liability	23,436	109,377
Contributions paid to Relief subsequent to the measurement date	49,410	-
Total	\$ 82,083	\$ 177,304

**City of Dayton**  
**Notes to Basic 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)**

\$49,410 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, 2022. 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
2022	\$ (33,592)
2023	(25,893)
2024	(29,372)
2025	(14,644)
2026	(6,969)
Thereafter	(34,161)
Total	\$ (144,631)

**NOTE 10 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, 2021, the City generated \$379,394 in tax increment revenue and made \$341,649 in payments to developers.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

At December 31, 2021, the City had outstanding construction contract commitments totaling \$1,172,591.

**City of Dayton**  
**Notes to Basic Financial Statements**

**NOTE 12 – 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0090%	\$ 466,427	\$ -	\$ 466,427	\$ 518,613	89.9%	78.19%
2016	0.0097%	787,592	10,258	797,850	599,760	131.3%	68.91%
2017	0.0099%	632,009	7,914	639,923	635,107	99.5%	75.90%
2018	0.0111%	615,782	20,262	636,044	746,387	82.5%	79.53%
2019	0.0125%	691,097	21,499	712,596	887,280	77.9%	80.23%
2020	0.0149%	893,323	27,620	920,943	1,063,773	84.0%	79.06%
2021	0.0161%	687,542	21,007	708,549	1,159,987	59.3%	87.00%

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

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

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0500%	\$ 568,117	\$ -	\$ 568,117	\$ 442,198	128.5%	86.61%
2016	0.0530%	2,126,982	-	2,126,982	512,105	415.3%	63.88%
2017	0.0510%	683,971	-	683,971	527,062	129.8%	85.43%
2018	0.0553%	584,464	-	584,464	583,309	100.2%	88.84%
2019	0.0608%	639,069	-	639,069	627,475	101.8%	89.26%
2020	0.0661%	865,320	20,539	885,859	730,339	118.5%	87.19%
2021	0.0650%	495,881	22,549	518,430	768,011	64.6%	93.66%

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

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered 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%
2021	96,084	96,084	-	1,281,120	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%
2021	146,769	146,769	-	829,203	17.70%

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employer			
Statutorily determined contribution (SDC)	\$ 6,762	\$ -	\$ -
Contribution in relation to the SDC	<u>6,762</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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, 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.

2017	2018	2019	2020	2021
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 38,803	\$ 39,363	\$ 41,288	\$ 45,076	\$ 49,410
n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a

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

	Measurement Date		
	2014	2015	2016
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	2020
\$	17,214	\$ 18,045	\$ 27,258	\$ 35,374
	33,453	29,994	28,109	29,874
	-	35,292	-	(112,314)
	3,224	1,750	-	7,593
	-	86,955	134,449	-
	(46,000)	(132,958)	(252,359)	(84,688)
	7,891	39,078	(62,543)	(124,161)
	520,443	528,334	567,412	504,869
\$	528,334	\$ 567,412	\$ 504,869	\$ 380,708
\$	-	\$ -	\$ -	\$ -
	48,403	56,363	60,288	78,897
	71,389	(14,020)	81,278	58,746
	-	-	200	-
	(46,000)	(132,958)	(252,359)	(84,688)
	(10,986)	(10,118)	(8,234)	(9,914)
	62,806	(100,733)	(118,827)	43,041
	537,566	600,372	499,639	380,812
\$	600,372	\$ 499,639	\$ 380,812	\$ 423,853
\$	(72,038)	\$ 67,773	\$ 124,057	\$ (43,145)
	113.63%	88.06%	75.43%	111.33%
	n/a	n/a	n/a	n/a

**City of Dayton**  
**Notes to Required Supplementary Information**

**General Employees Fund**

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

**City of Dayton**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2019 Changes (Continued)**

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**City of Dayton**  
**Notes to Required Supplementary Information**

**General Employees Fund (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**City of Dayton**  
**Notes to Required Supplementary Information**

**Police and Fire Fund**

**2021 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019 Changes**

Changes in Actuarial Assumptions

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

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.

