

**NEW ISSUE
BANK QUALIFIED**

S&P Rating: Requested

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect) and, assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, is excluded from taxable net income of individuals, estates, or trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

\$2,200,000*

**City of Dundas, Minnesota
General Obligation Capital Improvement Plan Bonds, Series 2020A
(Book Entry Only)**

Dated Date: Date of Delivery

**Interest Due: Each February 1 and August 1,
commencing August 1, 2020**

The Bonds (as defined herein) will mature February 1 in the years and amounts* as follows:

2021	\$90,000	2025	\$ 95,000	2029	\$105,000	2033	\$115,000	2037	\$125,000
2022	\$95,000	2026	\$100,000	2030	\$105,000	2034	\$115,000	2038	\$130,000
2023	\$95,000	2027	\$100,000	2031	\$110,000	2035	\$120,000	2039	\$130,000
2024	\$95,000	2028	\$105,000	2032	\$110,000	2036	\$125,000	2040	\$135,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above.

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029 at a price of par plus accrued interest.

The Bonds are general obligations of the City for which the City pledges its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance various capital improvement projects within the City.

Proposals shall be for not less than \$2,169,200 plus accrued interest, if any, on the total principal amount of the Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Following receipt of proposals, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Bonds will be made on the basis of True Interest Cost (TIC).

The City will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, and the Bonds will not be subject to the alternative minimum tax for individuals.

The Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Bonds purchased. (See "Book Entry System" herein.) U.S. Bank National Association, Saint Paul, Minnesota will serve as registrar (the "Registrar") for the Bonds. The Bonds will be available for delivery at DTC on or about January 16, 2020.

PROPOSALS RECEIVED: Monday, December 9, 2019 until 10:00 A.M., Central Time
CONSIDERATION OF AWARD: City Council meeting commencing at 7:00 P.M., Central Time on Monday, December 9, 2019



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* Preliminary; subject to change.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OF DUNDAS, MINNESOTA

CITY COUNCIL

Glenn Switzer
John Cruz
Larry Fowler
Grant Modory
Chad Pribyl

Mayor
Council Member
Council Member
Council Member
Council Member

CITY ADMINISTRATOR/CLERK

Jenelle Teppen

DEPUTY CLERK/TREASURER

Linda Ripka

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors, LLC
Saint Paul, Minnesota

BOND COUNSEL

Kennedy & Graven, Chartered
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Bonds.

TABLE OF CONTENTS

	<u>Page(s)</u>
Terms of Proposal	i-v
Introductory Statement.....	1
Continuing Disclosure	1
The Bonds	2
Authority and Purpose	4
Sources and Uses of Funds	4
Security and Financing	5
Future Financing	5
Litigation.....	5
Legality	5
Tax Exemption.....	5
Bank-Qualified Tax-Exempt Obligations	7
Rating.....	7
Municipal Advisor	8
Certification	8
City Property Values.....	9
City Indebtedness.....	10
City Tax Rates, Levies and Collections	12
Funds on Hand	13
Investments	13
General Information Concerning the City	14
Governmental Organization and Services.....	18
Proposed Form of Legal Opinion	Appendix I
Continuing Disclosure Certificate.....	Appendix II
Summary of Tax Levies, Payment Provisions, and Minnesota Real Property Valuation	Appendix III
Excerpt of 2018 Annual Financial Statements	Appendix IV

THE CITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

\$2,200,000*

CITY OF DUNDAS, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the “Bonds”) will be received by City of Dundas, Minnesota (the “City”) on Monday, December 9, 2019 (the “Sale Date”) until 10:00 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at its meeting commencing at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Proposals may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed proposals, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final proposal price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted proposal.

OR

(b) ***Electronic Bidding.*** Notice is hereby given that electronic proposals will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal.* Neither the City, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents, nor PARITY® shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY® is not an agent of the City.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
Customer Support: (212) 849-5000

* *Preliminary; subject to change.*

Baker Tilly Municipal Advisors, LLC is a registered municipal advisor and wholly-owned subsidiary of Baker Tilly Virchow Krause, LLP, an accounting firm. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2019 Baker Tilly Municipal Advisors, LLC.

DETAILS OF THE BONDS

The Bonds will be dated as of the date of delivery and will bear interest payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature February 1 in the years and amounts* as follows:

2021	\$90,000	2025	\$ 95,000	2029	\$105,000	2033	\$115,000	2037	\$125,000
2022	\$95,000	2026	\$100,000	2030	\$105,000	2034	\$115,000	2038	\$130,000
2023	\$95,000	2027	\$100,000	2031	\$110,000	2035	\$120,000	2039	\$130,000
2024	\$95,000	2028	\$105,000	2032	\$110,000	2036	\$125,000	2040	\$135,000

* *The City reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name the registrar which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The proceeds of the Bonds will be used to finance various capital improvement projects within the City.

BIDDING PARAMETERS

Proposals shall be for not less than \$2,169,200 plus accrued interest, if any, on the total principal amount of the Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

The City intends that the sale of the Bonds pursuant to this Terms of Proposal shall constitute a "competitive sale" as defined in the Regulation based on the following:

- (i) the City shall cause this Terms of Proposal to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (ii) all bidders shall have an equal opportunity to submit a bid;
- (iii) the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- (iv) the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest true interest cost, as set forth in this Terms of Proposal (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. **In such event, any proposal submitted will not be subject to cancellation or withdrawal.** Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and Baker Tilly MA if 10% of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which it was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity

basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the “hold-the-offering-price” requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and Baker Tilly MA the prices at which 10% of such maturities are sold to the public; provided such determination shall be made and the City and Baker Tilly MA notified of such prices whether or not the closing date has occurred, until the 10% test has been satisfied as to each maturity of the Bonds or until all of the Bonds of a maturity have been sold.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of \$22,000 (the “Deposit”) no later than 1:00 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier’s check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

Certified or Cashier’s Check. A Deposit made by certified or cashier’s check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

Wire Transfer. A Deposit made by wire will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the City.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the City. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Bonds. If the Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder’s proposal. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

CUSIP NUMBERS

If the Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Bonds; however, neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about January 16, 2020, the Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Kennedy & Graven, Chartered of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

At the time of delivery of the Bonds, the City will not be obligated with respect to more than \$10,000,000 of outstanding municipal securities, including the Bonds being offered hereby. In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the City will enter into a Continuing Disclosure Certificate pursuant to which it will covenant to file with the Municipal Securities Rulemaking Board electronically through the Electronic Municipal Market Access system certain financial information or operating data that is customarily prepared and is publicly available and notices of certain material events to the limited extent required by SEC Rule 15c2-12(d)(2). The Continuing Disclosure Certificate will be set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Bonds, together with any other information required by law. By awarding the Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated October 28, 2019

BY ORDER OF THE CITY COUNCIL

/s/ Jenelle Teppen
City Administrator/Clerk

OFFICIAL STATEMENT

\$2,200,000*

CITY OF DUNDAS, MINNESOTA

GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the City of Dundas, Minnesota (the “City”) and its issuance of \$2,200,000* General Obligation Capital Improvement Plan Bonds, Series 2020A (the “Bonds”). The Bonds are general obligations of the City for which it pledges its full faith and credit and power to levy direct general ad valorem taxes.

Inquiries may be directed to Ms. Jenelle Teppen, City Administrator/Clerk, City of Dundas, 216 Railway Street North, P.O. Box 70, Dundas, Minnesota 55019-0070, by telephoning (507) 645-2852, or by e-mailing jteppen@dundas.us. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by e-mailing bond_services@bakertilly.com.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution awarding the sale of the Bonds (the “Bond Resolution”), to provide certain specified information, if customarily prepared and publicly available (which shall consist of the audited financial statements) and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The City is the only “obligated person” in respect of the Bonds within the meaning of the Rule, and giving effect to the issuance of the Bonds, there will not be more than \$10 million in principal amount of municipal securities outstanding on the date of issuance of the Bonds as to which the City is an obligated person. The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except to the extent the following are deemed to be material. In reviewing its past disclosure practices, the City notes the following:

- Prior continuing disclosure undertakings entered into by the City included language stating that the City’s audited financial statements would be filed “as soon as available.” Although not always filed “as soon as available,” the audited financial statements were filed within the required twelve (12) month timeframe as required in each undertaking.

* *Preliminary; subject to change.*

A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds or under any provisions of the Resolution (although holders will have any other available remedy at law or in equity subject to certain limitations). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

THE BONDS

General Description

The Bonds are dated as of the date of delivery and will mature annually on February 1 as set forth on the front cover of this Official Statement. The Bonds are issued in book entry form. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Bonds will be paid as described in the section herein entitled “Book Entry System.” U.S. Bank National Association, Saint Paul, Minnesota will serve as Registrar for the Bonds, and the City will pay for registrar services.

Redemption Provisions

Mailed notice of redemption shall be given to the registered owner(s) of the Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Bonds. All Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The City may elect on February 1, 2028, and on any day thereafter, to redeem Bonds due on or after February 1, 2029. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all the Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of

1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, specifically Section 475.521. The proceeds of the Bonds will be used to finance various capital improvement projects within the City.

SOURCES AND USES OF FUNDS

The composition of the Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	<u>\$2,200,000</u>
Total Sources of Funds	\$2,200,000
Uses of Funds:	
Deposit to Project Construction Fund	\$2,129,050
Costs of Issuance	40,150
Allowance for Discount Bidding	<u>30,800</u>
Total Uses of Funds	\$2,200,000

SECURITY AND FINANCING

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. The City will make its first levy for the Bonds in 2019 for collection in 2020. Each year's collection of taxes, if collected in full, will be sufficient to pay 105% of the interest payment due August 1 of the collection year and the principal and interest payment due February 1 of the following year.

Minnesota Statutes, Section 475.521, as amended, limits the maximum amount of principal and interest to become due in any year on all outstanding capital improvement plan bonds to be not more than 0.16% of the estimated market value of property for taxes payable in the year in which the bonds are issued or sold. The statutory maximum allowable for annual debt service on the City's capital improvement plan bonds is \$262,328, based on the City's 2019/20 estimated market value of \$163,955,000. The maximum annual debt service for the City's outstanding capital improvement plan bond issues, including an estimate for the Bonds, is approximately \$205,007, which is within the statutory limit.

FUTURE FINANCING

The City does not anticipate issuing any additional long-term general obligation debt within the next 90 days.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

LEGALITY

The Bonds are subject to approval as to certain matters by Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix I herein will be delivered at closing.

TAX EXEMPTION

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants set forth in the Resolution, the interest on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota

alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”) and covenants of the Resolution may result in the inclusion of interest on the Bonds in gross income of the owners thereof for federal income tax purposes and in net taxable income of individuals, estates, and trusts for Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as “losses incurred” under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on “excess net passive income” of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or Minnesota income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Original Issue Premium

Certain maturities of the Bonds (the “Premium Bonds”) may be sold to the public at an amount in excess of their stated redemption price at maturity. Such excess of the purchase price of the Bonds over its stated redemption price at maturity constitutes a premium with respect to such Premium Bonds. A purchaser of a Premium Bond must amortize the premium over the term of the Premium Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the basis in the Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or other disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Original Issue Discount

Certain maturities of the Bonds (the “Discount Bonds”) may be sold at a discount from the principal amount payable on such Discount Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount

Bond under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased at a price that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond.

No opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount for federal income tax purposes and with respect to the state and local tax consequences of owning such Discount Bonds.

BANK-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

RATING

Application for a rating of the Bonds has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Bonds and a Final Official Statement following award of the Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(The Balance of This Page Has Been Intentionally Left Blank)

CITY PROPERTY VALUES

Trend of Values^(a)

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio ^(b)	Economic Market Value ^(c)	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2018/19	\$163,955,000	87.5%	\$187,342,495	\$ 9,716,300	\$153,498,800	\$1,954,399
2017/18	150,196,700	93.4	160,590,274	9,837,600	139,844,800	1,784,108
2016/17	134,878,000	93.5	144,022,232	10,207,100	124,350,000	1,243,734
2015/16	128,443,400	92.9	138,040,118	10,671,900	117,449,000	991,316
2014/15	127,855,400	95.6	133,816,204	10,563,000	116,913,100	1,016,692

(a) For a description of the Minnesota property tax system, see Appendix III.

(b) Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

(c) Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, <https://www.revenue.state.mn.us/economic-market-values>.

Source: Rice County, Minnesota, October 2019, except as otherwise noted.

2018/19 Adjusted Taxable Net Tax Capacity: \$1,954,399

Real Estate:		
Residential Homestead	\$ 904,779	46.3%
Commercial/Industrial and Railroad	848,511	43.4
Residential Non-Homestead	145,228	7.4
Agricultural	14,295	0.8
Personal Property	<u>41,586</u>	<u>2.1</u>
2018/19 Adjusted Taxable Net Tax Capacity	\$1,954,399	100.0%

Ten of the Largest Taxpayers in the City

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018/19 Net Tax Capacity</u>
Individuals – College City Beverage	Commercial	\$266,432
Menards Inc.	Commercial/Retail	155,596
CJB Real Estate II LLC	Commercial/Retail	86,144
Xcel Energy	Utility	40,368
Aldi Inc.	Commercial/Retail	34,770
Self Storage Dundas LLC	Commercial	26,424
Property Alpha LLC	Commercial	20,242
RRV LLC	Commercial	17,462
Dundas Dome LLC	Sports Dome	16,708
Pine Meadow Properties LLC	Commercial	<u>16,010</u>
Total		\$680,156*

* The top two taxpayers represent 21.6% of the City's total 2018/19 adjusted taxable net tax capacity. The remaining eight top taxpayers represent 13.2% of the City's total 2018/19 adjusted taxable net tax capacity.

