

CITY OF DODGE CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CITY OF DODGE CENTER, MINNESOTA

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CITY OF DODGE CENTER
INTRODUCTORY SECTION
DECEMBER 31, 2017

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**CITY OF DODGE CENTER
CITY OFFICIALS
December 31, 2017**

Bill Ketchum	Mayor
Gary Trelstad	Vice Mayor and Council Member
Paul Blaisdell	Council Member
Cathy Skogen	Council Member
Josh Jorgenson	Council Member
Lee A. Mattson	Administrator
Julie Beth	Finance Director

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CITY OF DODGE CENTER

FINANCIAL SECTION

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Dodge Center, 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 Dodge Center, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the City of Dodge Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits 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 financial statements are free of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to 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 Dodge Center as of December 31, 2017, and the respective changes in financial position where applicable, and cash flows thereof, and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2016, from which such partial information was derived.

We have previously audited the City's 2016 financial statements and our report dated March 9, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 13 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dodge Center's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Smith, Schafu and Associates, Ltd.

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Dodge Center, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Dodge Center exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$18,512,408 (*net position*). Of this amount, \$3,393,931 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$1,676,189.
- As of the close of the current fiscal year, the City of Dodge Center's governmental funds reported combined ending fund balances of \$2,858,156. Approximately 66 percent of this total amount or \$1,880,340 is available for use within the City's designations and policies.
- At the end of the current fiscal year, committed and assigned fund balance for the general fund was \$1,410,883 or 90 percent of total general fund expenditures.
- The City of Dodge Center increased total outstanding debt obligations by \$405,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Dodge Center's basic financial statements. The City's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

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

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

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

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 the 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 not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Dodge Center 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 include general government, public safety, streets and highways, sanitation and waste removal, culture and recreation, airport operations, and economic development. The business-type activities of the City include water, sewer, and ambulance services. The government-wide financial statements can be found on pages 14-16 of this report.

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 Dodge Center, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Dodge Center maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport, Capital Improvement, Equipment Replacement, 2017 Street Project, Public Project Revenue Bonds of 2006A, and General Obligation Bonds of 2017A, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided for the general fund (pages 23-27) and the special revenue funds (pages 28 and pages 62-63) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds. The City of Dodge Center maintains one type of proprietary funds – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and ambulance services.

**CITY OF DODGE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 water, sewer and ambulance, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

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. The notes to the financial statements can be found on pages 32-55 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 58-61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dodge Center, assets and deferred outflows exceeded liabilities and deferred inflows by \$18,512,408 at the close of the most recent fiscal year.

A significant portion of the City's net position (74 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Dodge Center's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,457,362	\$ 4,659,570	\$ 1,348,711	\$ 2,402,032	\$ 5,806,073	\$ 7,061,602
Capital assets	11,649,091	8,546,956	4,963,191	4,637,992	16,612,282	13,184,948
Total assets	16,106,453	13,206,526	6,311,902	7,040,024	22,418,355	20,246,550
Deferred Outflows	79,610	257,979	50,983	168,198	130,593	426,177
Long-term liabilities						
outstanding	3,005,087	2,613,175			3,005,087	2,613,175
Other liabilities	592,762	712,373	412,463	432,232	1,005,225	1,144,605
Total liabilities	3,597,849	3,325,548	412,463	432,232	4,010,312	3,757,780
Deferred Inflows	15,967	47,929	10,261	30,799	26,228	78,728
Net Position:						
Net investment in						
capital assets	8,644,004	5,933,781	4,963,191	4,637,992	13,607,195	10,571,773
Restricted	1,511,282	823,751			1,511,282	823,751
Unrestricted	2,416,961	3,333,496	976,970	2,107,199	3,393,931	5,440,695
Total net position	\$ 12,572,247	\$ 10,091,028	\$ 5,940,161	\$ 6,745,191	\$ 18,512,408	\$ 16,836,219

**CITY OF DODGE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A portion of the City of Dodge Center's net position (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,393,931) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

Governmental activities. Governmental activities increased the City of Dodge Center's net position by \$2,481,219. The most significant change in governmental net position is due to the effect of accounting for net position under full accrual accounting, current year infrastructure capital outlay, which was funded during the year, will be expensed over its useful life.

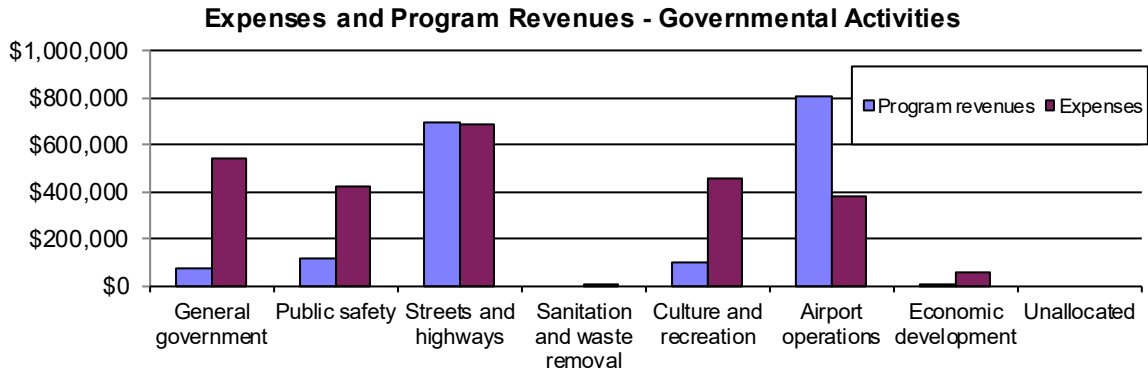
Business-type activities. Business-type activities decreased the City of Dodge Center's net position by \$805,030.

A condensed version of the Statement of Activities follows:

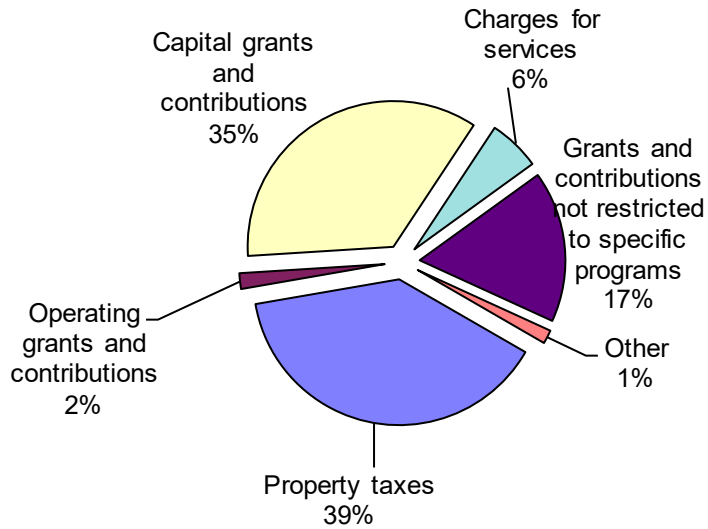
	City of Dodge Center's Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenues:						
Charges for services	\$ 240,165	243,543	\$ 1,575,201	\$ 1,428,312	\$ 1,815,366	\$ 1,671,855
Operating grants and contributions	72,509	37,723			72,509	37,723
Capital grants and contributions	1,472,134	572,689	26,808	23,906	1,498,942	596,595
General revenues:						
Property taxes	1,605,677	1,463,404			1,605,677	1,463,404
Tax increments	18,725	18,694			18,725	18,694
Grants and contributions not restricted to specific programs	699,878	698,215			699,878	698,215
Other	63,213	157,768	2,055	26	65,268	157,794
Total revenues	<u>4,172,301</u>	<u>3,192,036</u>	<u>1,604,064</u>	<u>1,452,244</u>	<u>5,776,365</u>	<u>4,644,280</u>
Expenses:						
General government	542,715	472,984			542,715	472,984
Public safety	425,293	466,692			425,293	466,692
Streets and highways	689,941	722,469			689,941	722,469
Sanitation and waste removal	3,815	4,193			3,815	4,193
Culture and recreation	454,538	436,893			454,538	436,893
Airport operations	381,710	141,024			381,710	141,024
Economic development	54,816	69,681			54,816	69,681
Interest on long-term debt	60,521	56,066			60,521	56,066
Water			370,831	320,005	370,831	320,005
Sewer			398,604	416,875	398,604	416,875
Ambulance			717,392	778,583	717,392	778,583
Total expenses	<u>2,613,349</u>	<u>2,370,002</u>	<u>1,486,827</u>	<u>1,515,463</u>	<u>4,100,176</u>	<u>3,885,465</u>
Change in net position before transfers	1,558,952	822,034	117,237	(63,219)	1,676,189	758,815
Transfers	922,267	125,590	(922,267)	(125,590)		
Increase (Decrease) in net position	<u>2,481,219</u>	<u>947,624</u>	<u>(805,030)</u>	<u>(188,809)</u>	<u>1,676,189</u>	<u>758,815</u>
Net position, beginning of year	10,091,028	9,143,404	6,745,191	6,934,000	16,836,219	16,077,404
Net position, end of year	<u>\$ 12,572,247</u>	<u>\$ 10,091,028</u>	<u>\$ 5,940,161</u>	<u>\$ 6,745,191</u>	<u>\$ 18,512,408</u>	<u>\$ 16,836,219</u>