**City of Dayton**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**2018 Changes (Continued)**

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

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

**City of Dayton**  
**Notes to Required Supplementary Information**

**Police and Fire Fund (Continued)**

**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**

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial Assumptions

- None

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**SUPPLEMENTARY INFORMATION**

**City of Dayton**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Revenues</b>			
Property taxes	\$ 3,480,835	\$ 3,468,017	\$ (12,818)
Licenses and permits	594,970	1,556,875	961,905
Intergovernmental			
Market value homestead credit	11,930	12,984	1,054
PERA aid	1,415	-	(1,415)
Fire aid	50,000	50,410	410
Police aid	60,000	82,814	22,814
Federal grants	25,000	19,284	(5,716)
Other grants and aids	95,000	120,315	25,315
Total intergovernmental	<u>243,345</u>	<u>285,807</u>	<u>42,462</u>
Charges for services			
General government	383,200	496,132	112,932
Public safety	12,700	1,065	(11,635)
Public works	2,500	17,042	14,542
Parks and recreation	1,000	486	(514)
Total charges for services	<u>399,400</u>	<u>514,725</u>	<u>115,325</u>
Fines and forfeitures	40,000	36,009	(3,991)
Miscellaneous			
Investment income	28,000	(4,281)	(32,281)
Contributions and Donations	-	3,485	3,485
Other	35,000	78,289	43,289
Total miscellaneous	<u>63,000</u>	<u>77,493</u>	<u>14,493</u>
Total revenues	<u>4,821,550</u>	<u>5,938,926</u>	<u>1,117,376</u>
<b>Expenditures</b>			
General government			
Mayor and council	65,340	54,074	(11,266)
Administrative and finance	460,920	516,088	55,168
Other general government	432,560	546,045	113,485
Capital outlay	20,000	21,138	1,138
Total general government	<u>978,820</u>	<u>1,137,345</u>	<u>158,525</u>

**City of Dayton**  
**Detailed Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended December 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
<b>Expenditures</b>			
Public safety			
Police			
Current	\$ 1,657,020	\$ 1,591,985	\$ (65,035)
Capital outlay	16,000	9,879	(6,121)
Total police	<u>1,673,020</u>	<u>1,601,864</u>	<u>(71,156)</u>
Fire			
Current	323,420	362,007	38,587
Other public safety:			
Current	370,080	583,665	213,585
Total public safety	<u>2,366,520</u>	<u>2,547,536</u>	<u>181,016</u>
Public works			
Streets and highways			
Street maintenance and storm sewers	949,570	980,071	30,501
Street lighting	50,500	52,946	2,446
Street construction capital outlay	37,000	-	(37,000)
Capital outlay	-	68,222	68,222
Total streets and highways	<u>1,037,070</u>	<u>1,101,239</u>	<u>64,169</u>
Sanitation			
Recycling	141,500	145,901	4,401
Total public works	<u>1,178,570</u>	<u>1,247,140</u>	<u>68,570</u>
Parks and recreation			
Current	262,640	285,836	23,196
Capital outlay	35,000	18,161	(16,839)
Total parks and recreation	<u>297,640</u>	<u>303,997</u>	<u>6,357</u>
Total expenditures	<u>4,821,550</u>	<u>5,236,018</u>	<u>414,468</u>
Excess of revenues over (under) expenditures	-	702,908	702,908
<b>Other Financing Sources (Uses)</b>			
Transfers out	-	(564,500)	(564,500)
Total other financing sources (uses)	<u>-</u>	<u>(564,500)</u>	<u>(564,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>138,408</u>	<u>\$ 138,408</u>
<b>Fund Balance</b>			
Beginning of year		<u>2,105,810</u>	
End of year		<u>\$ 2,244,218</u>	