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2018/19 Estimated Market Value)	\$ 4,918,650
Less: Outstanding Debt Subject to Limit (includes the Bonds)	<u>(1,205,000)</u>
Legal Debt Margin as of January 16, 2020	\$ 3,713,650

* The legal debt margin is referred to statutorily as the “Net Debt Limit” and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.

NOTES: Certain types of debt are not subject to the legal debt limit. See Appendix III – Debt Limitations.

General Obligation Debt Supported Solely by Taxes^(a)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 1-16-19</u>
9-4-13	\$ 750,000	Capital Improvements	2-1-2029	\$ 535,000 ^(b)
9-4-13	545,000	Street Reconstruction	2-1-2029	395,000
8-9-18	810,000	Street Reconstruction	2-1-2039	810,000
1-16-20	2,200,000	Capital Improvements (the Bonds)	2-1-2040	<u>2,200,000^(b)</u>
Total				\$3,940,000

^(a) These issues are subject to the legal debt limit except where noted.

^(b) These issues are not subject to the debt limit due to the City having a population of less than 2,500.

General Obligation Utility Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 1-16-19</u>
9-4-13	\$2,355,000	Water and Sewer Revenue Refunding	2-1-2026	\$ 955,000
12-11-14	845,000	Water and Sewer Revenue Refunding	12-1-2024	445,000
7-13-16	1,100,000	Sewer Revenue	11-1-2037	1,010,000
8-9-18	325,000	Water Revenue	2-1-2039	<u>325,000</u>
Total				\$2,735,000

Estimated Calendar Year Debt Service Payments Including the Bonds

Year	G.O. Debt Supported Solely by Taxes		G.O. Utility Revenue Debt	
	Principal	Principal & Interest ^(a)	Principal	Principal & Interest
2020 (at 1-16)	\$ 100,000	\$ 183,555	\$ 265,000	\$ 335,073
2021	205,000	306,538	280,000	343,810
2022	210,000	306,252	285,000	341,780
2023	215,000	305,827	290,000	339,575
2024	220,000	305,202	295,000	336,800
2025	225,000	304,379	210,000	243,875
2026	235,000	308,179	215,000	242,863
2027	240,000	306,360	70,000	93,875
2028	250,000	308,993	70,000	92,230
2029	250,000	301,555	70,000	90,660
2030	145,000	191,155	70,000	88,973
2031	150,000	192,523	75,000	92,270
2032	150,000	188,740	80,000	95,360
2033	165,000	199,684	80,000	93,160
2034	165,000	195,328	80,000	90,950
2035	170,000	195,828	85,000	93,730
2036	175,000	196,145	85,000	91,217
2037	175,000	191,314	90,000	93,695
2038	180,000	191,330	20,000	21,020
2039	180,000	186,218	20,000	20,340
2040	135,000	136,823		
Total	\$3,940,000^(b)	\$5,001,928	\$2,735,000^(c)	\$3,241,256

(a) Includes the Bonds at an assumed average annual interest rate of 2.38%.

(b) 54.6% of this debt will be retired within ten years.

(c) 95.0% of this debt will be retired within ten years.

Overlapping Debt

Taxing Unit ^(a)	2018/19 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 1-16-19 ^(b)	Debt Applicable to Tax Capacity in City	
			Percent	Amount
Rice County	\$66,133,795	\$24,680,000	3.0%	\$ 740,400
I.S.D. No. 659 (Northfield)	29,697,480	62,250,000	6.6	4,108,500
Total				\$4,848,900

(a) Only those units with outstanding general obligation debt are shown here.

(b) Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.

Debt Ratios*

	<u>G.O. Direct Debt</u>	<u>G.O. Direct & Overlapping Debt</u>
To 2018/19 Estimated Market Value (\$163,955,000)	2.40%	5.36%
Per Capita - (1,594 – 2019 City Estimate)	\$2,472	\$5,514

* Excludes general obligation utility revenue debt.

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in Independent School District No. 659 (Northfield)

	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	
					<u>Total</u>	<u>For Debt Only</u>
Rice County	40.545%	42.535%	41.566%	41.810%	40.979%	4.239%
City of Dundas	68.117	71.885	64.065	53.461	52.724	-0-
I.S.D. No. 659 (Northfield)*	<u>34.064</u>	<u>32.897</u>	<u>30.937</u>	<u>33.150</u>	<u>31.215</u>	<u>18.872</u>
Total	142.726%	147.317%	136.568%	128.421%	124.918%	23.111%

* In addition, Independent School District No. 659 (Northfield) has a 2018/19 market value tax rate of 0.44188% spread across the market value of property in support of an excess operating levy.

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix III.

Tax Levies and Collections

<u>Levy/Collect</u>	<u>Net Levy*</u>	<u>Collected During Collection Year</u>		<u>Collected and/or Abated as of 9-30-19</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
2018/19	\$1,026,614		(In Process of Collection)		
2017/18	948,957	\$941,095	99.2%	\$947,210	99.8%
2016/17	790,649	784,447	99.2	790,375	99.9
2015/16	705,789	692,411	98.1	705,789	100.0
2014/15	683,183	673,362	98.6	683,183	100.0

* The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix III.

**FUNDS ON HAND
As of September 30, 2019**

General Fund	\$1,359,412
Special Revenue Funds	126,008
Debt Service Funds	206,465
Capital Project Funds	(196,246)*
Enterprise Funds:	
Water	998,347
Sewer	465,612
Refuse	59,254
Storm Water	<u>206,177</u>
 Total Cash and Investments	 \$3,226,029

* *Negative balance will be reimbursed upon delivery of the Bonds.*

INVESTMENTS

The City's investment policy seeks to ensure the preservation of capital in the portfolio. Safety of principal is the foremost objective and all investments are made in accordance with Minnesota Statutes, Chapter 118A, as amended. The City Administrator/Clerk has authority to make deposits in accordance with the needs and best financial interests of the City.

The City follows Minnesota statutes which authorize the following types of securities available to the City for investment:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress;
2. Mutual funds through shares of registered investment companies investing only in federal obligations, tax exempt general obligations rated A or better, and repurchase agreements with certain restricted counterparties;
3. General obligations of the State of Minnesota and its municipalities; and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. Bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System;
5. Commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less; and
6. Guaranteed investment contracts (GICs) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the City or the collateral pledged by the City is in the top two rating categories, or the top three rating categories for long-term GICs issued by Minnesota banks.

As of September 30, 2019, the City's investments totaled \$2,958,172, which are held in money markets and Certificates of Deposit.

GENERAL INFORMATION CONCERNING THE CITY

The City is located approximately 45 miles south of the Minneapolis/Saint Paul metropolitan area and approximately 3 miles southwest of the City of Northfield on Minnesota State Highway 3 in Rice County. The City is approximately 5 miles east of the intersection of Interstate 35 and County State-Aid Highway 1. The area of the City is approximately two square miles (1,229 acres).

Population

The City's population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2019 City Estimate	1,594	16.6%
2010 U.S. Census	1,367	149.9
2000 U.S. Census	547	15.6
1990 U.S. Census	473	12.1
1980 U.S. Census	422	--

Sources: Minnesota State Demographic Center, mn.gov/admin/demography and United States Census Bureau, <http://www.census.gov/>.

The City's approximate population by age group for the past five years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2018/19	304	261	580	221
2017/18	300	254	568	207
2016/17	306	257	555	189
2015/16	320	260	548	184
2014/15	307	256	539	174

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Transportation

State Highway 3 runs through the City. Interstate I-35 runs north-south approximately four miles west of the City with a full interchange to a 10-ton County State Aid Highway. Rail service is provided by Union Pacific Railroad.

Major Employers

Many City residents are employed in neighboring communities, including the cities of Northfield and Faribault. Major employers in the area are listed below.

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Northfield City Hospital (Northfield)	General Hospital and Nursing Care	827
St. Olaf College (Northfield)	Post Secondary Education	826 ^(a)
Carleton College (Northfield)	Post Secondary Education	700
Post Holdings (Northfield) ^(b)	Food Processing	675
Jennie O Turkey Store Co. (Faribault)	Poultry Processing	675
Minnesota Correctional Facility (Faribault)	Detention Center	650
ISD No. 659 (Northfield)	Education	631
ISD No. 656 (Faribault)	Education	586
McLane Company, Inc. (Northfield)	Grocery Distribution Center	480
Faribault Foods, Inc. (Faribault)	Vegetable Processing	363
Rice County (Faribault)	Government	362 ^(a)
Three Links Care Center (Northfield)	Elderly Care	348
Rice County District One Hospital (Faribault)	Medical Services	318
SageGlass (Faribault)	Electrochromic Glass	280
Met-Con Companies (Faribault)	Construction	266
Shattuck – St. Mary’s School (Faribault)	Private Education	231
State Academy for the Deaf (Faribault)	Education	198
Crown Cork and Seal (Faribault)	Can and Bottle Caps	175 ^(c)
City of Faribault	Government	169 ^(a)
Menards Inc. (Dundas)	Hardware Store	160 ^(c)
City of Northfield	Government	124 ^(a)
Tru Vue (Faribault) ^(d)	Tinted Glass	120 ^(c)
Wal-Mart (Faribault)	Retail	103 ^(c)
College City Beverage (Dundas)	Beer Distributor	100 ^(c)
Cardinal Glass (Northfield)	Glass Products Manufacturer	95 ^(c)
ABC Companies (Faribault)	Rebuilt Buses	80 ^(c)
Mercury Minnesota (Faribault)	Office Machine Parts	74 ^(c)
Upper Lakes Foods (Northfield)	Foodservice Distributor	50 ^(c)

^(a) Includes full- and part-time employees. There are an additional 300 seasonal employees.

^(b) Formerly Malt-O-Meal.

^(c) Information as of June 2018; most recent information available.

^(d) Formerly Viratec.

Source: This does not purport to be a comprehensive list and is based on a November 2019 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

Labor Force Data

	Annual Average				September
	2015	2016	2017	2018	2019
Labor Force:					
Rice County	35,417	36,206	36,531	36,852	37,806
State of Minnesota	2,997,748	3,033,406	3,057,014	3,070,223	3,122,656
Unemployment Rate:					
Rice County	3.5%	3.5%	3.1%	2.8%	2.3%
State of Minnesota	3.7	3.9	3.4	2.9	2.5

Source: Minnesota Department of Employment and Economic Development, <http://apps.deed.state.mn.us/lmi/laus/>. 2019 data are preliminary.

Retail Sales and Effective Buying Income (EBI)

City of Dundas

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$ 73,284	\$44,375	\$71,521
2017/18	70,042	37,598	62,598
2016/17	94,907	35,427	58,770
2015/16	122,812	32,765	58,594
2014/15	99,010	33,197	60,496

Rice County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$987,897	\$1,755,376	\$61,185
2017/18	884,019	1,542,572	53,499
2016/17	764,911	1,527,376	53,252
2015/16	915,448	1,417,252	49,795
2014/15	834,864	1,414,120	52,713

The 2018/19 Median Household EBI for the State of Minnesota was \$58,777. The 2018/19 Median Household EBI for the United States was \$52,468.

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

Permits Issued by the City

Year	New Single Family Residential		New Commercial/Industrial		Total Value* (All Permits)
	Number	Value	Number	Value	
2019 (to 9-30)	6	\$1,586,500	1	\$ 127,400	\$ 1,713,900
2018	19	4,481,000	4	1,878,311	6,359,311
2017	21	4,934,768	4	4,065,000	10,164,058
2016	12	3,083,415	3	6,298,990	10,731,865
2015	5	989,000	7	58,200	1,234,839
2014	1	200,000	5	584,639	1,181,606
2013	11	2,066,000	2	1,280,817	4,695,497
2012	4	581,000	8	84,025	1,380,627
2011	1	150,000	5	981,058	1,447,895
2010	14	1,431,970	5	1,320,730	2,935,803

* In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).

Source: City of Dundas.

Recent Development

The Bridgewater Heights 2nd Addition includes the development of an additional 49 single-family lots in the City. Four lots have had building permits issued in 2019.

Financial Institutions*

Banking services are provided to City residents by Frandsen Bank & Trust, located in the City; and Community Resource Bank; The First National Bank of Northfield; and branch offices of Wells Fargo Bank; and Premier Bank Minnesota, all located in the nearby City of Northfield.

* This does not purport to be a comprehensive list.

Source: Federal Deposit Insurance Corporation, <http://www.fdic.gov/>.

Health Care Services

The following is a summary of health care facilities located in the nearby City of Northfield:

<u>Facility</u>	<u>No. of Beds</u>
Azule Opportunities, LLC	15 Supervised Living
Laura Baker Services Assoc	30 Supervised Living
Northfield Care Center	42 Nursing Home
Northfield City Hospital	37 Hospital
	40 Nursing Home
	12 Infant Bassinets
Three Links Care Center	92 Nursing Home

Source: Minnesota Department of Health, <http://www.health.state.mn.us/>.

Education

Public Education

The following district serves the residents of the City:

<u>District</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19*</u> <u>Enrollment</u>
ISD No. 659 (Northfield)	City of Northfield	K-12	4,067

* 2019/20 enrollment figures are not yet available.