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.



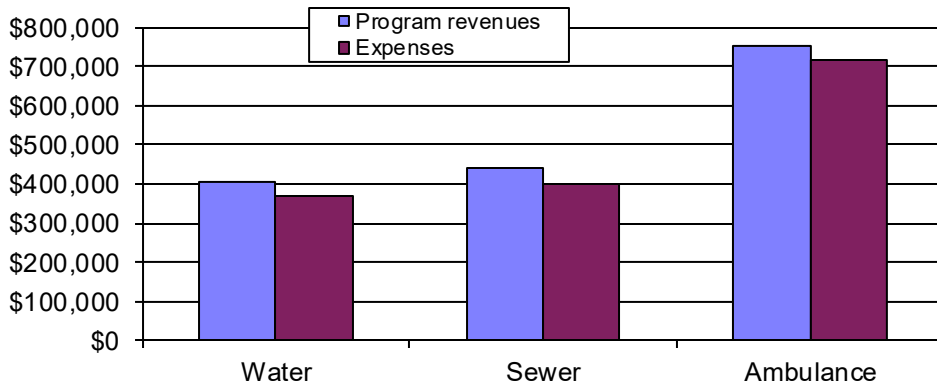
Revenues by Source - Governmental Activities



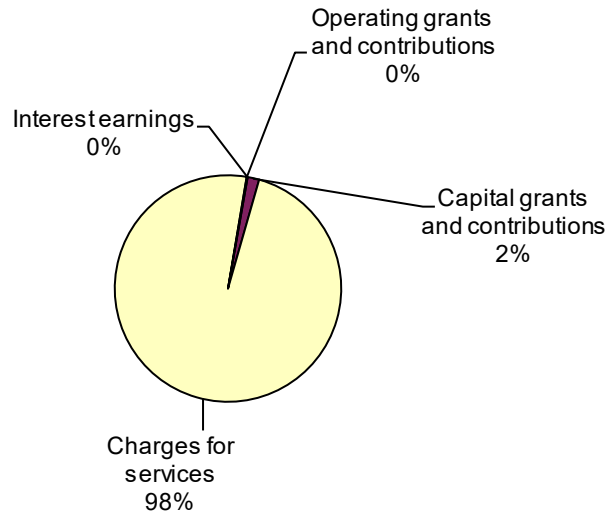
**CITY OF DODGE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all three of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the Government's Funds

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

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

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds (continued)

Governmental Accounting Standards require fund balances to be classified as follows:

Nonspendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – comparable to the old unreserved, undersigned classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 7 in the Notes to Financial Statements.

As of the end of the current fiscal year, the City of Dodge Center's governmental funds reported combined ending fund balances of \$2,858,156, a decrease of \$848,002. Approximately 66 percent of this total amount, or \$1,880,340 constitutes *unassigned, assigned and committed fund balance*, which is available for spending at the government's discretion. \$782,682 represents the portion of fund balance that is restricted by external creditors, grantors and regulations. The remainder of this fund balance is *nonspendable* to indicate that it is not available for new spending because it has already been spent 1) on expenditure for the upcoming year, or 2) to repay interfund advances or other debt.

The general fund is the chief operating fund of the City of Dodge Center. At the end of the current fiscal year, committed fund balance of the general fund was \$806,000 while total fund balance increased to \$1,511,118. As a measure of the general fund's liquidity, it may be useful to compare committed and assigned fund balance and total fund balance to total fund expenditures. Committed and assigned fund balance represents 90 percent of total general fund expenditures, while total fund balance represents 96 percent of that same amount.

The General Fund's total fund balance increased by \$85,467 during the current fiscal year. Revenues exceeded projections by \$63,545 largely as a result of increases in non-business licenses, state aids for street maintenance, and other miscellaneous expenditures. Non-business licenses were \$19,990 higher than expected but were offset by a corresponding increase in building permit inspections fees. State grants and aids increased were \$21,146 over budget as a result of a new two-year program of state payments to cities for street maintenance. Miscellaneous revenues also exceeded projections as the City sold a tandem dump truck, received reimbursement for nuisance abatement expenses, and collected revenues related to the development of a new subdivision.

General Fund Expenditures were \$1,571,538, \$156,333 over budget and \$217,760 higher than 2016 expenditures. A used tandem dump/plow truck was acquired one year earlier than called for in the Equipment Replacement Plan as the City of Owatonna was selling a unit that would adequately replace the 30-year-old Mack truck and also came equipped with a plow and wing, substantially improving the City's ability to plow snow as the City can now has three pieces of equipment to use on most city streets. The city also purchased a used street sweeper one year early as the City's old sweeper broke down and the costs to repair the sweeper were higher than its estimated trade-in value. These two transactions added \$179,426 to annual expenditures. The Equipment Replacement Fund transferred money to the General Fund to pay for both acquisitions.

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds (continued)

General Government expenditures were \$479,166, \$9,420 over budget and \$58,131 higher than 2016 expenditures. Staffing levels increased in 2017 with the creation of a Community Development Specialist position. With the addition of new staff, \$6,364 was spent to convert a hallway/office storage area into the Finance Director's office. \$1,137 was spent to add a bottle filler to the existing drinking fountain with a Statewide Health Improvement Program Grant reimbursing the City for a majority of the cost. Building permit inspection fees were \$8,861 over budget but, as previously noted, permit fee revenue increased as well. Professional Services were well under budget as legal fees were \$10,325 under budget.

Public Safety expenses of \$265,034 were \$754 under budget but \$7,308 higher than 2016. The City's contract with the Dodge County Sheriff increased \$7,612, or three percent, in 2017. The 2016 contract used the same rate as the 2015 contract.

Streets, Highway, Storm Water and Street Lighting spent \$555,549, over budget by \$151,082. The entire variance can be explained by the purchase of the street sweeper and tandem dump/plow truck.