**City of Dayton  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2021**

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
<b>Assets</b>				
Cash and investments	\$ 181,309	\$ 487,274	\$ 8,920	\$ 426
Accounts receivable	17,573	-	-	-
Due from other governments	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Land held for resale	-	-	-	-
	-	-	-	-
Total assets	\$ 198,882	\$ 487,274	\$ 8,920	\$ 426
<b>Liabilities</b>				
Accounts and contracts payable	\$ 768	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	768	-	-	-
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	-
<b>Fund Balances</b>				
Restricted	-	-	8,920	-
Committed	198,114	487,274	-	426
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	198,114	487,274	8,920	426
Total liabilities, deferred inflows of resources, and fund balances	\$ 198,882	\$ 487,274	\$ 8,920	\$ 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)
\$ -	\$ 230,456	\$ 675,594	\$ 55,754	\$ 48,557	\$ 164,159	\$ 168,423
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	38	-	-
739	-	-	-	-	-	-
-	-	-	-	557,117	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 739</u>	<u>\$ 230,456</u>	<u>\$ 675,594</u>	<u>\$ 55,754</u>	<u>\$ 605,712</u>	<u>\$ 164,159</u>	<u>\$ 168,423</u>
\$ -	\$ -	\$ 500	\$ -	\$ -	\$ 500	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	500	-	-	500	-
-	-	-	-	-	-	-
<u>739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,117</u>	<u>-</u>	<u>-</u>
-	230,456	675,094	55,754	48,595	-	-
-	-	-	-	-	163,659	168,423
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>230,456</u>	<u>675,094</u>	<u>55,754</u>	<u>48,595</u>	<u>163,659</u>	<u>168,423</u>
<u>\$ 739</u>	<u>\$ 230,456</u>	<u>\$ 675,594</u>	<u>\$ 55,754</u>	<u>\$ 605,712</u>	<u>\$ 164,159</u>	<u>\$ 168,423</u>

**City of Dayton  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2021**

	Capital Projects			
	Park Dedication Fund (405)	Pavement Management and Improvements Fund (414)	Stormwater (415)	Capital Facilities Fund (410)
<b>Assets</b>				
Cash and investments	\$ 1,940,591	\$ 1,446,304	\$ 2,193,250	\$ 775,805
Accounts receivable	-	99,462	-	-
Due from other governments	-	4,546	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	591,257	-	-
Land held for resale	-	-	-	-
	<u>\$ 1,940,591</u>	<u>\$ 2,141,569</u>	<u>\$ 2,193,250</u>	<u>\$ 775,805</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 23,202	\$ 68,514	\$ 6,417	\$ 1,588
Due to other funds	-	-	-	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>23,202</u>	<u>68,514</u>	<u>6,417</u>	<u>1,588</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	-
<b>Fund Balances</b>				
Restricted	1,917,389	-	-	-
Committed	-	-	-	-
Assigned	-	2,073,055	2,186,833	774,217
Unassigned	-	-	-	-
Total fund balances	<u>1,917,389</u>	<u>2,073,055</u>	<u>2,186,833</u>	<u>774,217</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,940,591</u>	<u>\$ 2,141,569</u>	<u>\$ 2,193,250</u>	<u>\$ 775,805</u>

Capital Projects

Temporary Financing Fund (409)	Park Capital Equipment (406)	TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	TIF No. 17 - Graco (436)	Sundance Sewer Trunk (479)
\$ 2,609,000	\$ 14,976	\$ 141,849	\$ 24,307	\$ 38,976	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	14,072	-	-	-	-
<u>65,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,674,697</u>	<u>\$ 14,976</u>	<u>\$ 155,921</u>	<u>\$ 24,307</u>	<u>\$ 38,976</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,681	\$ -	\$ 91,723	\$ 24,033	\$ 37,748	\$ 1,822	\$ -
-	-	-	-	-	8,267	-
-	-	-	-	14,384	-	121,429
-	-	838	610	742	-	-
<u>5,681</u>	<u>-</u>	<u>92,561</u>	<u>24,643</u>	<u>52,874</u>	<u>10,089</u>	<u>121,429</u>
-	-	-	-	-	-	-
-	-	63,360	-	-	-	-
-	-	-	-	-	-	-
2,669,016	14,976	-	-	-	-	-
-	-	-	(336)	(13,898)	(10,089)	(121,429)
<u>2,669,016</u>	<u>14,976</u>	<u>63,360</u>	<u>(336)</u>	<u>(13,898)</u>	<u>(10,089)</u>	<u>(121,429)</u>
<u>\$ 2,674,697</u>	<u>\$ 14,976</u>	<u>\$ 155,921</u>	<u>\$ 24,307</u>	<u>\$ 38,976</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Dayton  
Combining Balance Sheet -  
Nonmajor Governmental Funds  
December 31, 2021**