Non-Public Education

City residents are also served by the following private schools:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19*</u> <u>Enrollment</u>
St. Dominic School	City of Northfield	K-8	106

* 2019/20 enrollment figures are not yet available.

Source: Minnesota Department of Education, www.education.state.mn.us.

GOVERNMENTAL ORGANIZATION AND SERVICES

Organization

The City was organized in 1879 and operates as a statutory city under the constitution and laws of the State of Minnesota. The City has a Mayor-Council form of government, with all members elected to serve overlapping four-year terms of office.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Glenn Switzer	Mayor	December 31, 2022
John Cruz	Council Member	December 31, 2020
Larry Fowler	Council Member	December 31, 2022
Grant Modory	Council Member	December 31, 2022
Chad Pribyl	Council Member	December 31, 2020

The daily administration of City operations is the responsibility of the City Administrator/Clerk, Ms. Jenelle Teppen, who has been with the City since June 2019. Previously, Ms. Teppen served as the Deputy Director of Public Services and Revenue for Dakota County, Minnesota; City Administrator for the City of Le Sueur, Minnesota; and Assistant City Administrator for the City of Inver Grove Heights, Minnesota.

The City has seven regular full-time and five part-time and seasonal employees.

Services

Services provided by the City include police protection, parks services, water and sewer services, and a building department. The City has outside contracts for fire protection, wastewater treatment services, refuse removal, and legal, planning and engineering services. Public works and maintenance is provided by both City staff and outside contractors.

Labor Contracts

The status of labor contracts in the City is as follows:

<u>Bargaining Unit</u>	<u>No. of Employees</u>	<u>Expiration Date of Current Contract</u>
Law Enforcement Labor Services Local 327	2	December 31, 2020
Non-unionized employees	<u>10</u>	
Total employees	12	

Employee Pensions

All full-time employees of the City are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing multiple-employer retirement plans. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. All police officers who qualify for membership by statute are covered by PEPFF. The City's contributions to GERF and PEPFF are equal to the contractually required contributions for each year as set by State Statute, and are as follows for the past five years:

	<u>GERF</u>	<u>PEPFF</u>
2018	\$18,752	\$29,242
2017	18,384	26,717
2016	18,175	26,365
2015	17,689	22,282
2014	18,419	20,850

For more information regarding the liability of the City with respect to its employees, please reference "Note 8, Defined Benefit Pension Plans -- Statewide" of the City's Annual Financial Statements for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for GERF and PEPFF for the past four years are as follows:

	<u>GERF</u>		<u>PEPFF</u>	
	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2018	0.0037%	\$205,261	0.0171%	\$182,268
2017	0.0038	242,589	0.0160	216,019
2016	0.0038	308,541	0.0160	642,108
2015	0.0040	307,301	0.0150	170,435

For more information regarding GASB 68 with respect to the City, please reference "Note 8, Defined Benefit Pension Plans -- Statewide" of the City's Annual Financial Statements for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: City's Annual Financial Statements.

Other Post-Employment Benefits

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB").

The City's only OPEB is for health insurance. Retirees and disabilitants are eligible to remain on the City's group health plan, but the City does not assist with premium payments. Therefore, the only cost to the City comes from the implicit rate subsidy. Such costs must be accounted for on an annual basis, however, management has determined that any liability related to postemployment benefits is immaterial to the City's Annual Financial Statements.

Sources: City's Annual Financial Statements.

General Fund Budget Summary

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>2019 Budget</u>
January 1 Fund Balance	\$ 980,088	\$ 980,088	\$1,285,658
Revenues:			
Taxes	\$ 949,434	\$ 969,210	\$1,027,288
Licenses and Permits	43,710	125,661	43,710
Intergovernmental	213,198	221,509	208,100
Interest Income	6,000	16,869	9,000
Charges for Services	4,650	16,935	4,650
Fines and Forfeits	18,450	24,741	18,450
Transfers In	0	2,830	0
Issuance of Long-Term Debt	0	119,964	1,100,000
Miscellaneous	<u>15,189</u>	<u>10,038</u>	<u>15,189</u>
Total Revenues	\$1,250,631	\$1,507,757	\$2,426,387
Expenditures:			
General Government	\$ 292,351	\$ 303,388	\$ 308,451
Public Safety	421,743	435,534	450,236
Public Works	212,877	179,650	214,164
Cultural and Recreation	83,830	179,278	90,999
Other Financing Uses	0	23,993	1,362,536
Transfers Out	<u>88,644</u>	<u>80,344</u>	<u>0</u>
Total Expenditures	\$1,099,445	\$1,202,187	\$2,426,386
December 31 Fund Balance	\$1,131,274	\$1,285,658	\$1,285,658

Sources: City of Dundas, the City's Annual Financial Statements, and 2019 Budget.

Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes	\$815,896	\$813,813	\$816,678	\$868,266	\$969,210
Intergovernmental	171,679	195,709	444,755	187,501	221,509
Licenses and Permits	23,106	27,634	125,344	109,138	125,661
Fines and Forfeits	14,337	10,415	14,242	16,937	24,741
Charges for Services	7,320	10,824	29,419	29,724	16,935
Interest Income	6,410	5,000	2,914	9,853	16,869
Miscellaneous	3,971	261,424	26,482	31,273	10,038
Transfers In	55,758	50,005	10,303	7,520	2,830

Sources: City's Annual Financial Statements.

PROPOSED FORM OF LEGAL OPINION



Offices in 470 U.S. Bank Plaza
 Minneapolis 200 South Sixth Street
 Minneapolis MN 55402-1458
 Saint Paul (612) 337-9300 telephone
 (612) 337-9310 fax
 St. Cloud www.kennedy-graven.com
 Affirmative Action, Equal Opportunity Employer

\$ _____
 City of Dundas, Minnesota
 General Obligation Capital Improvement Plan Bonds
 Series 2020A

We have acted as bond counsel to the City of Dundas, Rice County, Minnesota (the “Issuer”) in connection with the issuance by the Issuer of its General Obligation Capital Improvement Plan Bonds, Series 2020A (the “Bonds”), originally dated January __, 2020, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed, and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable primarily from ad valorem taxes levied by the Issuer, but if necessary for the payment thereof additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.
3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts and estates. However, such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.
4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditor’s rights generally and by equitable principles, whether considered at law or in equity.

We have not been asked and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated January __, 2020 at Minneapolis, Minnesota.

CONTINUING DISCLOSURE CERTIFICATE

\$ _____
 City of Dundas, Minnesota
 General Obligation Capital Improvement Plan Bonds
 Series 2020A

January __, 2020

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Dundas, Minnesota (the “Issuer”) in connection with the issuance of its General Obligation Capital Improvement Plan Bonds, Series 2020A (the “Bonds”) in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to resolutions adopted by the City Council of the Issuer (the “Resolutions”). The Bonds are being delivered to _____, _____, _____, (the “Purchaser”), on the date hereof. Pursuant to the Resolutions, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders (as defined herein) of the Bonds in order to assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolutions, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means the Issuer’s Audited Financial Statements.

“Audited Financial Statements” means the financial statements of the Issuer, audited annually by an independent certified public accounting firm, and prepared in accordance with GAAP as prescribed by GASB or as otherwise required by Minnesota law for the preceding Fiscal Year, including a balance sheet and statement of revenues, expenditures and changes in fund balances.

“Bonds” means the General Obligation Capital Improvement Plan Bonds, Series 2020A, issued by the Issuer in the original aggregate principal amount of \$ _____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the Issuer.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Issuer” means the City of Dundas, Minnesota, which is the obligated person with respect to the Bonds.

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____, _____, _____.

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means the Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Report.

To the extent such information is customarily prepared by the Issuer and is publicly available, the Issuer shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends December 31, 2019. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference. The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 5. EMMA. The SEC has designated EMMA as a nationally recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the Issuer shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolutions and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolutions and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolutions or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the Issuer delivers to the Repository an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolutions and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolutions requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the Issuer to the Repository of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolutions and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

CITY OF DUNDAS, MINNESOTA

Mayor

City Administrator/Clerk

SUMMARY OF TAX LEVIES, PAYMENT PROVISIONS, AND MINNESOTA REAL PROPERTY VALUATION

Following is a summary of certain statutory provisions relative to tax levy procedures, tax payment and credit procedures, and the mechanics of real property valuation. The summary does not purport to be inclusive of all such provisions or of the specific provisions discussed, and is qualified by reference to the complete text of applicable statutes, rules and regulations of the State of Minnesota.

Property Valuations (Chapter 273, Minnesota Statutes)

Assessor's Estimated Market Value. Each parcel of real property subject to taxation must, by statute, be appraised at least once every five years as of January 2 of the year of appraisal. With certain exceptions, all property is valued at its market value, which is the value the assessor determines to be the price the property to be fairly worth, and which is referred to as the "Estimated Market Value." The 2013 Minnesota Legislature established the Estimated Market Value as the value used to calculate a municipality's legal debt limit.

Economic Market Value. The Economic Market Value is the value of locally assessed real property (Assessor's Estimated Market Value) divided by the sales ratio as provided by the State of Minnesota Department of Revenue plus the estimated market value of personal property, utilities, railroad, and minerals.

Taxable Market Value. The Taxable Market Value is the value that Net Tax Capacity is based on, after all reductions, limitations, exemptions and deferrals.

Net Tax Capacity. The Net Tax Capacity is the value upon which net taxes are levied, extended and collected. The Net Tax Capacity is computed by applying the class rate percentages specific to each type of property classification against the Taxable Market Value. Class rate percentages vary depending on the type of property as shown on the last page of this Appendix. The formulas and class rates for converting Taxable Market Value to Net Tax Capacity represent a basic element of the State's property tax relief system and are subject to annual revisions by the State Legislature. Property taxes are the sum of the amounts determined by (i) multiplying the Net Tax Capacity by the tax capacity rate, and (ii) multiplying the referendum market value by the market value rate.

Market Value Homestead Exclusion. In 2011, the Market Value Homestead Exclusion Program (MVHE) was implemented to offset the elimination of the Market Value Homestead Credit Program that provided relief to certain homesteads. The MVHE reduces the taxable market value of a homestead with an Assessor's Estimated Market Value up to \$413,800 in an attempt to result in a property tax similar to the effective property tax prior to the elimination of the homestead credit. The MVHE applies to property classified as Class 1a or 1b and Class 2a, and causes a decrease in the City's aggregate Taxable Market Value, even if the Assessor's Estimated Market Value on the same properties did not decline.

Property Tax Payments and Delinquencies (Chapters 275, 276, 277, 279-282 and 549, Minnesota Statutes)

Ad valorem property taxes levied by local governments in Minnesota are extended and collected by the various counties within the State. Each taxing jurisdiction is required to certify the annual tax levy to the county auditor within five (5) working days after December 20 of the year preceding the collection year. A listing of property taxes due is prepared by the county auditor and turned over to the county treasurer on or before the first business day in March.

The county treasurer is responsible for collecting all property taxes within the county. Real estate and personal property tax statements are mailed out by March 31. One-half (1/2) of the taxes on real property

is due on or before May 15. The remainder is due on or before October 15. Real property taxes not paid by their due date are assessed a penalty on homestead property of 2% until May 31 and increased to 4% on June 1. The penalty on nonhomestead property is assessed at a rate of 4% until May 31 and increased to 8% on June 1. Thereafter, an additional 1% penalty shall accrue each month through October 1 of the collection year for unpaid real property taxes. In the case of the second installment of real property taxes due October 15, a penalty of 2% on homestead property and 4% on nonhomestead property is assessed. The penalty for homestead property increases to 6% on November 1 and again to 8% on December 1. The penalty for nonhomestead property increases to 8% on November 1 and again to 12% on December 1. Personal property taxes remaining unpaid on May 16 are deemed to be delinquent and a penalty of 8% attaches to the unpaid tax. However, personal property that is owned by a tax-exempt entity, but is treated as taxable by virtue of a lease agreement, is subject to the same delinquent property tax penalties as real property.

On the first business day of January of the year following collection all delinquencies are subject to an additional 2% penalty, and those delinquencies outstanding as of February 15 are filed for a tax lien judgment with the district court. By March 20 the county auditor files a publication of legal action and a mailing of notice of action to delinquent parties. Those property interests not responding to this notice have judgment entered for the amount of the delinquency and associated penalties. The amount of the judgment is subject to a variable interest determined annually by the Department of Revenue, and equal to the adjusted prime rate charged by banks but in no event is the rate less than 10% or more than 14%.

Property owners subject to a tax lien judgment generally have three years (3) to redeem the property. After expiration of the redemption period, unredeemed properties are declared tax forfeit with title held in trust by the State of Minnesota for the respective taxing districts. The county auditor, or equivalent thereof, then sells those properties not claimed for a public purpose at auction. The net proceeds of the sale are first dedicated to the satisfaction of outstanding special assessments on the parcel, with any remaining balance in most cases being divided on the following basis: county - 40%; town or city - 20%; and school district - 40%.

Property Tax Credits (Chapter 273, Minnesota Statutes)

In addition to adjusting the taxable value for various property types, primary elements of Minnesota's property tax relief system are: property tax levy reduction aids; the homestead credit refund and the renter's property tax refund, which relate property taxes to income and provide relief on a sliding income scale; and targeted tax relief, which is aimed primarily at easing the effect of significant tax increases. The homestead credit refund, the renter's property tax refund, and targeted credits are reimbursed to the taxpayer upon application by the taxpayer. Property tax levy reduction aid includes educational aids, local governmental aid, equalization aid, county program aid and disparity reduction aid.