At \$237,868, **Culture and Recreation** expenses were \$6,189 under budget. The aquatic center was \$2,469 under budget and the parks, boulevards, a forestry departments were \$3,720 under budget.

Waste Removal (Brush Dump) expenditures of \$3,815 were \$414 under budget and were largely funded by the charge to use the Brush Dump.

Economic Development payments of \$30,106 were \$3,188 over budget and \$79,347 lower than 2016 as the City spent money drafting development agreements for the Greystone Subdivision rental projects and the redevelopment of a city-owned lot on West Main Street. These were unplanned expenditures as the developers on each project did not step forward until mid-2017.

The City's five Special Revenue Funds (Library, Revolving Loan, Fire, Airport, Urban Development Grant) also performed well in 2017. The Library Fund ran a deficit of \$1,530 on expenditures of \$146,832. In the Airport Fund there was a deficit of \$48,490. The deficit reflects payment of the five percent local share of the grant to construct the Transient Aircraft Hangar. Capital expenses for the year were \$756,931. Fuel sales were down slightly, but still outperformed expectations. Federal Grants for the dual fuel system, the joint seal/taxiway design project and the transient aircraft hangar remain open. Discussion between MNDOT Aeronautics and Minnesota Weights and Measures regarding whether or not the current fuel system meets state requirements are ongoing and are delaying the closing of the fuel system grant. An open insurance claim on the Transient Aircraft Hangar has held this grant up. The taxiway grant is also open as the City performed all the joint sealing that it could but has not yet completed the design of the asphalt taxiway reconstruction. It is hoped this work will be completed in 2018 so that a project may be undertaken in 2019 if sufficient grant funds can be obtained. Fire Department fund balance was up \$132, with a planned budget surplus of \$12,935. Total expenditures were \$132,886. The Urban Development Grant Fund received \$41,310 in revenues as deferred mortgages were paid to the City when properties rehabbed through the SCDP Program were sold. The fund spent \$4,212 on consultants to administer a new SCDP owner occupied rehab grant that was awarded in 2017. Overall, fund balance increased to \$177,367. The Revolving Loan Fund received \$2,217 in repayments and made no new loans in 2017. Its fund balance is \$130,689.

The City maintained four debt funds in 2017, the 2006A Fund, the 2014A Fund, the 2014B Fund, and the 2017A Fund. The 2006A Debt Service Fund will continue to operate for the purpose of accounting for the advancement of funds associated with the call of debt associated with the Aquatic Center. The 2014A and 2014B funds service debt associated with the 2007 improvement of Central Avenue and the 2014 improvement of Main Street, 1st Ave NW and 1st Street NW. The 2017A Fund will service debt issued for the 2017 Improvement Project.

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds (continued)

Finally, the City's Capital Funds all performed as anticipated in 2017. The Central Avenue and County 34 Funds continue to collect special assessments which are used in servicing the 2014A Debt while the Downtown Street Light fund holds \$8,054 that will pay for new decorations on downtown street lights. The Equipment Replacement Fund and Capital Improvement Fund made substantial transfers in 2017 to fund equipment purchases and the 2017 Improvement Project. They continue to save money for future capital purchases while the City's last TIF District, Rozell, continues to pay a portion of received increments to the facility owner as required in the Development Agreement. A Cultural Capital Fund was created in 2015 to account for funds transferred back to the City from the Library. The Council has authorized the use of this money to pay for upcoming renovations to the Library including new carpet, furniture, and roofing. This will be the first time these items have been replaced since the Library was built in the mid-1990s.

Proprietary funds. The City of Dodge Center's proprietary funds statements found on pages 29-31 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net positions in the respective proprietary funds are Water - \$240,280, Sewer - \$578,300, and Ambulance - \$158,390. A significant portion of the unrestricted net position of the Sewer Fund's unrestricted net position, \$297,614 is currently involved in the advance used to pay off the 2006 Bonds and is not available for immediate use. A \$2.00/month increase in the water base charge helped service charge revenue increase by \$19,464. The Water Fund's net position decreased by \$479,412 as \$515,677 was transferred out of the Water Fund to help pay for the 2017 Improvement Project. 2018 should see a corresponding increase in the value of the Water Fund's physical assets. Sewer Fund Revenues were adjusted as a \$0.20/thousand operational rate increase resulted in an operational revenue increase of \$3,210. Net position decreased by \$363,570 as the Sewer Fund contributed \$406,590 to the 2017 Improvement Project and will also see an asset increase in 2018.

The net position of the Ambulance Fund increased by \$37,952. Uncollectible accounts were down about 36%, to \$110,533. This is a substantial improvement over the \$146,289 decrease in net position that occurred in 2016. Personnel costs were down slightly as a new staffing model was adopted. Revenues trended up sharply as new billing practices were implemented and collection efficiency increased. A new ambulance facility was built as an addition to the Fire Hall utilizing monies saved by the Ambulance Fund over a period of many years. While minor upgrades may be required at the Kasson facility, this project addressed the major facilities needs of the service. Ambulance operations continue to require careful monitoring as the potential for funding volatility remains high.

General Fund Budgetary Highlights

- A used tandem dump/plow truck and street sweeper were purchased. Almost all public work equipment has not been replaced since the replacement plan was first introduced in 2000.
- The increase in permit revenue suggests that building tempo is continuing to accelerate.
- A new Community Development Specialist position was created to work on code enforcement, planning & zoning, and economic development.

**CITY OF DODGE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Asset and Debt Administration

Capital assets. The City of Dodge Center's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$16,612,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's reported investment in capital assets for the current fiscal year was \$3,427,334.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 574,226	\$ 574,226	\$ 120,768	\$ 120,768	\$ 694,994	\$ 694,994
Construction in process	3,044,218	267,154			3,044,218	267,154
Buildings and improvements	2,005,603	1,339,951	4,650,437	4,410,317	6,656,040	5,750,268
Improvements other than buildings	5,149,455	5,480,835			5,149,455	5,480,835
Furniture and fixtures	25,029	20,143			25,029	20,143
Machinery and equipment	850,560	864,647	191,986	106,907	1,042,546	971,554
Total	<u>\$ 11,649,091</u>	<u>\$ 8,546,956</u>	<u>\$ 4,963,191</u>	<u>\$ 4,637,992</u>	<u>\$ 16,612,282</u>	<u>\$ 13,184,948</u>

Additional information on the City of Dodge Center's capital assets can be found in Note 4 on pages 44-45 of this report.

Long-term debt. At the end of the current fiscal year, the City of Dodge Center had \$2,990,000 in bonds outstanding, with the whole amount comprised of debt backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 2,990,000	\$ 2,585,000	\$	\$	\$ 2,990,000	\$ 2,585,000
Total	<u>\$ 2,990,000</u>	<u>\$ 2,585,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,990,000</u>	<u>\$ 2,585,000</u>

The City's total bonds payable increased during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 45 and 46.