	Capital Projects			
	Park Trail Development (408)	Developer Escrow Fund(411)	TIF No. 19 - CRG (428)	TIF 18 - Scannell (429)
<b>Assets</b>				
Cash and investments	\$ 2,040,684	\$ 300,107	\$ -	\$ 2,585
Accounts receivable	-	158,686	-	-
Due from other governments	-	-	-	-
Special assessments receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Deferred	-	-	-	-
Due from other funds	-	-	-	-
Land held for resale	-	-	-	-
	<u>\$ 2,040,684</u>	<u>\$ 458,793</u>	<u>\$ -</u>	<u>\$ 2,585</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 544	\$ 458,793	\$ -	\$ 6,250
Due to other funds	-	-	5,805	-
Advance from other funds	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	<u>544</u>	<u>458,793</u>	<u>5,805</u>	<u>6,250</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	-	-	-	-
<b>Fund Balances</b>				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	2,040,140	-	-	-
Unassigned	-	-	(5,805)	(3,665)
Total fund balances	<u>2,040,140</u>	<u>-</u>	<u>(5,805)</u>	<u>(3,665)</u>
	<u>\$ 2,040,684</u>	<u>\$ 458,793</u>	<u>\$ -</u>	<u>\$ 2,585</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,040,684</u>	<u>\$ 458,793</u>	<u>\$ -</u>	<u>\$ 2,585</u>

Capital Projects

<u>ROW Escrow Fund(421)</u>	<u>Total Other Governmental Funds</u>
\$ 72,000	\$ 13,621,306
-	275,721
-	4,546
-	38
-	739
-	557,117
-	605,329
-	65,697
<u>\$ 72,000</u>	<u>\$ 15,130,493</u>
\$ 72,000	\$ 800,083
-	14,072
-	135,813
-	2,190
<u>72,000</u>	<u>952,158</u>
-	<u>557,856</u>
-	2,999,568
-	1,017,896
-	9,758,237
-	(155,222)
-	<u>13,620,479</u>
<u>\$ 72,000</u>	<u>\$ 15,130,493</u>

**City of Dayton**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**

	Special Revenue			
	Cable Fund (226)	EDA (225)	Police Forfeiture (235)	Gambling (227)
<b>Revenues</b>				
Property taxes	\$ -	\$ 167,760	\$ -	\$ -
Tax increments	-	-	-	-
Franchise fees	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	54,978	-	-	-
Fines and forfeitures	-	-	3,600	-
Miscellaneous				
Investment income	(392)	(896)	-	-
Other	-	-	-	-
Total revenues	<u>54,586</u>	<u>166,864</u>	<u>3,600</u>	<u>-</u>
<b>Expenditures</b>				
Current				
General government	14,922	-	-	-
Park and recreation	-	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	14,376	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	<u>29,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>25,288</u>	<u>166,864</u>	<u>3,600</u>	<u>-</u>
<b>Other Financing</b>				
<b>Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	25,288	166,864	3,600	-
<b>Fund Balances</b>				
Beginning of year	<u>172,826</u>	<u>320,410</u>	<u>5,320</u>	<u>426</u>
End of year	<u>\$ 198,114</u>	<u>\$ 487,274</u>	<u>\$ 8,920</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)
\$ -	\$ 210,000	\$ 115,000	\$ 325,000	\$ -	\$ 880,000	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
61,463	-	-	-	95,694	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	9,000
-	-	-	-	-	-	-
53	(368)	(474)	(12)	(764)	(225)	(323)
-	-	-	-	-	1,750	-
<u>61,516</u>	<u>209,632</u>	<u>114,526</u>	<u>324,988</u>	<u>94,930</u>	<u>881,525</u>	<u>8,677</u>
-	-	500	-	-	1,251	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
43,000	205,000	85,000	340,000	40,000	-	-
1,398	69,588	9,800	17,775	6,335	-	-
-	-	-	-	-	286	-
-	-	-	-	-	566,361	-
-	-	-	-	-	14,661	-
-	-	-	-	-	-	-
<u>44,398</u>	<u>274,588</u>	<u>95,300</u>	<u>357,775</u>	<u>46,335</u>	<u>582,559</u>	<u>-</u>
<u>17,118</u>	<u>(64,956)</u>	<u>19,226</u>	<u>(32,787)</u>	<u>48,595</u>	<u>298,966</u>	<u>8,677</u>
-	-	30,596	-	-	-	-
<u>(30,596)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(30,596)</u>	<u>-</u>	<u>30,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(13,478)	(64,956)	49,822	(32,787)	48,595	298,966	8,677
<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>\$ -</u>	<u>\$ 230,456</u>	<u>\$ 675,094</u>	<u>\$ 55,754</u>	<u>\$ 48,595</u>	<u>\$ 163,659</u>	<u>\$ 168,423</u>