Debt Limitations

All Minnesota municipalities (counties, cities, towns and school districts) are subject to statutory "net debt" limitations under the provisions of Minnesota Statutes, Section 475.53. Net debt is defined as the amount remaining after deducting from gross debt the amount of current revenues that are applicable within the current fiscal year to the payment of any debt and the aggregate of the principal of the following:

1. Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursement in whole or in part from the proceeds of the special assessments.
2. Warrants or orders having no definite or fixed maturity.

3. Obligations payable wholly from the income from revenue producing conveniences.
4. Obligations issued to create or maintain a permanent improvement revolving fund.
5. Obligations issued for the acquisition, and betterment of public waterworks systems, and public lighting, heating or power systems, and of any combination thereof or for any other public convenience from which a revenue is or may be derived.
6. Debt service loans and capital loans made to a school district under the provisions of Minnesota Statutes, Sections 126C.68 and 126C.69.
7. Amount of all money and the face value of all securities held as a debt service fund for the extinguishment of obligations other than those deductible under this subdivision.
8. Obligations to repay loans made under Minnesota Statutes, Section 216C.37.
9. Obligations to repay loans made from money received from litigation or settlement of alleged violations of federal petroleum pricing regulations.
10. Obligations issued to pay pension fund or other postemployment benefit liabilities under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
11. Obligations issued to pay judgments against the municipality under Minnesota Statutes, Section 475.52, subdivision 6, or any charter authority.
12. All other obligations which under the provisions of law authorizing their issuance are not to be included in computing the net debt of the municipality.

**Levies for General Obligation Debt
(Sections 475.61 and 475.74, Minnesota Statutes)**

Any municipality that issues general obligation debt must, at the time of issuance, certify levies to the county auditor of the county(ies) within which the municipality is situated. Such levies shall be in an amount that if collected in full will, together with estimates of other revenues pledged for payment of the obligations, produce at least five percent in excess of the amount needed to pay principal and interest when due. Notwithstanding any other limitations upon the ability of a taxing unit to levy taxes, its ability to levy taxes for a deficiency in prior levies for payment of general obligation indebtedness is without limitation as to rate or amount.

**STATUTORY FORMULAE: CONVERSION OF TAXABLE MARKET VALUE (TMV) TO
NET TAX CAPACITY FOR MAJOR PROPERTY CLASSIFICATIONS**

<u>Property Type</u>	<u>Local Tax Payable 2015-2019</u>
Residential Homestead (1a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Residential Non-homestead	
Single Unit (4bb)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
1-3 unit and undeveloped land (4b1)	1.25%
Market Rate Apartments	
Regular (4a)	1.25%
Low-Income (4d)	
Up to \$139,000 ^(c)	0.75%
Over \$139,000 ^(c)	0.25%
Commercial/Industrial/Public Utility (3a)	
Up to \$150,000	1.50% ^(a)
Over \$150,000	2.00% ^(a)
Electric Generation Machinery	2.00%
Commercial Seasonal Residential	
Homestead Resorts (1c)	
Up to \$600,000	0.50%
\$600,000 - \$2,300,000	1.00%
Over \$2,300,000	1.25% ^(a)
Seasonal Resorts (4c)	
Up to \$500,000	1.00% ^(a)
Over \$500,000	1.25% ^(a)
Non-Commercial (4c12)	
Up to \$500,000	1.00% ^{(a)(b)}
Over \$500,000	1.25% ^{(a)(b)}
Disabled Homestead (1b)	
Up to \$50,000	0.45%
Agricultural Land & Buildings	
Homestead (2a)	
Up to \$500,000	1.00%
Over \$500,000	1.25%
Remainder of Farm	
Up to \$1,900,000 ^(d)	0.50% ^(b)
Over \$1,900,000 ^(d)	1.00% ^(b)
Non-homestead (2b)	1.00% ^(b)

^(a) State tax is applicable to these classifications.

^(b) Exempt from referendum market value based taxes.

^(c) Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$121,000; Payable 2017 - \$115,000; Payable 2016 - \$106,000; and Payable 2015 - \$100,000.

^(d) Legislative increases, payable 2019. Historical valuations are: Payable 2018 - \$1,940,000; Payable 2017 - \$2,050,000; Payable 2016 - \$2,140,000; and Payable 2015 - \$1,900,000.

NOTE: For purposes of the State general property tax only, the net tax capacity of non-commercial class 4c(1) seasonal residential recreational property has the following class rate structure: First \$76,000 – 0.40%; \$76,000 to \$500,000 – 1.00%; and over \$500,000 – 1.25%. In addition to the State tax base exemptions referenced by property classification, airport property exempt from city and school district property taxes under M.S. 473.625 is exempt from the State general property tax (MSP International Airport and Holman Field in Saint Paul are exempt under this provision).

EXCERPT OF 2018 ANNUAL FINANCIAL STATEMENTS

Data on the following pages was extracted from the City's Annual Financial Statements for fiscal year ended December 31, 2018. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Dundas, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above 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 Dundas, Minnesota, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of proportionate share of pension liability and contributions on pages 6 through 13 and 42 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Hawthorn Ash CPAs, LLP

La Crosse, Wisconsin
April 8, 2019

CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION & ANALYSIS

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Dundas, we offer readers of the City of Dundas' financial statements this narrative overview and analysis of the financial activities of the City of Dundas for the fiscal year ended December 31, 2018.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of Dundas' basic financial statements. The City of Dundas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City of Dundas' assets and liabilities, with the difference between the two 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 of Dundas 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 of Dundas that are principally supported by taxes and intergovernmental revenues (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 of Dundas include general government, public safety, public works, economic development, and recreation. The business-type activities of the City of Dundas include water, sanitary sewer, and storm drainage.

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 of Dundas, 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 of Dundas can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

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 financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditure, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Dundas maintains three individual major 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 one capital improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Dundas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

Proprietary Funds. The City of Dundas maintains one type of proprietary fund, that being enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Dundas uses enterprise funds to account for its sanitary sewer, water, refuse and storm drainage operations.

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 the sanitary sewer, water, refuse and storm drainage operations.

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

Other Information. The combining statements referred to earlier in connection with non-major governmental and enterprise funds and are presented immediately following the required supplementary information on pensions.

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dundas, assets exceed liabilities by \$12,811,477 as of December 31, 2018, with \$3,636,580 of net position from governmental activities and \$9,174,897 from proprietary funds.

The largest portion of the City's net position is the investment in capital assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The City's investment in its capital assets are reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot provide resources to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 2,051,841	\$ 1,786,432	\$ 1,938,421	\$ 2,080,177	\$ 3,990,262	\$ 3,866,609
Capital assets	<u>4,401,528</u>	<u>3,747,213</u>	<u>10,426,009</u>	<u>10,595,471</u>	<u>14,827,537</u>	<u>14,342,684</u>
Total Assets	<u>6,453,369</u>	<u>5,533,645</u>	<u>12,364,430</u>	<u>12,675,648</u>	<u>18,817,799</u>	<u>18,209,293</u>
Deferred Outflows of Resources	<u>282,865</u>	<u>42,705</u>	<u>12,796</u>	<u>12,318</u>	<u>295,661</u>	<u>55,023</u>
Liabilities						
Other liabilities	540,864	309,995	368,183	777,544	909,047	1,087,539
Long-term liabilities	<u>2,188,583</u>	<u>1,415,058</u>	<u>2,811,419</u>	<u>2,767,786</u>	<u>5,000,002</u>	<u>4,182,844</u>
Total Liabilities	<u>2,729,447</u>	<u>1,725,053</u>	<u>3,179,602</u>	<u>3,545,330</u>	<u>5,909,049</u>	<u>5,270,383</u>
Deferred Inflows of Resources	<u>370,207</u>	<u>86,616</u>	<u>22,727</u>	<u>9,073</u>	<u>392,934</u>	<u>95,689</u>
Net Position:						
Invested in capital assets	2,565,823	2,654,619	7,433,919	7,354,113	9,999,742	10,008,732
Restricted	206,464	204,371	-	-	206,464	204,371
Unrestricted	<u>864,293</u>	<u>905,691</u>	<u>1,740,978</u>	<u>1,779,450</u>	<u>2,605,271</u>	<u>2,685,141</u>
Total Net Position	<u>\$ 3,636,580</u>	<u>\$ 3,764,681</u>	<u>\$ 9,174,897</u>	<u>\$ 9,133,563</u>	<u>\$ 12,811,477</u>	<u>\$ 12,898,244</u>

GOVERNMENTAL ACTIVITIES

Governmental activities had a decrease in net position in the amount of \$128,101. Summarized below are governmental activities revenue and expenses:

	2018		2017	
	Amount	%	Amount	%
Revenues by sources				
Charges for services	\$ 201,519	13.32%	\$ 190,032	11.28%
Operating grants and contributions	100,491	6.64	71,422	4.24
Capital grants and contributions	1,034	0.07	22,831	1.36
Taxes:				
Property taxes	963,727	63.70	1,208,388	71.76
Non-property taxes	14,597	0.96	14,328	0.85
Intergovernmental	175,620	11.61	156,582	9.30
Other	11,209	0.74	8,209	0.49
Unrestricted interest and investment earnings	21,399	1.41	12,211	0.72
Transfers	23,235	1.55	-	-
TOTAL GOVERNMENTAL REVENUE	<u>\$ 1,512,831</u>	<u>100.00%</u>	<u>\$ 1,684,003</u>	<u>100.00%</u>
Expenses by Function/Program				
General Government	\$ 320,854	19.55%	\$ 273,684	14.12%
Public Safety	436,888	26.62	414,857	21.40
Public Works	488,466	29.77	327,548	16.90
Parks and Recreation	348,927	21.26	214,350	11.05
Economic Development	-	-	9,100	0.47
Interest on long-term debt	45,797	2.80	34,068	1.76
Transfers	-	-	664,800	34.30
TOTAL GOVERNMENTAL EXPENSES	<u>\$ 1,640,932</u>	<u>100.00%</u>	<u>\$ 1,938,407</u>	<u>100.00%</u>

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

BUSINESS-TYPE ACTIVITIES

Business-type activities Net Position increased by \$41,334 in 2018. Summarized below are business-type activities revenues and expenses:

	2018		2017	
	Amount	%	Amount	%
Revenues by Sources				
Charges for Services:				
Water	\$ 430,926	38.55%	\$ 380,446	22.33%
Sewer	435,778	38.98	399,162	23.43
Refuse	101,415	9.07	101,889	5.98
Storm drainage	79,844	7.14	69,381	4.07
Capital grants and contributions	72,377	6.47	72,377	4.25
Unrestricted interest and investment earnings	20,772	1.86	15,438	0.91
Transfers	(23,235)	(2.07)	664,800	39.03
TOTAL BUSINESS-TYPE REVENUE	\$ 1,117,877	100.00%	\$ 1,703,493	100.00%
Expenses by Function/Program				
Expenses by Program:				
Water	\$ 428,356	39.79%	\$ 472,845	40.28%
Sewer	530,383	49.27	574,708	48.96
Refuse	73,993	6.87	80,368	6.85
Storm drainage	43,811	4.07	45,999	3.91
TOTAL BUSINESS-TYPE EXPENSES	\$ 1,076,543	100.00%	\$ 1,173,920	100.00%

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUE						
Program Revenue:						
Charges for services	\$ 201,519	\$ 190,032	\$ 1,047,963	\$ 950,878	\$ 1,249,482	\$ 1,140,910
Operating grants and contributions	100,491	71,422	-	-	100,491	71,422
Capital grants and contributions	1,034	22,831	72,377	72,377	73,411	95,208
General Revenue:						
Property taxes	963,727	1,208,388	-	-	963,727	1,208,388
Non-property taxes	14,597	14,328	-	-	14,597	14,328
Intergovernmental	175,620	156,582	-	-	175,620	156,582
Other	11,209	8,209	-	-	11,209	8,209
Unrestricted interest and investment earnings	21,399	12,211	20,772	15,438	42,171	27,649
Total Revenue	1,489,596	1,684,003	1,141,112	1,038,693	2,630,708	2,722,696
Expenses:						
General government	320,854	273,684	-	-	320,854	273,684
Public safety	436,888	414,857	-	-	436,888	414,857
Public works	488,466	327,548	-	-	488,466	327,548
Parks and recreation	348,927	214,350	-	-	348,927	214,350
Economic development	-	9,100	-	-	-	9,100
Interest on long-term debt	45,797	34,068	-	-	45,797	34,068
Water	-	-	428,356	472,845	428,356	472,845
Sewer	-	-	530,383	574,708	530,383	574,708
Refuse	-	-	73,993	80,368	73,993	80,368
Storm drainage	-	-	43,811	45,999	43,811	45,999
Total Expenses	1,640,932	1,273,607	1,076,543	1,173,920	2,717,475	2,447,527
Change in Net Position Before Transfers	(151,336)	410,396	64,569	(135,227)	(86,767)	275,169
Transfers In (Out)	23,235	(664,800)	(23,235)	664,800	-	-
Change in Net Position	(128,101)	(254,404)	41,334	529,573	(86,767)	275,169
Net Position, beginning	3,764,681	4,019,085	9,133,563	8,603,990	12,898,244	12,623,075
Net Position, ending	\$ 3,636,580	\$ 3,764,681	\$ 9,174,897	\$ 9,133,563	\$12,811,477	\$ 12,898,244