CITY OF DODGE CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

- Dodge Center continues to plan for the replacement of aging infrastructure and the provision of services to newly developed areas. While almost all of the costs of new development are born by the developer, reconstruction projects place a significant financial burden upon the City. The City also needs to continue to plan for increased street maintenance including sealcoating and mill/overlay/reclaim projects. With the percentage of PVC water and sewer mains steadily increasing, reclaiming streets may offer an effective alternative to full reconstruction.
- While minor progress has been made, the City continues to be very dependent upon Local Government Aid to maintain current operations. With continued concerns about LGA volatility, the City may wish to consider ways of reducing its dependence upon this aid for day-to-day activities. Independence from state aid is a goal that would most likely take many years to accomplish and would have to be approached in an incremental fashion unless significant tax increases, major reductions in service levels, or substantial reductions in capital spending were contemplated. Current bills before the state legislature contemplate increases in LGA and the City may wish to apply any increase to saving for capital projects or economic development activities.
- The City will need to determine how aggressive it wishes to be in pursuing economic development opportunities. In recent decades, the City has taken a fairly laissez faire attitude to economic development opportunities. If a more proactive approach is desired, additional funds will need to be made available for this work.
- The City has sold six of the twelve Greystone subdivision lots it purchased in 2016 and the developer holds an option for the remaining six lots. Sale of these lots will achieve a goal identified in last year's Management Discussion and Analysis.
- The City is contemplating a major park improvement project in 2018-19 if grant funding can be secured. Local fundraising efforts and a city pledge of \$106,000 would leverage a \$150,000 grant application for improvements to North Park.
- The City continues to investigate ways to improve pedestrian safety on County Road H near Triton Schools. A planning grant will be sought in 2018 to assist with this work.

All of these factors were considered in preparing the City of Dodge Center's budget for the 2018 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Dodge Center's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, P.O. Box 430, Dodge Center, MN 55976.

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CITY OF DODGE CENTER
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

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CITY OF DODGE CENTER
STATEMENT OF NET POSITION

December 31, 2017

With Comparative Totals for December 31, 2016

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
Assets				
Cash and investments	\$ 2,836,710	\$ 741,499	\$ 3,578,209	\$ 5,500,561
Receivables	1,239,683	264,855	1,504,538	876,690
Internal balances	(297,614)	297,614		
Due from other governmental units	291,267	576	291,843	347,740
Inventory		16,925	16,925	13,608
Prepaid expenses	52,787	27,242	80,029	72,881
Net pension asset	334,529		334,529	250,122
Capital assets:				
Nondepreciable	3,618,444	120,768	3,739,212	962,148
Depreciable, net	8,030,647	4,842,423	12,873,070	12,222,800
Total Assets	16,106,453	6,311,902	22,418,355	20,246,550
Deferred Outflows of Resources				
Deferred outflows from pension activity	79,610	50,983	130,593	426,177
Liabilities				
Accounts payable	26,569	71,199	97,768	74,356
Deposits payable	6,010		6,010	7,710
Compensated absences	16,457		16,457	11,945
Accrued liabilities	20,326	21,597	41,923	36,151
Accrued interest payable	25,923		25,923	23,864
Noncurrent liabilities				
Due within one year	435,000		435,000	540,000
Due in more than one year	2,570,087		2,570,087	2,073,175
Net pension liability	497,477	319,667	817,144	990,579
Total Liabilities	3,597,849	412,463	4,010,312	3,757,780
Deferred Inflows of Resources				
Deferred inflows from pension activity	15,967	10,261	26,228	78,728
Net Position				
Net investment in capital assets	8,644,004	4,963,191	13,607,195	10,571,773
Restricted for:				
Economic development	322,935		322,935	233,392
Debt service	1,167,183		1,167,183	571,067
Capital projects	21,164		21,164	19,292
Unrestricted	2,416,961	976,970	3,393,931	5,440,695
Total Net Position	\$ 12,572,247	\$ 5,940,161	\$ 18,512,408	\$ 16,836,219

See Notes to Financial Statements

CITY OF DODGE CENTER, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 542,715	\$ 57,787	\$	\$ 13,148
Public safety	425,293	56,381	28,482	27,647
Streets and highways	689,941	13,767		683,668
Sanitation and waste removal	3,815			
Culture and recreation	454,538	55,921	40,402	200
Airport operations	381,710	56,309		747,471
Economic development	54,816		3,625	
Interest on long-term debt	60,521			
Total governmental activities	2,613,349	240,165	72,509	1,472,134
Business-Type activities:				
Water	370,831	392,938		13,820
Sewer	398,604	439,850		1,430
Ambulance	717,392	742,413		11,558
Total business-type activities	1,486,827	1,575,201		26,808
Total	\$ 4,100,176	\$ 1,815,366	\$ 72,509	\$ 1,498,942

General revenues:
General property taxes
Tax increments
Grants and contributions not restricted to specific programs
Interest earnings
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2017	2016
\$ (471,780)	\$	\$ (471,780)	\$ (412,540)
(312,783)		(312,783)	(264,110)
7,494		7,494	(521,106)
(3,815)		(3,815)	(4,193)
(358,015)		(358,015)	(337,531)
422,070		422,070	145,390
(51,191)		(51,191)	(65,891)
(60,521)		(60,521)	(56,066)
<u>(828,541)</u>		<u>(828,541)</u>	<u>(1,516,047)</u>
	35,927	35,927	63,473
	42,676	42,676	19,587
	36,579	36,579	(146,305)
	<u>115,182</u>	<u>115,182</u>	<u>(63,245)</u>
<u>(828,541)</u>	<u>115,182</u>	<u>(713,359)</u>	<u>(1,579,292)</u>
1,605,677		1,605,677	1,463,404
18,725		18,725	18,694
699,878		699,878	698,215
9,780	2,055	11,835	8,928
53,433		53,433	148,866
922,267	(922,267)		
<u>3,309,760</u>	<u>(920,212)</u>	<u>2,389,548</u>	<u>2,338,107</u>
2,481,219	(805,030)	1,676,189	758,815
<u>10,091,028</u>	<u>6,745,191</u>	<u>16,836,219</u>	<u>16,077,404</u>
<u>\$ 12,572,247</u>	<u>\$ 5,940,161</u>	<u>\$ 18,512,408</u>	<u>\$ 16,836,219</u>

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CITY OF DODGE CENTER
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2017

CITY OF DODGE CENTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017
With Comparative Totals for December 31, 2016

	<u>101</u>	<u>Special Revenue</u>	<u>Capital Project</u>
	General	230 Airport	426 Capital Improvement
ASSETS			
Cash and investments	\$ 1,156,459	\$	\$ 49,848
Accounts receivable (net of allowance for uncollectibles)	18,172		
Taxes receivable delinquent	20,517		8,326
Special assessments receivable:			
Delinquent	3,871		
Deferred	1,853		
Loans receivable			
Due from other funds	272,292		
Due from other governmental units	1,828	286,753	635
Advances to other funds	61,823		80,524
Prepaid items	38,412	3,875	
TOTAL ASSETS	<u>\$ 1,575,227</u>	<u>\$ 290,628</u>	<u>\$ 139,333</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 14,348	\$ 2,917	\$
Deposits payable	6,010		
Accrued liabilities	17,510	704	
Due to other funds		272,292	
Advances from other funds			
Total Liabilities	<u>37,868</u>	<u>275,913</u>	
Deferred Inflows of Resources:			
Unavailable revenue:			
Property taxes	20,517		8,326
Special assessments	5,724		
Loans receivable			
Total Deferred Inflows of Resources	<u>26,241</u>		<u>8,326</u>
Fund Balance:			
Nonspendable:			
Prepaid items	38,412	3,875	
Advances to other funds	61,823		80,524
Restricted:			
Creditors			
Grantors			
Regulations			
Committed	806,000		
Assigned	604,883	10,840	50,483
Unassigned			
Total Fund Balance	<u>1,511,118</u>	<u>14,715</u>	<u>131,007</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,575,227</u>	<u>\$ 290,628</u>	<u>\$ 139,333</u>