**City of Dayton**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended December 31, 2021**

	Capital Projects			
	Park Dedication Fund (405)	Pavement Management and Improvements Fund (414)	Stormwater (415)	Capital Facilities Fund (410)
<b>Revenues</b>				
Property taxes	\$ -	\$ 200,000	\$ -	\$ 570,000
Tax increments	-	-	-	-
Franchise fees	-	421,845	-	-
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,349,152	255,850	1,416,440	-
Fines and forfeitures	-	-	-	-
Miscellaneous				
Investment income	(4,300)	(6,793)	(4,944)	(1,365)
Other	-	-	-	-
Total revenues	<u>1,344,852</u>	<u>870,902</u>	<u>1,411,496</u>	<u>568,635</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	-
Park and recreation	21,803	-	-	-
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	183,512	67,872	97,399
Parks and recreation	36,486	-	-	-
Total expenditures	<u>58,289</u>	<u>183,512</u>	<u>67,872</u>	<u>97,399</u>
Excess of revenues over (under) expenditures	<u>1,286,563</u>	<u>687,390</u>	<u>1,343,624</u>	<u>471,236</u>
<b>Other Financing</b>				
<b>Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(196,200)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(196,200)</u>	<u>-</u>
Net change in fund balances	1,286,563	687,390	1,147,424	471,236
<b>Fund Balances</b>				
Beginning of year	<u>630,826</u>	<u>1,385,665</u>	<u>1,039,409</u>	<u>302,981</u>
End of year	<u>\$ 1,917,389</u>	<u>\$ 2,073,055</u>	<u>\$ 2,186,833</u>	<u>\$ 774,217</u>

Capital Projects

Temporary Financing Fund (409)	Park Capital Equipment (406)	TIF No. 14 - Liberty Fund (438)	TIF No. 16 Sand Companies (435)	TIF No. 15 French Lake Industrial Park (477)	TIF No. 17 - Graco (436)	Sundance Sewer Trunk (479)
\$ -	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	203,828	53,408	122,159	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(2,853)	(24)	(119)	(13)	(9)	-	(1)
-	-	-	-	-	-	-
<u>(2,853)</u>	<u>14,976</u>	<u>203,709</u>	<u>53,395</u>	<u>122,150</u>	<u>-</u>	<u>(1)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	193,290	48,676	115,067	1,821	-
-	-	-	-	-	-	-
-	-	-	-	-	-	4,857
-	-	-	-	-	-	-
-	-	-	-	-	-	-
42,550	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>42,550</u>	<u>-</u>	<u>193,290</u>	<u>48,676</u>	<u>115,067</u>	<u>1,821</u>	<u>4,857</u>
<u>(45,403)</u>	<u>14,976</u>	<u>10,419</u>	<u>4,719</u>	<u>7,083</u>	<u>(1,821)</u>	<u>(4,858)</u>
564,500	-	-	-	-	-	126,286
-	-	-	-	-	-	-
<u>564,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,286</u>
519,097	14,976	10,419	4,719	7,083	(1,821)	121,428
2,149,919	-	52,941	(5,055)	(20,981)	(8,268)	(242,857)
<u>\$ 2,669,016</u>	<u>\$ 14,976</u>	<u>\$ 63,360</u>	<u>\$ (336)</u>	<u>\$ (13,898)</u>	<u>\$ (10,089)</u>	<u>\$ (121,429)</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, 2021**