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

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

Capital Assets and Debt Administration

The City of Dundas' investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$14,827,537 net of accumulated depreciation. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

**CAPITAL ASSETS
NET OF DEPRECIATION**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land and land rights	\$ 559,674	\$ 559,674	\$ 223,396	\$ 223,396	\$ 783,070	\$ 783,070
Construction in process	846,247	40,386	320,092	-	1,166,339	40,386
Building and structures	897,882	937,289	-	-	897,882	937,289
Equipment	98,185	70,392	27,431	33,760	125,616	104,152
Vehicles	57,325	78,433	-	-	57,325	78,433
Land improvements	249,795	264,878	-	-	249,795	264,878
Infrastructure	1,692,420	1,796,161	-	-	1,692,420	1,796,161
Sewer collection system	-	-	5,697,075	5,945,513	5,697,075	5,945,513
Water distribution system	-	-	3,680,895	3,898,642	3,680,895	3,898,642
Storm water collection system	-	-	477,120	494,160	477,120	494,160
Total Capital Assets	\$ 4,401,528	\$ 3,747,213	\$ 10,426,008	\$ 10,595,471	\$ 14,827,537	\$ 14,342,684

**CITY OF DUNDAS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

DEBT ADMINISTRATION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds:						
Improvement	\$ 1,820,000	\$ 1,085,000	\$ -	\$ -	\$ 1,820,000	\$ 1,085,000
Revenue bonds	-	-	2,990,000	3,135,000	2,990,000	3,135,000
Other long term debt	95,971	-	-	-	95,971	-
Notes payable-Revenue	-	-	-	102,543	-	102,543
	\$ 1,915,971	\$ 1,085,000	\$ 2,990,000	\$ 3,237,543	\$ 4,905,971	\$ 4,322,543

State statute limits the amount of general obligation debt a governmental entity may issue to 2% of its total market value. The City's outstanding general obligation debt is below State of Minnesota limits.

Requests for information

Questions concerning any of the information provided in this report should be addressed to the City of Dundas, P.O. Box 70, Dundas, Minnesota 55019.

CITY OF DUNDAS, MINNESOTA
BASIC FINANCIAL STATEMENTS

CITY OF DUNDAS, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 1,970,819	\$ 1,801,780	\$ 3,772,599
Receivables			
Taxes	8,203	-	8,203
Accounts and other	12,533	119,514	132,047
Interest	4,645	13,836	18,481
Special assessments	48,829	-	48,829
Due from other governments	6,812	-	6,812
Prepays	-	3,291	3,291
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	1,405,921	543,488	1,949,409
Capital assets being depreciated	<u>2,995,607</u>	<u>9,882,521</u>	<u>12,878,128</u>
TOTAL ASSETS	6,453,369	12,364,430	18,817,799
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>282,865</u>	<u>12,796</u>	<u>295,661</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,736,234</u>	<u>\$ 12,377,226</u>	<u>\$ 19,113,460</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
Accounts payable	\$ 222,121	\$ 50,808	\$ 272,929
Accrued liabilities			
Payroll	16,419	4,476	20,895
Interest	26,116	22,901	49,017
Other	43,298	307	43,605
Compensated absences	2,775	19,541	22,316
Unearned revenue - other	126,142	15,150	141,292
Current portion of long-term obligations	103,993	255,000	358,993
Noncurrent portion of long-term obligations	<u>2,188,583</u>	<u>2,811,419</u>	<u>5,000,002</u>
TOTAL LIABILITIES	<u>2,729,447</u>	<u>3,179,602</u>	<u>5,909,049</u>
DEFERRED INFLOWS OF RESOURCES			
Pension	<u>370,207</u>	<u>22,727</u>	<u>392,934</u>
NET POSITION			
Net investment in capital assets	2,565,823	7,433,919	9,999,742
Restricted for debt service	206,464	-	206,464
Unrestricted	<u>864,293</u>	<u>1,740,978</u>	<u>2,605,271</u>
TOTAL NET POSITION	<u>3,636,580</u>	<u>9,174,897</u>	<u>12,811,477</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 6,736,234</u>	<u>\$ 12,377,226</u>	<u>\$ 19,113,460</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE			NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General government	\$ 320,854	\$ 29,654	\$ -	\$ -	\$ (291,200)		\$ (291,200)
Public safety	436,888	118,309	31,659	-	(286,920)		(286,920)
Public works	488,466	23,041	14,230	-	(451,195)		(451,195)
Culture, recreation and education	348,927	2,515	54,602	1,034	(290,776)		(290,776)
Conservation and development	-	28,000	-	-	28,000		28,000
Interest and fiscal charges	45,797	-	-	-	(45,797)		(45,797)
TOTAL GOVERNMENTAL ACTIVITIES	1,640,932	201,519	100,491	1,034	(1,337,888)		(1,337,888)
BUSINESS-TYPE ACTIVITIES							
Water	428,356	430,926	-	-		\$ 2,570	2,570
Sewer	530,383	435,778	-	72,377		(22,228)	(22,228)
Other	117,804	181,259	-	-		63,455	63,455
TOTAL BUSINESS-TYPE ACTIVITIES	1,076,543	1,047,963	-	72,377		43,797	43,797
TOTAL PRIMARY GOVERNMENT	\$ 2,717,475	\$ 1,249,482	\$ 100,491	\$ 73,411	(1,337,888)	43,797	(1,294,091)
GENERAL REVENUE							
Taxes							
Property taxes					963,727	-	963,727
Other taxes					14,597	-	14,597
Intergovernmental revenues not restricted to specific programs					175,620	-	175,620
Interest and investment income					21,399	20,772	42,171
Miscellaneous					11,209	-	11,209
Transfers					23,235	(23,235)	-
TOTAL GENERAL REVENUE					1,209,787	(2,463)	1,207,324
CHANGE IN NET POSITION					(128,101)	41,334	(86,767)
NET POSITION - BEGINNING OF YEAR					3,764,681	9,133,563	12,898,244
NET POSITION - END OF YEAR					\$ 3,636,580	\$ 9,174,897	\$ 12,811,477

The accompanying notes are an integral part of these statements.

**CITY OF DUNDAS, MINNESOTA
FUND FINANCIAL STATEMENTS**

CITY OF DUNDAS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

ASSETS	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Cash and investments	\$ 1,420,537	\$ 69,879	\$ 480,403	\$ 1,970,819
Receivables				
Accounts	5,550	-	8,539	14,089
Special assessments	48,829	-	-	48,829
Interest	3,089	-	-	3,089
Delinquent property taxes	8,203	-	-	8,203
Due from other governments	6,812	-	-	6,812
TOTAL ASSETS	1,493,020	69,879	488,942	2,051,841
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	10,525	208,459	3,137	222,121
Accrued expenses				
Payroll	16,419	-	-	16,419
Other	43,298	-	-	43,298
Compensated absences	2,775	-	-	2,775
Unearned revenue - developer deposits	126,142	-	-	126,142
TOTAL LIABILITIES	199,159	208,459	3,137	410,755
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - tax roll	8,203	-	-	8,203
 FUND BALANCES				
Restricted	-	-	206,464	206,464
Assigned	-	-	286,783	286,783
Unassigned	1,285,658	(138,580)	(7,442)	1,139,636
TOTAL FUND BALANCES	1,285,658	(138,580)	485,805	1,632,883
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,493,020	\$ 69,879	\$ 488,942	

Total net position reported for governmental activities in the statement of net position are different from the amount reported above as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net

Governmental capital asset	\$ 7,092,092	
Governmental accumulated depreciation	(2,690,564)	4,401,528

Some revenue is unearned in the funds because it is not available to pay current period's expenditures:

Other unearned revenue to be collected after year end		8,203
---	--	-------

Deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements.

(87,342)

Long-term liabilities, including bonds and notes payable, are not due in the current period, and therefore, are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	\$ (1,820,000)	
Other long term debt	(95,971)	
Debt discount	20,140	
Debt premium	(35,845)	
Accrued interest	(26,116)	
Vested employee benefits	(47,700)	
Net pension liability	(313,200)	(2,318,692)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 3,636,580

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Taxes	\$ 969,210	\$ -	\$ 13,569	\$ 982,779
Intergovernmental	221,509	-	-	221,509
Licenses and permits	125,661	-	-	125,661
Fines, forfeits, and penalties	24,741	-	-	24,741
Public charges for services	16,935	-	-	16,935
Miscellaneous	26,907	9,000	87,132	123,039
TOTAL REVENUE	<u>1,384,963</u>	<u>9,000</u>	<u>100,701</u>	<u>1,494,664</u>
EXPENDITURES				
Current				
General government	303,388	-	-	303,388
Public safety	435,534	-	-	435,534
Public works	179,650	139,892	-	319,542
Parks and recreation	179,278	-	130,363	309,641
Debt service				
Principal	23,993	-	75,000	98,993
Interest	-	-	32,658	32,658
Other	-	21,102	500	21,602
Capital outlay	-	805,861	49,778	855,639
TOTAL EXPENDITURES	<u>1,121,843</u>	<u>966,855</u>	<u>288,299</u>	<u>2,376,997</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>263,120</u>	<u>(957,855)</u>	<u>(187,598)</u>	<u>(882,333)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,830	-	108,158	110,988
Operating transfers (out)	(80,344)	-	(7,409)	(87,753)
Issuance of long-term debt	119,964	810,000	-	929,964
Premium on long-term debt	-	25,095	-	25,095
Discount on long-term debt	-	(15,777)	-	(15,777)
TOTAL OTHER FINANCING (USES) SOURCES	<u>42,450</u>	<u>819,318</u>	<u>100,749</u>	<u>962,517</u>
NET CHANGE IN FUND BALANCE	305,570	(138,537)	(86,849)	80,184
FUND BALANCE - BEGINNING OF YEAR	<u>980,088</u>	<u>(43)</u>	<u>572,654</u>	<u>1,552,699</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,285,658</u>	<u>\$ (138,580)</u>	<u>\$ 485,805</u>	<u>\$ 1,632,883</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds \$ 80,184

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay reported in governmental fund statements	\$ 855,639	
Depreciation expense reported in the statement of activities	(200,711)	
Less cost of capital assets disposed	<u>(613)</u>	
Amount by which capital outlays are greater than depreciation in the current period:		654,315

Certain capital assets acquired during the year were financed with loans. The amount of the loans are reported in the governmental funds as a source of financing. In the statement of net position however, loans are not reported as a financing source, but rather constitute a long-term liability. The amount of loans reported in the governmental funds statement is: (929,964)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.
This year the accrual of these benefits increased by: (9,874)

Certain revenue is unavailable in the governmental funds because it is not available to pay current period expenditures. In the statement of activities, these are recorded as revenue in the current year:
Other unearned revenue recognized in the governmental funds (4,455)

PERA net pension liability, deferred inflows of resources, and deferred outflows of resources changes: 3,007

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.
The amount of long-term debt principal payments in the current year is: 98,993

Additions to bond premium and discount and amortization (10,525)

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.
The amount of interest and other debt costs paid during the current period \$ 32,658
The amount of interest and other debt costs accrued during the current period (42,440)
Interest paid is less than interest accrued by: (9,782)

CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (128,101)