See Notes to Financial Statements

Capital Project		Debt Service			Other Governmental Funds	Total Governmental Funds	
420 Equipment Replacement	438 2017 Street Project	376 Public Project Revenue Bonds of 2006A	384 General Obligation Bonds of 2017A	2017		2016	
\$ 511,420	\$ 7,670	\$ 969	\$	\$ 1,110,344	\$ 2,836,710	\$ 3,723,748	
2,801				6,938	27,911	28,140	
4,309		1,659		14,595	49,406	42,719	
	47,385		591,785	10,430	14,301	13,325	
				342,163	983,186	406,649	
				164,879	164,879	167,096	
					272,292	227,892	
317		125		1,609	291,267	346,254	
					142,347	142,347	
				10,500	52,787	48,131	
<u>\$ 518,847</u>	<u>\$ 55,055</u>	<u>\$ 2,753</u>	<u>\$ 591,785</u>	<u>\$ 1,661,458</u>	<u>\$ 4,835,086</u>	<u>\$ 5,146,301</u>	
\$	\$ 7,670	\$	\$	\$ 1,634	\$ 26,569	\$ 48,927	
					6,010	7,710	
				2,112	20,326	16,864	
					272,292	227,892	
		439,961			439,961	508,961	
	7,670	439,961		3,746	765,158	810,354	
4,309		1,659		14,595	49,406	42,719	
	47,385		591,785	352,593	997,487	419,974	
				164,879	164,879	167,096	
<u>4,309</u>	<u>47,385</u>	<u>1,659</u>	<u>591,785</u>	<u>532,067</u>	<u>1,211,772</u>	<u>629,789</u>	
				10,500	52,787	48,131	
					142,347	142,347	
				453,462	453,462	571,067	
				308,056	308,056	233,392	
				21,164	21,164	19,292	
514,538					1,320,538	1,276,161	
				332,463	998,669	2,024,525	
		(438,867)			(438,867)	(608,757)	
<u>514,538</u>		<u>(438,867)</u>		<u>1,125,645</u>	<u>2,858,156</u>	<u>3,706,158</u>	
<u>\$ 518,847</u>	<u>\$ 55,055</u>	<u>\$ 2,753</u>	<u>\$ 591,785</u>	<u>\$ 1,661,458</u>	<u>\$ 4,835,086</u>	<u>\$ 5,146,301</u>	

**CITY OF DODGE CENTER, MINNESOTA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2017

With Comparative Totals for The Year Ended December 31, 2016

	<u>101</u>	<u>230</u>	<u>426</u>
	General	Airport	Capital Improvement
REVENUES			
General property taxes	\$ 607,179	\$	\$ 330,538
Tax increments			
Special assessments	4,056		
Licenses and permits	41,885		
Fines and forfeits	10,123		
Intergovernmental revenues	679,551	747,471	49,169
Market value credit	357		
Contributions			
Charges for services	64,011		
Investment income	8,542		
Rents and royalties		53,259	
Miscellaneous revenues	58,046	1,700	
Total Revenues	<u>1,473,750</u>	<u>802,430</u>	<u>379,707</u>
EXPENDITURES			
General government	479,166		
Public safety	265,034		
Street and highways	555,549		
Culture and recreation	237,868		
Sanitation and waste removal	3,815		
Airport operations		93,989	
Economic development	30,106		
Debt service			
Capital outlay		756,931	
Miscellaneous			
Total Expenditures	<u>1,571,538</u>	<u>850,920</u>	<u></u>
Excess (deficiency) of revenues over (under) expenditures	<u>(97,788)</u>	<u>(48,490)</u>	<u>379,707</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in	183,255		
Transfers out			(1,253,033)
Total Other Financing Sources (Uses)	<u>183,255</u>	<u></u>	<u>(1,253,033)</u>
Net change in fund balances	85,467	(48,490)	(873,326)
Fund Balance - Beginning	<u>1,425,651</u>	<u>63,205</u>	<u>1,004,333</u>
Fund Balance - Ending	<u>\$ 1,511,118</u>	<u>\$ 14,715</u>	<u>\$ 131,007</u>

See Notes to Financial Statements

Capital Project		Debt Service		Other Governmental Funds	Total Governmental Funds	
420 Equipment Replacement	438 2017 Street Project	376 Public Project Revenue Bonds of 2006A	384 General Obligation Bonds of 2017A		2017	2016
\$ 160,364	\$	\$ 70,055	\$	\$ 430,854	\$ 1,598,990	\$ 1,491,547
				18,725	18,725	18,694
	12,615			81,431	98,102	157,005
					41,885	39,282
				2,075	12,198	11,326
14,587				82,602	1,573,380	1,163,888
					357	357
						3,790
				900	64,911	73,256
				1,238	9,780	8,902
					53,259	55,859
				58,985	118,731	176,437
<u>174,951</u>	<u>12,615</u>	<u>70,055</u>		<u>676,810</u>	<u>3,590,318</u>	<u>3,200,343</u>
					479,166	421,035
				132,886	397,920	497,995
					555,549	339,843
				146,832	384,700	358,435
					3,815	4,193
					93,989	144,365
				7,857	37,963	118,857
			8,250	593,416	601,666	578,278
	2,966,152			16,853	3,739,936	333,611
	999				999	690
	<u>2,967,151</u>		<u>8,250</u>	<u>897,844</u>	<u>6,295,703</u>	<u>2,797,302</u>
<u>174,951</u>	<u>(2,954,536)</u>	<u>70,055</u>	<u>(8,250)</u>	<u>(221,034)</u>	<u>(2,705,385)</u>	<u>403,041</u>
	935,116				935,116	
	2,098,050		8,250	223,000	2,512,555	362,764
<u>(179,427)</u>				<u>(157,828)</u>	<u>(1,590,288)</u>	<u>(237,174)</u>
<u>(179,427)</u>	<u>3,033,166</u>		<u>8,250</u>	<u>65,172</u>	<u>1,857,383</u>	<u>125,590</u>
<u>(4,476)</u>	<u>78,630</u>	<u>70,055</u>		<u>(155,862)</u>	<u>(848,002)</u>	<u>528,631</u>
<u>519,014</u>	<u>(78,630)</u>	<u>(508,922)</u>		<u>1,281,507</u>	<u>3,706,158</u>	<u>3,177,527</u>
<u>\$ 514,538</u>	<u>\$</u>	<u>\$ (438,867)</u>	<u>\$</u>	<u>\$ 1,125,645</u>	<u>\$ 2,858,156</u>	<u>\$ 3,706,158</u>

**CITY OF DODGE CENTER, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS**

December 31, 2017

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

Total governmental fund balances (page 18)		\$ 2,858,156
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 17,824,552	
Less: Accumulated depreciation	<u>(6,175,461)</u>	11,649,091
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 49,406	
Deferred and delinquent special assessments	997,487	
Notes receivable	<u>164,879</u>	1,211,772
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (3,005,087)	
Compensated absences	(16,457)	
Accrued interest	(25,923)	
Net pension asset	334,529	
Net pension liability	<u>(433,834)</u>	<u>(3,146,772)</u>
Net position of governmental activities (page 14)		<u><u>\$ 12,572,247</u></u>

CITY OF DODGE CENTER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

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

Net change in fund balances - total governmental funds (page 20) \$ (848,002)

Governmental funds reported capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 3,708,027	
Depreciation expense	(605,892)	
		3,102,135

Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.