	<u>Capital Projects</u>		<u>Capital Projects</u>	
	Park Trail Development (408)	TIF No. 19 - CRG (428)	TIF 18 - Scannell (429)	Total Other Governmental Funds
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 2,482,760
Tax increments	-	-	-	379,395
Franchise fees	-	-	-	421,845
Special assessments	-	-	-	157,157
Intergovernmental	100,000	-	-	100,000
Charges for services	1,235,104	-	-	4,320,524
Fines and forfeitures	-	-	-	3,600
Miscellaneous				
Investment income	(4,501)	-	(10)	(28,333)
Other	-	-	3,000	4,750
Total revenues	<u>1,330,603</u>	<u>-</u>	<u>2,990</u>	<u>7,841,698</u>
<b>Expenditures</b>				
Current				
General government	-	-	-	16,673
Park and recreation	70,036	-	-	91,839
Economic development	-	5,805	6,655	371,314
Debt service				
Principal	-	-	-	713,000
Interest and other charges	-	-	-	109,753
Capital outlay				
General government	-	-	-	14,662
Public safety	-	-	-	566,361
Public works	-	-	-	405,994
Parks and recreation	100,000	-	-	136,486
Total expenditures	<u>170,036</u>	<u>5,805</u>	<u>6,655</u>	<u>2,426,082</u>
Excess of revenues over (under) expenditures	<u>1,160,567</u>	<u>(5,805)</u>	<u>(3,665)</u>	<u>5,415,616</u>
<b>Other Financing</b>				
<b>Sources (Uses)</b>				
Transfers in	-	-	-	721,382
Transfers out	-	-	-	(226,796)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,586</u>
Net change in fund balances	1,160,567	(5,805)	(3,665)	5,910,202
<b>Fund Balances</b>				
Beginning of year	<u>879,573</u>	<u>-</u>	<u>-</u>	<u>7,710,277</u>
End of year	<u>\$ 2,040,140</u>	<u>\$ (5,805)</u>	<u>\$ (3,665)</u>	<u>\$ 13,620,479</u>

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**City of Dayton**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

<u>Federal Grantor/Pass-Through Grantor/Grant Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>Department of Treasury</b>		
Passed through Minnesota Management and Budget:		
COVID - American Rescue Plan Act	21.027	\$ 353,746
<b>Department of Agriculture</b>		
Passed through Minnesota Department of Natural Resources		
Cooperative Forestry Assistance	10.664	1,695
<b>Department of Transportation</b>		
Passed through Minnesota Management and Budget:		
Highway Planning and Construction	20.205	<u>1,605,495</u>
Total federal expenditures		<u>\$ 1,960,936</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 accrual 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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

**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 Questioned Costs as Audit Finding 2021-001 that we consider 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 the response.

### **Purpose of this Report**

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



Minneapolis, Minnesota  
May 9, 2022

**Report on Compliance for each Major Federal Program  
and Report on Internal Control over Compliance Required by  
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**

**Opinion on Each Major Federal Program**

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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.

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Bergan KDV Ltd .*

Minneapolis, Minnesota  
May 9, 2022

**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 2021-001

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? None reported

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

CFDA No.: 21.027  
 Name of Federal Program or Cluster: COVID-19 American Rescue Plan Act

Auditee qualified as low risk auditee? No

**City of Dayton**  
**Schedule of Finding and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2021-001**

*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

**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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 9, 2022.

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

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

*Bergan KDV Ltd.*

Minneapolis, Minnesota  
May 9, 2022