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>WATER UTILITY FUND</u>	<u>SEWER UTILITY FUND</u>	<u>NONMAJOR PROPRIETARY FUNDS</u>	<u>TOTALS</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,027,881	\$ 487,937	\$ 285,962	\$ 1,801,780
Accounts receivable				
Customer	39,193	52,949	27,372	119,514
Accrued interest	5,340	8,496	-	13,836
Due from other funds	-	251,551	-	251,551
Prepays	1,677	1,614	-	3,291
TOTAL CURRENT ASSETS	<u>1,074,091</u>	<u>802,547</u>	<u>313,334</u>	<u>2,189,972</u>
NONCURRENT ASSETS				
Capital assets (net of accumulated depreciation)				
Capital assets not being depreciated	467,365	76,123	-	543,488
Capital assets being depreciated	3,695,178	5,710,223	477,120	9,882,521
NET CAPITAL ASSETS	<u>4,162,543</u>	<u>5,786,346</u>	<u>477,120</u>	<u>10,426,009</u>
TOTAL ASSETS	<u>5,236,634</u>	<u>6,588,893</u>	<u>790,454</u>	<u>12,615,981</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	6,671	5,122	1,003	12,796
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>5,243,305</u>	<u>6,594,015</u>	<u>791,457</u>	<u>12,628,777</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	7,457	30,812	12,539	50,808
Accrued liabilities				
Compensation and payroll taxes	2,345	1,723	408	4,476
Interest	18,281	4,620	-	22,901
Other	104	-	203	307
Due to other funds	251,551	-	-	251,551
Compensated absences	10,321	7,111	2,109	19,541
Unearned revenue	15,150	-	-	15,150
Current portion of long-term obligations	125,000	130,000	-	255,000
TOTAL CURRENT LIABILITIES	<u>430,209</u>	<u>174,266</u>	<u>15,259</u>	<u>619,734</u>
NONCURRENT LIABILITIES				
Long-term obligations	1,331,027	1,474,565	5,827	2,811,419
TOTAL LIABILITIES	<u>1,761,236</u>	<u>1,648,831</u>	<u>21,086</u>	<u>3,431,153</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	11,848	9,097	1,782	22,727
NET POSITION				
Net investment in capital assets	2,745,265	4,211,534	494,160	7,450,959
Unrestricted	724,956	724,553	274,429	1,723,938
TOTAL NET POSITION	<u>3,470,221</u>	<u>4,936,087</u>	<u>768,589</u>	<u>9,174,897</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,243,305</u>	<u>\$ 6,594,015</u>	<u>\$ 791,457</u>	<u>\$12,628,777</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	WATER UTILITY FUND	SEWER UTILITY FUND	NONMAJOR PROPRIETARY FUNDS	TOTALS
OPERATING REVENUE				
Charges for services	\$ 383,280	\$ 435,778	\$ 181,259	\$ 1,000,317
Other revenue	47,398	-	-	47,398
TOTAL OPERATING REVENUE	<u>430,678</u>	<u>435,778</u>	<u>181,259</u>	<u>1,047,715</u>
OPERATING EXPENSES				
Administrative	21,692	15,238	12,144	49,074
Operations and maintenance	150,760	234,876	88,620	474,256
Depreciation	221,821	250,693	17,040	489,554
TOTAL OPERATING EXPENSES	<u>394,273</u>	<u>500,807</u>	<u>117,804</u>	<u>1,012,884</u>
OPERATING (LOSS) INCOME	<u>36,405</u>	<u>(65,029)</u>	<u>63,455</u>	<u>34,831</u>
NONOPERATING REVENUE (EXPENSES)				
Interest income	10,758	7,157	2,857	20,772
Miscellaneous revenue	248	-	-	248
Debt forgiven	-	72,377	-	72,377
Interest expense and other fiscal charges	(34,083)	(29,576)	-	(63,659)
TOTAL NONOPERATING (EXPENSES) REVENUE	<u>(23,077)</u>	<u>49,958</u>	<u>2,857</u>	<u>29,738</u>
INCOME (LOSS) BEFORE TRANSFERS	13,328	(15,071)	66,312	64,569
OPERATING TRANSFER (OUT)	<u>(7,654)</u>	<u>(7,654)</u>	<u>(7,927)</u>	<u>(23,235)</u>
CHANGE IN NET POSITION	5,674	(22,725)	58,385	41,334
NET POSITION - BEGINNING OF YEAR	<u>3,464,547</u>	<u>4,958,812</u>	<u>710,204</u>	<u>9,133,563</u>
NET POSITION - END OF YEAR	<u>\$ 3,470,221</u>	<u>\$ 4,936,087</u>	<u>\$ 768,589</u>	<u>\$ 9,174,897</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	WATER UTILITY FUND	SEWER UTILITY FUND	NONMAJOR PROPRIETARY FUNDS	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 388,772	\$ 439,316	\$ 181,098	\$ 1,009,186
Payments to suppliers for goods and services	(110,904)	(253,843)	(82,577)	(447,324)
Payments for employees wages and benefits	(66,873)	(51,463)	(13,262)	(131,598)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>210,995</u>	<u>134,010</u>	<u>85,259</u>	<u>430,264</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of property, plant and equipment	(320,092)	-	-	(320,092)
Retirement of long-term debt	(353,370)	(148,521)	-	(501,891)
Issuance of long-term debt	325,000	-	-	325,000
Interest paid	(31,855)	(39,709)	-	(71,564)
Transfers from (to) other funds	(7,654)	(7,654)	(7,927)	(23,235)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(387,971)</u>	<u>(195,884)</u>	<u>(7,927)</u>	<u>(591,782)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	10,390	6,573	2,857	19,820
NET CHANGE IN CASH AND CASH EQUIVALENTS	(166,586)	(55,301)	80,189	(141,698)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,194,467</u>	<u>543,238</u>	<u>205,773</u>	<u>1,943,478</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>1,027,881</u>	<u>487,937</u>	<u>285,962</u>	<u>1,801,780</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Operating income (loss)	36,405	(65,029)	63,455	34,831
Adjustments to reconcile operating income (loss) to cash flows from operating activities				
Depreciation	221,821	250,693	17,040	489,554
Changes in assets and liabilities				
(Increase) decrease in receivables - customers	(2,119)	3,538	(161)	1,258
(Increase) decrease in deferred outflows	(369)	7	(116)	(478)
(Decrease) increase in accounts payable	(34)	(49,068)	5,580	(43,522)
(Decrease) in other accrued expenses	(241)	-	(364)	(605)
(Decrease) in unearned revenue	(39,787)	-	-	(39,787)
(Decrease) in net pension liability	(11,887)	(11,451)	(1,303)	(24,641)
Increase in deferred inflows	7,206	5,320	1,128	13,654
Total adjustments	<u>174,590</u>	<u>199,039</u>	<u>21,804</u>	<u>395,433</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 210,995</u>	<u>\$ 134,010</u>	<u>\$ 85,259</u>	<u>\$ 430,264</u>

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the City of Dundas (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below.

A. Reporting Entity

The City of Dundas is a municipal corporation, incorporated under the laws of the State of Minnesota. The City is governed by an elected mayor and four council members. The Council exercises legislative authority and determines all matters of policy.

Component units are legally separate organizations for which the elected officials of the City of Dundas are financially accountable or for which the nature or significance of their relationship with the City of Dundas would cause the general purpose financial statements to be misleading or incomplete. As of December 31, 2018, there were no entities that met the requirements to be considered a component unit of the City.

The following circumstances set forth the City's financial accountability for a legally separate organization: the City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenue includes: 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 included among program revenue are reported as general revenue.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenue, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund - Accounts for the City's primary operating activities. It is used to account for all financial resources, except those required to be accounted for in another fund.

Capital Improvements Fund - A capital project fund type and accounts for capital improvements using proceeds of long term debt.

The City reports the following major enterprise funds:

Water Utility Fund - Accounts for the activities related to the operation of a water distribution system.

Sewer Utility Fund - Accounts for the activities related to the operation of a sanitary sewer collection and treatment system.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 revenue 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resource measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The proprietary funds distinguish *operating* revenue and expenses from *nonoperating* items. Operating revenue 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 revenue of the water and sewer utilities is a charge to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Cash and Cash Equivalents - Cash and cash equivalents, as classified in the statement of cash flows, consist of all highly liquid investments with an initial maturity of three months or less.

Property Taxes - Property tax levies are set by the City Council in December of each year and are certified to Rice County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Rice County spreads all levies over taxable property. Such taxes become a lien on January 1 the following year, and are recorded as receivables by the City at that date. Revenue from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

Accounts Receivable - Accounts receivable are recorded at gross amounts less an allowance for doubtful accounts. No provision for uncollectible accounts receivable has been made in the accompanying proprietary fund financial statements because the water and sewer has the right to place delinquent bills on the tax roll.

Due To/From Advance To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as advances from and to other funds. In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Eliminations have been made for amounts due to/from and advance to/from within the same fund type on the government-wide statements.

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenues and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Prepaid Items - Cash payments benefiting future periods have been recorded as prepaid items. They will be reflected as expenditures or expenses when incurred in the subsequent year. Prepaid items in governmental funds are reserved for in nonspendable fund balance, because prepaids are not expendable available financial resources.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure, are reported at cost or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. General infrastructure assets, such as roads, bridges, curbs, gutters, streets, sidewalks and drainage and lighting systems, acquired prior to January 1, 2003, are reported at estimated historical cost using deflated replacement cost. Capital assets are depreciated using the straight-line method. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major capital outlays for capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Interest expenses incurred during construction were not capitalized as part of the additions to capital assets.

Plant and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Sewer collection system	40
Water distribution system	7 to 25
Equipment	5 to 10
Building and structures	10 to 40
Vehicles	5
Land improvements	10
Infrastructure	25 to 40

Special Assessments - Assessments are levied at various times by City resolution for property owner improvements made by the City. Assessment collections are deferred over a period ranging from five to twenty years with interest charged at rates ranging from 5% to 7%.

Debt Premiums and Discounts - In the government-wide and proprietary fund financial statements, debt premiums and discounts are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable debt premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay accumulates and vests and sick pay accumulates and vests with certain limitations. Upon retirement or death, one-half of an employee's sick leave, up to a maximum of 120 days, is paid to the retiree or the employee's spouse or estate, and one-half is used to pay for health and dental insurance.

Accumulated unpaid vacation and sick leave for employees is recorded as an expense and liability in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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.

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has one item that qualifies for reporting in this category: the deferred changes from PERA result from the changes in actuarial studies.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has two items that qualify for reporting in this category: unavailable revenue and PERA pension system. The unavailable revenue is from property taxes and special assessments. This amount is deferred and recognized as an inflow in the period the amount becomes available. The deferred changes from PERA result from the changes in actuarial studies.

Claims and Judgments - Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Net Position Classifications - Net position represents the difference between the total assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Balance Classifications - The City classifies its fund equity as follows:

1. Nonspendable fund balance consists of equity not in a spendable form or is legally or contractually required to be maintained intact.
2. Restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation.
3. Committed fund balance consists of equity constrained to specific purposes by the City itself, using its highest level of decision making authority - Common Council policies.
4. Assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Common Council has authorized the Finance Director to assign fund balances through its financial management policy.
5. Unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the City's policy to record the net loss against committed fund balance, then assigned fund balance, and lastly to unassigned fund balance. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

State and Federal Aids - State general and categorical aids are recognized as revenue in the entitlement year. Federal aids and certain state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenue.

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 and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Cash and Investments

The City has adopted an investment policy that conforms to all applicable laws of the State of Minnesota. The objective of the City's investment program is to preserve capital and protection of the investment principal. Investments are made under the assumption that, except under limited circumstances, all investments will be held to maturity.

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

INVESTMENT	WEIGHTED AVERAGE MATURITIES	FAIR VALUE
Certificates of Deposit	Less than one year	\$ 250,000
Certificates of Deposit	More than one year	2,810,312
		<u>\$ 3,060,312</u>

NOTE 2 - Cash and Investments - Continued

Determining Fair Value - 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; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The City has no investments measured at fair value.

Income Allocation - Interest income is generally allocated to the fund which owns the checking account, savings account, money market, certificate of deposit, and investment.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal policy limiting investments maturities that would help manage its exposure to fair value losses from increasing interest rates.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fully fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating service. All of the City's investments are rated AAA by the S & P rating service.

Concentration of Credit Risk - The investment policy of the City contains no limitation on the amount that can be invested in any one issuer.

Custodial Risk - For investments, custodial risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment securities that are in the possession of an outside party. As of December 31, 2018, \$621,121 of the City's bank balance of \$3,780,225 was exposed to custodial credit risk as follows:

Uninsured, collateral pledged by bank \$ 621,121

A reconciliation of cash and investments as shown in the Statement of Net Position:

Cash and investments	<u>\$ 3,772,599</u>
Deposits:	
Checking account	\$ 443
Money market account	711,744
Petty cash	100
Investments, certificates of deposit	3,060,312
Total	<u>\$ 3,772,599</u>

NOTE 3 - Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Rice County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Rice County spreads all levies over taxable property. Such taxes become a lien on January 1 the following year, and are recorded as receivables by the City at that date. Revenue from property taxes are accrued and recognized in the year collectable, net of delinquencies.

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 3 - Property Taxes - Continued

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, June and December.

NOTE 4 - Capital Assets

Capital asset balances and activity for the year ended December 31, 2018, are as follows:

	BALANCES 1/1/18	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCES 12/31/18
GOVERNMENTAL ACTIVITIES					
<i>Capital assets not being depreciated:</i>					
Land	\$ 559,674	\$ -	\$ -	\$ -	\$ 559,674
Construction in progress	40,386	805,861	-	-	846,247
Total capital assets not being depreciated	600,060	805,861	-	-	1,405,921
<i>Capital assets being depreciated</i>					
Buildings	1,555,443	-	-	-	1,555,443
Equipment	252,144	49,778	(5,248)	-	296,674
Vehicles	147,924	-	-	-	147,924
Land improvements	419,070	-	-	-	419,070
Infrastructure	3,267,060	-	-	-	3,267,060
Total capital assets being depreciated	5,641,641	49,778	(5,248)	-	5,686,171
<i>Less accumulated depreciation for:</i>					
Buildings	618,154	39,407	-	-	657,561
Equipment	181,751	21,373	(4,635)	-	198,489
Vehicles	69,492	21,107	-	-	90,599
Land improvements	154,192	15,083	-	-	169,275
Infrastructure	1,470,899	103,741	-	-	1,574,640
Total accumulated depreciation	2,494,488	200,711	(4,635)	-	2,690,564
Total capital assets being depreciated, net	3,147,153	(150,933)	(613)	-	2,995,607
GOVERNMENTAL ACTIVITIES - CAPITAL ASSETS, NET	\$ 3,747,213	\$ 654,928	\$ (613)	\$ -	\$ 4,401,528

Depreciation expense for governmental activities was charged to functions as follows:

Governmental Activities:	
General government	\$ 1,595
Public safety	13,900
Public works	145,850
Parks and recreation	39,366
Total Governmental Activities	\$ 200,711

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 4 - Capital Assets - Continued

	BALANCES 1/1/18	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCES 12/31/18
BUSINESS-TYPE ACTIVITIES					
<i>Capital assets not being depreciated:</i>					
Land	\$ 223,396	\$ -	\$ -	-	\$ 223,396
Construction in progress	-	320,092	-	-	320,092
Total capital assets not being depreciated	223,396	320,092	-	-	543,488
<i>Capital assets being depreciated</i>					
Sewer collection system	9,542,531	-	-	-	9,542,531
Water distribution system	7,178,960	-	-	-	7,178,960
Storm water collection system	670,060	-	-	-	670,060
Equipment	76,227	-	-	-	76,227
Software	20,460	-	-	-	20,460
Total capital assets being depreciated	17,488,238	-	-	-	17,488,238
<i>Less accumulated depreciation for:</i>					
Sewer collection system	3,597,017	248,439	-	-	3,845,456
Water distribution system	3,280,319	217,746	-	-	3,498,065
Storm water collection system	175,900	17,040	-	-	192,940
Equipment	42,467	6,329	-	-	48,796
Software	20,460	-	-	-	20,460
Total accumulated depreciation	7,116,163	489,554	-	-	7,605,717
Total capital assets being depreciated, net	10,372,075	(489,554)	-	-	9,882,521
BUSINESS-TYPE ACTIVITIES - CAPITAL ASSETS, NET	\$ 10,595,471	\$ (169,462)	\$ -	\$ -	\$ 10,426,009
Depreciation expense for business-type activities was charged to functions as follows:					
Business-type Activities:					
Water			\$ 221,821		
Sewer			250,693		
Storm water			17,040		
Total Business-type Activities			\$ 489,554		

NOTE 5 - Long-Term Obligations

General Obligation Tax Increment Bonds - The general obligation tax increment bonds were issued to fund redevelopment projects. The additional property taxes resulting from the increased tax capacity of the redeveloped properties will be used to retire these bonds.