Deferred inflows of resources, December 31, 2017	\$ 1,211,772	
Deferred inflows of resources, December 31, 2016	(629,789)	
		581,983

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal retirement on long-term debt	\$ 540,000	
Issuance of long-term debt	(935,116)	
Amortization of bond premium	3,204	
Change in compensated absences	(4,512)	
Change in accrued interest	(2,059)	
Change in net pension asset	84,407	
Change in net pension liability	(40,821)	
		(354,897)

Change in net position of governmental activities (pages 15 and 16) \$ 2,481,219

CITY OF DODGE CENTER, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 602,045	\$ 602,045	\$ 607,179	\$ 5,134	\$ 529,678
Licenses and Permits					
Business licenses	4,000	4,000	6,315	2,315	4,430
Non-Business licenses	15,580	15,580	35,570	19,990	34,852
Total Licenses and Permits	19,580	19,580	41,885	22,305	39,282
Intergovernmental Revenues					
Local government aid	648,796	648,796	648,793	(3)	648,796
Market value credit			357	357	357
State grants and aids	1,559	1,559	22,705	21,146	1,559
County grants and aids	8,450	8,450	8,053	(397)	8,710
Total Intergovernmental	658,805	658,805	679,908	21,103	659,422
Charges for Services					
General government	6,075	6,075	9,390	3,315	10,221
Public safety	4,700	4,700	3,630	(1,070)	3,113
Public works			629	629	687
Recreation	58,000	58,000	50,362	(7,638)	56,110
Total Charges for Services	68,775	68,775	64,011	(4,764)	70,131
Special Assessments					
	1,500	1,500	4,056	2,556	1,394
Fines and Forfeits					
	12,000	12,000	10,123	(1,877)	9,472
Investment Income					
	10,000	10,000	8,542	(1,458)	8,403
Miscellaneous Revenues					
Cable TV franchise fee	12,000	12,000	12,067	67	11,776
Insurance dividends	11,000	11,000	12,123	1,123	34,737
Refunds and reimbursements			830	830	630
Storm sewer	12,000	12,000	12,578	578	12,401
Rents and royalties			1,350	1,350	
Other miscellaneous	2,500	2,500	19,098	16,598	3,905
Total Miscellaneous Revenues	37,500	37,500	58,046	20,546	63,449
TOTAL REVENUES	\$ 1,410,205	\$ 1,410,205	\$ 1,473,750	\$ 63,545	\$ 1,381,231

See Notes to Financial Statements

CITY OF DODGE CENTER, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 33,000	\$ 33,000	\$ 33,570	\$ (570)	\$ 33,210
Employee benefits and retirement	2,655	2,655	2,568	87	2,541
Insurance	2,200	2,200	1,867	333	1,927
Other charges	6,010	6,010	6,771	(761)	5,360
Total Mayor and Council	43,865	43,865	44,776	(911)	43,038
Publication of Ordinances and Proceedings	4,200	4,200	1,660	2,540	2,671
Elections					
Employee services			122	(122)	2,864
Other charges			13	(13)	519
Total Elections			135	(135)	3,383
Finance and Administration					
Employee services	121,043	121,043	124,570	(3,527)	118,276
Employee benefits and retirement	21,864	21,864	20,705	1,159	19,569
Materials and supplies	3,700	3,700	4,120	(420)	3,580
Insurance	4,150	4,150	4,133	17	3,327
Telephone	2,600	2,600	3,198	(598)	2,632
Professional fees	200	200	139	61	68
Repairs and maintenance	700	700	564	136	558
Other charges	10,760	10,760	10,043	717	9,445
Capital outlay	1,500	1,500	3,338	(1,838)	
Total Finance and Administration	166,517	166,517	170,810	(4,293)	157,455
Professional Services					
Legal and audit	54,000	54,000	42,675	11,325	45,322
Assessor	13,908	13,908	13,050	858	13,208
Total Professional Services	67,908	67,908	55,725	12,183	58,530
Planning and Zoning					
Employee services	96,546	96,546	82,150	14,396	65,437
Employee benefits and retirement	33,641	33,641	28,263	5,378	22,439
Professional fees	23,000	23,000	42,944	(19,944)	34,816
Other charges	4,470	4,470	13,793	(9,323)	8,726
Total Planning and Zoning	\$ 157,657	\$ 157,657	\$ 167,150	\$ (9,493)	\$ 131,418

See Notes to Financial Statements

CITY OF DODGE CENTER, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES (Continued)					
Government Buildings					
Employee services	\$	\$	\$ 17	\$ (17)	\$ 880
Employee benefits and retiremer	180	180		180	68
Professional fees	800	800	1,059	(259)	797
Insurance	3,200	3,200	712	2,488	1,892
Utilities	9,700	9,700	9,007	693	8,226
Repairs and maintenance	4,950	4,950	4,592	358	4,505
Capital outlay			7,501	(7,501)	
Other charges	1,200	1,200	6,061	(4,861)	1,455
Total Government Buildings	20,030	20,030	28,949	(8,919)	17,823
Community Center					
Employee services					45
Employee benefits and retiremer	19	19		19	4
Repairs and maintenance	1,100	1,100	1,204	(104)	1,394
Utilities	3,400	3,400	3,525	(125)	3,226
Capital outlay			2,291	(2,291)	
Other charges	5,050	5,050	2,941	2,109	2,048
Total Community Center	9,569	9,569	9,961	(392)	6,717
Total General Government	469,746	469,746	479,166	(9,420)	421,035
Public Safety					
Police Protection					
Contractual services	261,018	261,018	261,629	(611)	254,017
Telephone	600	600	586	14	585
Other charges					150
Utilities	650	650	406	244	372
Total Police Protection	262,268	262,268	262,621	(353)	255,124
Emergency Management					
Other charges	920	920	996	(76)	318
Animal Control	2,600	2,600	1,417	1,183	2,284
Total Public Safety	\$ 265,788	\$ 265,788	\$ 265,034	\$ 754	\$ 257,726

See Notes to Financial Statements

CITY OF DODGE CENTER, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with	2016 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
EXPENDITURES (Continued)					
Streets, Highway, Storm Water and Street Lighting					
Streets and Highway					
Employee services	\$ 138,185	\$ 138,185	\$ 139,564	\$ (1,379)	\$ 125,471
Employee benefits and retirement	31,127	31,127	28,033	3,094	24,362
Materials and supplies	27,825	27,825	24,810	3,015	21,984
Insurance	28,000	28,000	25,898	2,102	22,522
Telephone	2,750	2,750	2,237	513	2,397
Utilities	10,900	10,900	8,480	2,420	7,403
Professional fees	7,300	7,300	7,970	(670)	7,545
Repairs and maintenance	64,000	64,000	46,516	17,484	52,542
Other charges	28,060	28,060	49,769	(21,709)	662
Capital outlay	12,000	12,000	180,564	(168,564)	29,481
Total Streets and Highways	<u>350,147</u>	<u>350,147</u>	<u>513,841</u>	<u>(163,694)</u>	<u>294,369</u>
Storm Water					
Professional fees	1,000	1,000		1,000	
Repairs and maintenance	10,500	10,500		10,500	3,702
Total Storm Water	<u>11,500</u>	<u>11,500</u>		<u>11,500</u>	<u>3,702</u>
Street Lighting	<u>42,820</u>	<u>42,820</u>	<u>41,708</u>	<u>1,112</u>	<u>41,772</u>
Total Streets, Highway, Storm Water and Street Lighting	<u>404,467</u>	<u>404,467</u>	<u>555,549</u>	<u>(151,082)</u>	<u>339,843</u>
Culture and Recreation					
Recreation Activities and Facilities					
Employee services	85,685	85,685	92,664	(6,979)	83,315
Employee benefits and retirement	1,132	1,132	1,553	(421)	1,302
Materials and supplies	16,675	16,675	16,000	675	15,465
Insurance	13,820	13,820	12,392	1,428	11,895
Telephone	400	400	280	120	209
Utilities	18,275	18,275	16,674	1,601	14,851
Professional fees	100	100	88	12	61
Repairs and maintenance	12,700	12,700	18,351	(5,651)	15,583
Aquatic center food	7,000	7,000	6,283	717	6,139
Capital outlay	9,500	9,500	1,379	8,121	1,598
Other charges	13,580	13,580	10,734	2,846	11,573
Total Recreation Activities and Facilities	<u>\$ 178,867</u>	<u>\$ 178,867</u>	<u>\$ 176,398</u>	<u>\$ 2,469</u>	<u>\$ 161,991</u>