General Obligation Note - General obligation note proceeds were used to finance capital asset expenditures and will be repaid by future property taxes.

General Obligation Revenue Bonds and Notes - General obligation revenue bonds and notes were used to finance capital improvements in the City's enterprise funds. These bonds and notes will be repaid from water and sewer utility revenue.

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 5 - Long-Term Obligations - Continued

A summary of long-term debt obligations outstanding as of December 31, 2018 balances is as follows:

	INTEREST RATES	FINAL MATURITY	BALANCE 12/31/18
Governmental Activities:			
General Obligation Improvement Bonds:			
Series 2013A	2.00-3.70%	02/01/2029	\$ 1,010,000
Series 2018A	3.00-4.00%	02/01/2039	810,000
Other long term debt	2.00%	12/01/2022	95,971
Bond Discounts			(20,140)
Bond Premium			35,845
			<u>1,931,676</u>
Business-Type Activities:			
General Obligation Revenue Bonds:			
Refunding Bonds 2013A	2.00-3.25%	02/01/2026	1,080,000
Refunding Bonds Series 2014A	.40-2.25%	12/01/2024	525,000
Series 2016A	.90-2.85%	11/01/2037	1,060,000
Series 2018A	3.00-4.00%	02/01/2039	325,000
Bond Discounts			(15,614)
Bond Premium			17,704
			<u>2,992,090</u>
TOTAL LONG-TERM DEBT, net			\$ 4,923,766

Details of the City's long-term obligations are as follows:

Summary of Long-Term Obligations

	BALANCES 1/1/18	ADDITIONS	PAYMENTS	BALANCES 12/31/18	DUE WITHIN ONE YEAR
Governmental Activities:					
General Obligation Improvement Bonds					
Series 2013A	\$ 1,085,000	\$ -	\$ (75,000)	\$ 1,010,000	\$ 80,000
Series 2018A	-	810,000	-	810,000	-
Other long term debt	-	119,964	(23,993)	95,971	23,993
Bond discount	(5,187)	(15,777)	824	(20,140)	-
Bond premium	12,781	25,095	(2,031)	35,845	-
Other liabilities					
Pension liability	359,638	-	(46,438)	313,200	-
Compensated absences	37,826	9,874	-	47,700	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 1,490,058	\$ 949,156	\$ (146,638)	\$ 2,292,576	\$ 103,993
Business-Type Activities:					
Enterprise Funds					
General Obligation Revenue Notes					
Note 1997A	\$ 30,166	\$ -	\$ (30,166)	\$ -	\$ -
Note 1997B	72,376	-	(72,376)	-	-
General Obligation Revenue Bonds					
Series 2014A	605,000	-	(80,000)	525,000	80,000
Series 2013A	1,430,000	-	(350,000)	1,080,000	125,000
Series 2016A	1,100,000	-	(40,000)	1,060,000	50,000
Series 2018A	-	325,000	-	325,000	-
Bond discount	(18,748)	-	3,134	(15,614)	-
Bond premium	22,563	-	(4,859)	17,704	-
Other liabilities					
Pension liability	98,970	-	(24,641)	74,329	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 3,340,327	\$ 325,000	\$ (598,908)	\$ 3,066,419	\$ 255,000

CITY OF DUNDAS, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2018

NOTE 5 - Long-Term Obligations - Continued

The annual requirements to amortize long-term debt as of December 31, 2018 are as follows:

G.O. Bonds and Other Long Term Debt Governmental Activities

	Principal	Interest
2019	\$ 103,993	\$ 61,001
2020	123,993	58,758
2021	138,993	54,803
2022	138,992	50,573
2023	120,000	46,268
2024-2028	675,000	165,841
2029-2033	315,000	69,473
2034-2038	250,000	29,525
2039	50,000	850
Total	\$ 1,915,971	\$ 537,092

G.O. Revenue Bonds Business-Type Activities

	Principal	Interest
2019	\$ 255,000	\$ 74,893
2020	265,000	70,073
2021	280,000	63,810
2022	285,000	56,780
2023	290,000	49,575
2024-2028	860,000	149,643
2029-2033	375,000	85,423
2034-2038	360,000	30,613
2039	20,000	340
Total	\$ 2,990,000	\$ 581,150

NOTE 6 - Fund Equity

Fund equity balances are classified, as detailed below, to reflect the limitations and restrictions of the respected funds.

Restricted:	
Debt service	\$ 206,464
Unrestricted:	
Assigned:	
Annexation payments	\$ 184,028
Public Safety capital asset acquisition	81,124
Public Works capital asset acquisition	6,703
Capital asset purchases	14,928
Total Assigned	\$ 286,783

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 6 - Fund Equity - Continued

Deficits:

The following funds had fund equity deficits at December 31, 2018:

Capital improvement fund	\$ (138,580)
Dundas Baseball operations	(7,442)
Total	\$ (146,022)

The above deficits will be eliminated through transfers from other funds or by future revenue.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on December 31, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sewer	Water	\$ 251,551

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental and business activities are netted and eliminated.

Summary of transfers for the year ended December 31, 2018 are as follows:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
Public Safety Capital Outlay	General	\$ 2,830
Water	GO Improvement Bonds 2013A	7,654
Sewer	GO Improvement Bonds 2013A	7,654
Storm Sewer	GO Improvement Bonds 2013A	7,927
General	GO Improvement Bonds 2013A	80,344
		\$ 106,409

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide

Plan Description

The City of Dundas participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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 Fund

All full-time and certain part-time employees of the City are covered by the General Employees Plan which is accounted for in the General Employees Fund. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security,

Public Employees Police and Fire Fund

The Public Employees Police and Fire Fund, 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 Public Employees Police and Fire Fund also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

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

General Employees Retirement Fund Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

Public Employees Police and Fire Fund Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan 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.

Beginning in 2019, the COLA will be fixed at 1%. Under funding measurements from 2017, the 2.5% COLA trigger was never expected to occur and was subsequently removed from law. Post-retirement increases are given each year except for annuitants who have been receiving a benefit for only 31 to 41 months. These annuitants will receive a prorated amount of the increase on a sliding scale.

Contributions

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

General Employees Retirement Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2018; the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$18,752. The City's contributions were equal to the required contributions as set by state statute.

Public Employees Police and Fire Fund Contributions

Legislation increased both employee and employer contribution rates in the Police and Fire Plan. Employee rates increased from 10.80% of pay to 11.30% and employer rates increase from 16.20% to 16.95% on January 1, 2018. On January 1, 2020, employee rates increase to 11.80% and employer rates increase to 17.70%. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018 were \$29,242. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Retirement Fund Pension Cost

As of December 31, 2018, the City reported a liability of \$205,261 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City's totaled \$6,695. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. As of June 30, 2018, the City's proportionate share was .0037% which is a decrease of .001% from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of \$10,308, for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,561 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. As of December 31, 2018, the City of Dundas 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	\$ 5,573	\$ 6,149
Changes in actuarial assumptions	20,138	23,492
Difference between projected and actual investment earnings	-	25,739
Changed in proportion	-	7,380
Contributions paid to PERA subsequent to the measurement date	9,625	-
Total	\$ 35,336	\$ 62,760

\$9,625 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2019	\$418
2020	(10,977)
2021	(16,679)
2022	(6,384)
Thereafter	(3,427)

Public Employees Police and Fire Fund Pension Costs

At December 31, 2018, the City of Dundas reported a liability of \$182,268 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates for July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was .017% which was

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

an increase of .001% from its proportion measured as of June 30, 2017. The City also recognized \$1,539 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

Beginning in January 1, 2019, the COLA will be fixed at 1 percent. Under funding measurements from 2017, the 2.5 percent COLA trigger was never expected to occur and was subsequently removed from law.

For the year ended December 31, 2018, the City of Dundas recognized pension expense of \$18,985 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

At December 31, 2018, the City of Dundas reported its proportionate share of Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resource related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,107	\$ 35,574
Changes in actuarial assumptions	218,327	251,454
Difference between projected and actual investment earnings	-	43,146
Changes in proportion	19,858	-
Contributions paid to PERA subsequent to the measurement date	15,033	-
Total	\$ 260,325	\$ 330,174

\$15,033 reported as deferred outflows of resources related to pensions resulting from the City of Dundas contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources relate to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2019	\$11,675
2020	3,129
2021	(15,429)
2022	(77,985)
Thereafter	(6,272)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

	General Employees Plan	Police & Fire Plan
Inflation	2.5% per year	2.5% per year
Salary Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.5%	7.5%

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50% for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25% after one year of service, to 3.25% after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25% after one year of service to 3.25% after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions for the General Employees Fund occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 8 - Defined Benefit Pension Plans - Statewide - Continued

General Employers Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City of Dundas' proportionate share of the GERF net pension liability:	\$333,575	\$205,261	\$99,341
	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City of Dundas' proportionate share of the PEPF net pension liability:	\$390,795	\$182,268	\$9,826

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.

NOTE 9 - Commitments and Contingencies

State of Minnesota Grants

The City participated in several State of Minnesota grant programs. These grants are subject to compliance audits by the grantors and their representatives. The ultimate determination of the amounts earned under these grants is therefore subject to change pending completion and acceptance of these audits, if any. Until these audits are completed and accepted there exists a contingent liability that some amounts received under these grants will be in excess of the allowable costs. The City is of the opinion that no material liability will result from such audits, if any.

Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF DUNDAS, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
 DECEMBER 31, 2018

NOTE 9 - Commitments and Contingencies - Continued

Litigation

The City may be subject to potential litigation involving various personal injury and property loss claims. The City intends to contest vigorously any litigation, which may result from these claims. In addition, management believes no material uninsured loss will result from these claims.

Risk Management

The City is exposed to various risks of loss related to torts; thefts of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operated as a common risk management and insurance program for participating Minnesota cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to the participating cities if a deficiency occurs. The City purchased worker's compensation insurance as required by *Minnesota Statute*.

NOTE 10 - Subsequent Events

The City has evaluated subsequent events through April 8, 2019, the date which the financial statements were available to be issued.

**CITY OF DUNDAS, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DUNDAS, MINNESOTA
RETIREMENT SYSTEM SCHEDULES - GENERAL EMPLOYEES RETIREMENT FUND (GERF)
DECEMBER 31, 2018**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Last 10 Fiscal Years *			
	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.00370000%	0.00380000%	0.00380000%	0.00400000%
Employer's proportionate share of the net pension liability	\$ 205,261	\$ 242,589	\$ 308,541	\$ 307,301
Covered payroll	\$ 250,027	\$ 244,996	\$ 242,335	\$ 235,811
Proportionate share of the net pension liability as a percentage of its covered payroll	82.10%	99.02%	127.32%	130.32%
Plan fiduciary net position as a percentage of the total pension liability	79.53%	75.90%	68.90%	78.20%

SCHEDULE OF CONTRIBUTIONS

	Last 10 Fiscal Years *			
	2018	2017	2016	2015
Contractually required contributions	\$ 18,752	\$ 18,372	\$ 18,175	\$ 17,689
Contributions in relation to the contractually required contributions	(18,752)	(18,372)	(18,175)	(17,689)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 250,027	\$ 244,996	\$ 242,335	\$ 235,811
Contributions as a percentage of covered payroll	7.50%	7.50%	7.50%	7.50%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Minnesota Retirement System (PERA).

Changes of assumptions - there were no changes in the assumptions.

CITY OF DUNDAS, MINNESOTA
 RETIREMENT SYSTEM SCHEDULES - PUBLIC EMPLOYEES POLICE AND FIRE FUND
 DECEMBER 31, 2018

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Last 10 Fiscal Years *			
	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.01710000%	0.01600000%	0.01600000%	0.01500000%
Employer's proportionate share of the net pension liability	\$ 182,268	\$ 216,019	\$ 642,108	\$ 170,435
State's proportionate share of the net pension liability	-	-	-	-
Total proportionate share of the net pension liability	182,268	216,019	642,108	170,435
Covered payroll	\$ 180,506	\$ 164,639	\$ 162,187	\$ 137,542
Proportionate share of the net pension liability as a percentage of its covered payroll	100.98%	131.21%	395.91%	123.91%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	85.40%	63.90%	86.80%

SCHEDULE OF CONTRIBUTIONS

	Last 10 Fiscal Years *			
	2018	2017	2016	2015
Contractually required contributions	\$ 29,242	\$ 26,723	\$ 26,365	\$ 22,282
Contributions in relation to the contractually required contributions	(29,242)	(26,723)	(26,365)	(22,282)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 180,506	\$ 164,639	\$ 162,187	\$ 137,542
Contributions as a percentage of covered payroll	16.20%	16.23%	16.26%	16.20%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The City implemented the Government Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 6 preceding years.

Notes to Required Supplementary Information for the Year Ended December 31, 2018

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Minnesota Retirement System (PERA).

Changes of assumptions - there were no changes in the assumptions.

CITY OF DUNDAS, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUE				
TAXES				
Property taxes	\$ 949,434	\$ 949,434	\$ 954,613	\$ 5,179
Franchise fees	13,349	13,349	14,597	1,248
TOTAL TAXES	962,783	962,783	969,210	6,427
LICENSES AND PERMITS				
Building and plan fees	33,210	33,210	116,485	83,275
Alcoholic beverages	8,300	8,300	7,540	(760)
Other	2,200	2,200	1,636	(564)
TOTAL LICENSES AND PERMITS	43,710	43,710	125,661	81,951
INTERGOVERNMENTAL				
Local government aids	175,039	175,039	175,039	-
Market value credit	-	-	477	477
State aid for street maintenance	14,497	14,497	14,230	(267)
Police grants	23,558	23,558	31,659	8,101
PERA aid	104	104	104	-
TOTAL INTERGOVERNMENTAL	213,198	213,198	221,509	8,311
INTEREST INCOME	6,000	6,000	16,869	10,869
CHARGES FOR SERVICES				
Park	2,000	2,000	2,515	515
Zoning and subdivision	1,000	1,000	6,725	5,725
Rents	-	-	3,850	3,850
Other	1,650	1,650	3,845	2,195
TOTAL CHARGES FOR SERVICES	4,650	4,650	16,935	12,285
FINES, FORFEITS, AND PENALTIES	18,450	18,450	24,741	6,291
MISCELLANEOUS				
Contributions	-	-	1,034	1,034
Other	1,840	1,840	9,004	7,164
TOTAL MISCELLANEOUS	1,840	1,840	10,038	8,198
TOTAL REVENUE	\$ 1,250,631	\$ 1,250,631	\$ 1,384,963	\$ 134,332

(Continued on page 45)

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - Continued
YEAR ENDED DECEMBER 31, 2018

CITY OF DUNDAS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL - Continued
YEAR ENDED DECEMBER 31, 2018

EXPENDITURES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
GENERAL GOVERNMENT				
Mayor and council				
Salaries and wages	\$ 27,100	\$ 27,100	\$ 27,549	\$ (449)
Payroll taxes	1,928	1,928	1,928	-
Workers compensation insurance	63	63	-	63
Training and instruction	1,050	1,050	-	1,050
Telephone	420	420	385	35
Travel and meeting reimbursements	802	802	333	469
Dues and subscriptions	20	20	30	(10)
Supplies	-	-	24	(24)
Capital outlay	500	500	-	500
TOTAL MAYOR AND COUNCIL	31,883	31,883	30,249	1,634
Administrative				
Salaries and wages	82,738	82,738	87,049	(4,311)
Payroll taxes	6,269	6,269	6,659	(390)
PERA contributions	6,266	6,266	6,103	163
Insurance benefits	13,943	13,943	6,156	7,787
Workers compensation insurance	-	-	1,086	(1,086)
Training and instruction	1,496	1,496	400	1,096
Travel and meeting reimbursements	2,750	2,750	1,725	1,025
Dues and subscriptions	2,113	2,113	2,524	(411)
TOTAL ADMINISTRATIVE	115,575	115,575	111,702	3,873
Planning and zoning				
Salaries and wages	15,042	15,042	17,143	(2,101)
Payroll taxes	1,151	1,151	1,312	(161)
PERA contributions	1,128	1,128	1,102	26
Insurance benefits	2,113	2,113	56	2,057
Professional services				
Engineering fees	5,738	5,738	14,128	(8,390)
Planning fees	14,041	14,041	20,125	(6,084)
Legal fees	7,560	7,560	2,807	4,753
Training and instruction	150	150	-	150
Office supplies	225	225	-	225
Legal notices published	500	500	813	(313)
TOTAL PLANNING AND ZONING	47,648	47,648	57,486	(9,838)
Other general government				
Supplies	4,750	4,750	7,196	(2,446)
Auditing and accounting	6,840	6,840	10,068	(3,228)
Legal fees	22,843	22,843	22,088	755
Engineering fees	23,800	23,800	15,349	8,451
Other professional services	3,000	3,000	5,593	(2,593)
Telephone and communications	4,050	4,050	3,276	774
Postage	880	880	974	(94)
Legal notices published	563	563	724	(161)
Insurance	7,154	7,154	6,801	353
Utilities	2,029	2,029	1,478	551
Repairs and maintenance	3,750	3,750	2,247	1,503
Equipment rentals	3,440	3,440	1,010	2,430
Capital outlay	5,490	5,490	6,834	(1,344)
Miscellaneous	8,656	8,656	20,313	(11,657)
TOTAL OTHER GENERAL GOVERNMENT	97,245	97,245	103,951	(6,706)
TOTAL GENERAL GOVERNMENT	\$ 292,351	\$ 292,351	\$ 303,388	\$ (11,037)

EXPENDITURES - Continued	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
PUBLIC SAFETY				
Civil defense				
Utilities	\$ 158	\$ 158	\$ 69	\$ 89
Insurance	300	300	374	(74)
Repairs and maintenance	413	413	-	413
TOTAL CIVIL DEFENSE	871	871	443	428
Animal control				
Subcontracted services	500	500	877	(377)
Fire protection				
Contractual services	50,090	50,090	52,921	(2,831)
Police protection				
Salaries and wages	198,428	198,428	212,671	(14,243)
Payroll taxes	2,877	2,877	3,084	(207)
PERA contributions	32,145	32,145	30,691	1,454
Insurance benefits	25,350	25,350	8,498	16,852
Workers compensation insurance	5,130	5,130	8,561	(3,431)
Supplies	2,585	2,585	1,128	1,459
Training and instruction	3,847	3,847	2,180	1,667
Vehicle operations	9,368	9,368	9,595	(227)
Uniforms	2,024	2,024	340	1,684
Legal fees	20,294	20,294	6,004	14,290
Other professional services	2,840	2,840	-	2,840
Telephone and communications	3,695	3,695	3,452	243
Insurance	9,169	9,169	9,427	(258)
Utilities	1,444	1,444	819	625
Repairs and maintenance	-	-	1,143	(1,143)
Dues and subscriptions	6,125	6,125	2,366	3,759
Capital outlay	10,924	10,924	9,593	1,331
Miscellaneous	74	74	464	(390)
TOTAL POLICE PROTECTION	336,319	336,319	310,014	26,305
Building inspections				
Salaries and wages	4,445	4,445	5,072	(627)
Payroll taxes	340	340	388	(48)
PERA contributions	333	333	331	2
Insurance benefits	845	845	23	822
Supplies	403	403	697	(294)
Telephone	659	659	451	208
Permit review fees	16,388	16,388	46,536	(30,148)
Miscellaneous	200	200	-	200
Plan review fees	10,350	10,350	17,781	(7,431)
TOTAL BUILDINGS INSPECTIONS	33,963	33,963	71,279	(37,316)
TOTAL PUBLIC SAFETY	\$ 421,743	\$ 421,743	\$ 435,534	\$ (13,791)

(Continued on page 47)

The accompanying notes are an integral part of these statements.

The accompanying notes are an integral part of these statements.

CITY OF DUNDAS, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 BUDGET AND ACTUAL - Continued
 YEAR ENDED DECEMBER 31, 2018

CITY OF DUNDAS, MINNESOTA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 ON BUDGETARY ACCOUNTING AND CONTROL
 DECEMBER 31, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES - Continued				
PUBLIC WORKS				
Highway, streets, and roads				
Salaries and wages	\$ 49,647	\$ 49,647	\$ 58,024	\$ (8,377)
Payroll taxes	3,724	3,724	4,439	(715)
PERA contributions	3,798	3,798	3,732	66
Insurance benefits	6,422	6,422	210	6,212
Workers compensation insurance	4,996	4,996	2,301	2,695
Supplies	3,399	3,399	1,225	2,174
Signs	1,500	1,500	305	1,195
Building utilities	2,250	2,250	302	1,948
Engineering fees	1,500	1,500	18	1,482
Insurance	1,615	1,615	898	717
Travel and meeting reimbursements	-	-	268	(268)
Street lighting utilities	25,878	25,878	21,980	3,898
Mowing	8,539	8,539	2,805	5,734
Sand/rock/dirt	10,486	10,486	4,296	6,190
Road maintenance	64,554	64,554	33,166	31,388
Vehicle operations	10,730	10,730	5,895	4,835
Capital outlay	13,390	13,390	37,743	(24,353)
Miscellaneous	450	450	2,043	(1,593)
TOTAL PUBLIC WORKS	<u>212,878</u>	<u>212,878</u>	<u>179,650</u>	<u>33,228</u>
CULTURE, RECREATION, AND EDUCATION				
Parks				
Salaries and wages	12,238	12,238	13,382	(1,144)
Payroll taxes	936	936	1,024	(88)
PERA contributions	918	918	836	82
Insurance benefits	2,052	2,052	43	2,009
Workers compensation insurance	283	283	915	(632)
Supplies	2,525	2,525	2,189	336
Repair and maintenance	14,189	14,189	392	13,797
Insurance	19,139	19,139	17,216	1,923
Equipment rentals	1,848	1,848	1,750	98
Utilities	3,880	3,880	2,487	1,393
Grounds	10,725	10,725	11,859	(1,134)
Cleaning service	516	516	491	25
Programming	810	810	-	810
Capital outlay	13,521	13,521	124,685	(111,164)
Miscellaneous	250	250	2,009	(1,759)
TOTAL CULTURE, RECREATION, AND EDUCATION	<u>83,830</u>	<u>83,830</u>	<u>179,278</u>	<u>(95,448)</u>
DEBT SERVICE				
Principal	-	-	23,993	(23,993)
TOTAL EXPENDITURES	<u>1,010,802</u>	<u>1,010,802</u>	<u>1,121,843</u>	<u>(111,041)</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>239,829</u>	<u>239,829</u>	<u>263,120</u>	<u>23,291</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	2,830	2,830
Operating transfers (out)	(88,644)	(88,644)	(80,344)	8,300
Issuance of long-term debt	-	-	119,964	119,964
TOTAL OTHER FINANCING SOURCES	<u>(88,644)</u>	<u>(88,644)</u>	<u>42,450</u>	<u>131,094</u>
NET CHANGE IN FUND BALANCE	151,185	151,185	305,570	154,385
FUND BALANCE - BEGINNING OF YEAR	<u>980,088</u>	<u>980,088</u>	<u>980,088</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,131,273</u>	<u>\$ 1,131,273</u>	<u>\$ 1,285,658</u>	<u>\$ 154,385</u>

Note 1 - Excess of Actual Expenditures over Budget - The following expenditure classifications had an excess of actual expenditure over budget.

Expenditure Classification	Excess Expenditures
GENERAL FUND	
General government	\$ 11,037
Public safety	13,791
Culture, recreation and education	95,448
Debt service	23,993

The accompanying notes are an integral part of these statements.

City of Dundas, Minnesota
\$2,200,000* General Obligation Capital Improvement Plan Bonds, Series 2020A

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$_____ (which may not be less than \$2,169,200) plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2021	_____%	_____%	_____%	2031	_____%	_____%	_____%
2022	_____%	_____%	_____%	2032	_____%	_____%	_____%
2023	_____%	_____%	_____%	2033	_____%	_____%	_____%
2024	_____%	_____%	_____%	2034	_____%	_____%	_____%
2025	_____%	_____%	_____%	2035	_____%	_____%	_____%
2026	_____%	_____%	_____%	2036	_____%	_____%	_____%
2027	_____%	_____%	_____%	2037	_____%	_____%	_____%
2028	_____%	_____%	_____%	2038	_____%	_____%	_____%
2029	_____%	_____%	_____%	2039	_____%	_____%	_____%
2030	_____%	_____%	_____%	2040	_____%	_____%	_____%

Designation of Term Maturities

Years of Term Maturities _____

In making this offer on the sale date of December 9, 2019 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated November 18, 2019 including the City’s right to modify the principal amount of the Bonds. (See “Terms of Proposal” herein.) In the event of failure to deliver these Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$_____

TRUE INTEREST RATE: _____ %

The Bidder will not will purchase municipal bond insurance from _____.

Account Members

Account Manager

By: _____

Phone: _____

.....
The foregoing proposal has been accepted by the City.

Attest: _____

Date: _____

.....
* Preliminary; subject to change.