See Notes to Financial Statements

CITY OF DODGE CENTER, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES (Continued)					
Parks, Boulevards, and Forestry					
Employee services	\$ 14,885	\$ 14,885	\$ 14,959	\$ (74)	\$ 13,835
Employee benefits and retirement	3,955	3,955	5,030	(1,075)	4,199
Materials and supplies	3,600	3,600	1,002	2,598	3,720
Insurance	11,250	11,250	9,095	2,155	10,030
Repairs and maintenance	14,500	14,500	13,662	838	9,846
Other charges	16,000	16,000	17,722	(1,722)	17,907
Capital outlay	1,000	1,000		1,000	
Total Parks, Boulevards, and Forestry	<u>65,190</u>	<u>65,190</u>	<u>61,470</u>	<u>3,720</u>	<u>59,537</u>
Total Culture and Recreation	<u>244,057</u>	<u>244,057</u>	<u>237,868</u>	<u>6,189</u>	<u>221,528</u>
Waste Removal					
Employee services	3,229	3,229	2,917	312	3,036
Other charges	1,000	1,000	898	102	1,157
Total Waste Removal	<u>4,229</u>	<u>4,229</u>	<u>3,815</u>	<u>414</u>	<u>4,193</u>
Economic Development					
Employee services	18,700	18,700	10,460	8,240	
Employee benefits and retirement	2,833	2,833	2,604	229	
Other services and charges	5,385	5,385	17,042	(11,657)	43,453
Capital outlay					66,000
Total Economic Development	<u>26,918</u>	<u>26,918</u>	<u>30,106</u>	<u>(3,188)</u>	<u>109,453</u>
TOTAL EXPENDITURES	<u>1,415,205</u>	<u>1,415,205</u>	<u>1,571,538</u>	<u>(156,333)</u>	<u>1,353,778</u>
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(5,000)	(97,788)	(92,788)	27,453
Other Financing Sources (Uses)					
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>183,255</u>	<u>178,255</u>	<u>28,417</u>
Net change in fund balance			85,467	85,467	55,870
FUND BALANCE - Beginning	<u>1,425,651</u>	<u>1,425,651</u>	<u>1,425,651</u>		<u>1,369,781</u>
FUND BALANCE - Ending	<u>\$ 1,425,651</u>	<u>\$ 1,425,651</u>	<u>\$ 1,511,118</u>	<u>\$ 85,467</u>	<u>\$ 1,425,651</u>

See Notes to Financial Statements

CITY OF DODGE CENTER, MINNESOTA
AIRPORT FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental revenues					
Federal grants	\$	\$	\$ 633,628	\$ 633,628	\$ 195,277
State grants			80,627	80,627	10,849
Airport aid	32,756	32,756	33,216	460	24,429
Rents	40,500	40,500	41,021	521	41,022
Royalties	8,000	8,000	12,238	4,238	14,837
Miscellaneous revenues			1,700	1,700	
TOTAL REVENUES	81,256	81,256	802,430	721,174	286,414
EXPENDITURES					
Employee services	31,745	31,745	32,070	(325)	30,533
Employee benefits and retirement	6,953	6,953	8,578	(1,625)	7,210
Materials and supplies	700	700	891	(191)	638
Insurance	5,400	5,400	4,596	804	4,922
Telephone	460	460	460		461
Utilities	7,000	7,000	6,881	119	5,515
Professional fees	550	550	2,311	(1,761)	1,605
Repairs and maintenance	5,700	5,700	24,542	(18,842)	27,355
Capital outlay	2,500	2,500	756,931	(754,431)	193,559
Other charges	14,875	14,875	13,660	1,215	14,703
TOTAL EXPENDITURES	75,883	75,883	850,920	(775,037)	286,501
Excess (Deficit) of revenues over (under) expenditures	5,373	5,373	(48,490)	(53,863)	(87)
OTHER FINANCING USES					
Transfers in					19,540
Net Change in Fund Balance	5,373	5,373	(48,490)	(53,863)	19,453
FUND BALANCE - Beginning	63,205	63,205	63,205		43,752
FUND BALANCE - Ending	\$ 68,578	\$ 68,578	\$ 14,715	\$ (53,863)	\$ 63,205

See Notes to Financial Statements

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CITY OF DODGE CENTER

PROPRIETARY FUNDS

DECEMBER 31, 2017

**CITY OF DODGE CENTER
PROPRIETARY FUNDS
Statement of Net Position**

December 31, 2017

With Comparative Totals for December, 31, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Ambulance	TOTALS	
	Fund	Fund	Fund	2017	2016
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 240,463	\$ 257,244	\$ 243,792	\$ 741,499	\$ 1,776,813
Accounts receivable	57,748	60,410	146,697	264,855	218,761
Inventory of supplies			16,925	16,925	13,608
Advance to other funds		297,614		297,614	366,614
Due from other governments	288	288		576	1,486
Prepaid expense	3,855	7,307	16,080	27,242	24,750
Total Current Assets	<u>302,354</u>	<u>622,863</u>	<u>423,494</u>	<u>1,348,711</u>	<u>2,402,032</u>
Noncurrent Assets:					
Capital assets:					
Nondepreciable	4,000	107,268	9,500	120,768	120,768
Depreciable	4,367,735	5,071,453	1,106,901	10,546,089	9,935,618
Less: Accumulated depreciation	(2,134,706)	(3,069,137)	(499,823)	(5,703,666)	(5,418,394)
Net capital assets	<u>2,237,029</u>	<u>2,109,584</u>	<u>616,578</u>	<u>4,963,191</u>	<u>4,637,992</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pension activity	9,246	6,780	34,957	50,983	168,198
TOTAL ASSETS	<u>\$ 2,548,629</u>	<u>\$ 2,739,227</u>	<u>\$ 1,075,029</u>	<u>\$ 6,362,885</u>	<u>\$ 7,208,222</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 11,583	\$ 4,341	\$ 55,275	\$ 71,199	\$ 25,429
Accrued liabilities	3,525	2,594	15,478	21,597	19,287
Total Current Liabilities	<u>15,108</u>	<u>6,935</u>	<u>70,753</u>	<u>92,796</u>	<u>44,716</u>
Noncurrent Liabilities:					
Net pension liability	54,462	43,030	222,175	319,667	387,516
Total Liabilities	<u>69,570</u>	<u>49,965</u>	<u>292,928</u>	<u>412,463</u>	<u>432,232</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pension activity	1,750	1,378	7,133	10,261	30,799
NET POSITION					
Net investment in capital assets	2,237,029	2,109,584	616,578	4,963,191	4,637,992
Unrestricted	240,280	578,300	158,390	976,970	2,107,199
Total Net Position	<u>\$ 2,477,309</u>	<u>\$ 2,687,884</u>	<u>\$ 774,968</u>	<u>\$ 5,940,161</u>	<u>\$ 6,745,191</u>

See Notes to Financial Statements

**CITY OF DODGE CENTER
PROPRIETARY FUNDS
Statement of Revenues, Expenses and
Changes in Fund Net Position**

For the Year Ended December, 31, 2017
With Comparative Totals For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Ambulance	TOTALS	
	Fund	Fund	Fund	2017	2016
Operating Revenues					
Service charges	\$ 378,842	\$ 427,169	\$ 1,443,038	\$ 2,249,049	\$ 2,121,192
Contract adjustments			(700,625)	(700,625)	(719,039)
Net Operating Revenues	<u>378,842</u>	<u>427,169</u>	<u>742,413</u>	<u>1,548,424</u>	<u>1,402,153</u>
Operating Expenses					
Employee services	71,107	42,758	290,362	404,227	397,439
Employee benefits and retirement	17,223	11,624	75,582	104,429	106,296
Ambulance relief					5,021
Materials and supplies	38,003	8,749	53,839	100,591	88,908
Professional fees	19,481	2,049	4,534	26,064	16,377
Insurance	5,102	11,476	28,532	45,110	40,761
Telephone			9,501	9,501	6,353
Utilities	40,864		4,140	45,004	44,023
Contractual services		193,818	26,891	220,709	221,494
Repairs and maintenance	29,788	19,624	19,823	69,235	72,678
Depreciation	129,719	96,150	59,403	285,272	269,164
Uncollectible accounts and charges-offs			110,533	110,533	171,978
Other services and charges	19,544	12,356	26,377	58,277	62,016
Total Operating Expenses	<u>370,831</u>	<u>398,604</u>	<u>709,517</u>	<u>1,478,952</u>	<u>1,502,508</u>
Operating Income (Loss)	<u>8,011</u>	<u>28,565</u>	<u>32,896</u>	<u>69,472</u>	<u>(100,355)</u>
Nonoperating Revenues (Expenses)					
Contributions and other			11,558	11,558	13,756
Utility connection charges	13,820	1,430		15,250	10,150
Investment income	338	344	1,373	2,055	26
Other revenue (expenses)	14,096	12,681	(7,875)	18,902	13,204
Total Nonoperating Revenues (Expenses)	<u>28,254</u>	<u>14,455</u>	<u>5,056</u>	<u>47,765</u>	<u>37,136</u>
Income (Loss) Before Transfers	36,265	43,020	37,952	117,237	(63,219)
Transfers out	<u>(515,677)</u>	<u>(406,590)</u>		<u>(922,267)</u>	<u>(125,590)</u>
Change in net position	(479,412)	(363,570)	37,952	(805,030)	(188,809)
Net Position - Beginning of Year	<u>2,956,721</u>	<u>3,051,454</u>	<u>737,016</u>	<u>6,745,191</u>	<u>6,934,000</u>
Net Position - End of Year	<u>\$ 2,477,309</u>	<u>\$ 2,687,884</u>	<u>\$ 774,968</u>	<u>\$ 5,940,161</u>	<u>\$ 6,745,191</u>

See Notes to Financial Statements

**CITY OF DODGE CENTER
PROPRIETARY FUNDS**

Statement of Cash Flows

For the Year Ended December, 31, 2017

With Comparative Totals For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Ambulance Fund	TOTALS	
				2017	2016
Cash Flows From Operating Activities					
Cash received from customers	\$ 368,759	\$ 423,815	\$ 600,133	\$ 1,392,707	\$ 1,346,493
Cash payments to suppliers	(144,937)	(239,377)	(121,388)	(505,702)	(500,738)
Cash payments to employees or on their behalf	(87,765)	(53,831)	(364,750)	(506,346)	(500,738)
Net Cash Provided By Operating Activities	<u>136,057</u>	<u>130,607</u>	<u>113,995</u>	<u>380,659</u>	<u>345,017</u>
Cash Flows From Capital and Related Financing Activities					
Contributions and other	27,916	14,111	3,683	45,710	45,211
Acquisition and construction of capital assets	(23,558)	(7,213)	(579,700)	(610,471)	(5,127)
Transfers in (out)	(515,677)	(406,590)		(922,267)	(125,590)
Advance to/from other funds	206,133	(137,133)		69,000	
Net Cash Used In Capital and Related Financing Activities	<u>(305,186)</u>	<u>(536,825)</u>	<u>(576,017)</u>	<u>(1,418,028)</u>	<u>(85,506)</u>
Cash Flows From Investing Activities					
Investment earnings received	<u>338</u>	<u>344</u>	<u>1,373</u>	<u>2,055</u>	<u>26</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(168,791)</u>	<u>(405,874)</u>	<u>(460,649)</u>	<u>(1,035,314)</u>	<u>259,537</u>
Cash and Cash Equivalents, Beginning of Year	<u>409,254</u>	<u>663,118</u>	<u>704,441</u>	<u>1,776,813</u>	<u>1,517,276</u>
Cash and Cash Equivalents, End of Year	<u>\$ 240,463</u>	<u>\$ 257,244</u>	<u>\$ 243,792</u>	<u>\$ 741,499</u>	<u>\$ 1,776,813</u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities**

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Ambulance Fund	TOTALS	
				2017	2016
Operating Income (Loss)	\$ 8,011	\$ 28,565	\$ 32,896	\$ 69,472	\$ (100,355)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	129,719	96,150	59,403	285,272	269,164
Change in net pension liability	3,910	3,584	21,334	28,828	32,040
(Increase) Decrease In:					
Accounts receivable	(10,538)	(3,809)	(31,747)	(46,094)	125,317
Due from other governments	455	455		910	(898)
Prepaid expenses	(178)	799	(3,113)	(2,492)	870
Inventory			(3,317)	(3,317)	5,811
Increase (Decrease) In:					
Accounts payable	4,113	4,312	37,345	45,770	13,151
Accrued liabilities	565	551	1,194	2,310	8,018
Net Cash Provided By Operating Activities	<u>\$ 136,057</u>	<u>\$ 130,607</u>	<u>\$ 113,995</u>	<u>\$ 380,659</u>	<u>\$ 353,118</u>

See Notes to Financial Statements

CITY OF DODGE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Dodge Center was first incorporated in 1872. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. Four Council members and the Mayor are each elected to four year terms.

The City's major operations include police and fire protection, parks, library, recreation, public works, economic development and general administrative services. In addition, the City owns and operates a water and sewer system and a regional ambulance department.

Reporting Entity

The City's financial statements include the primary government and the component units of the City of Dodge Center, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Dodge Center.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Dodge Center are financially accountable or for which the nature or significance of their relationship with the City would cause the general purpose financial statements to be misleading or incomplete. Because its sole purpose is to encourage future development within the City, the Dodge Center Economic Development Authority (EDA), has been reported as a blended component unit in the financial statements of the City of Dodge Center.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, licenses and permits, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transaction, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Airport fund* accounts for activities related to the airport.

The *Capital Improvement fund* accounts for the accumulation of resources for capital improvements within the improvement plan.

The *Equipment Replacement fund* accounts for the accumulation of resources for the purchase of equipment within the equipment replacement plan.

The *2017 Street Project fund* accounts of the accumulation of resources for 2017 street project.

The *Public Project Revenue Bonds of 2006A fund* accounts of the accumulation of resources for payment of the bonds.

The *General Obligation Bonds of 2017A fund* accounts of the accumulation of resources for payment of the bonds.

The City reports the following major proprietary funds:

The *Water fund* accounts for the operation of the City owned water utility system.

The *Sewer fund* accounts for the operation of the City owned sewer utility system.

The *Ambulance fund* accounts for the operations of the City's ambulance department.

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 and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary accounting is employed as a management control for funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and may be amended by formal council action. All budget appropriations lapse at the end of the fiscal year.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventories are recorded as expense when consumed rather than when purchased.

Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments which is under the management of the City. Temporary cash investments are stated at cost, which approximates market.

The City has designated cash and cash equivalents as demand deposits and all investments with an original 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 Dodge County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

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

Real 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 July and December.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years with interest charges of 4.0% to 8.0%. Revenue from these assessments is recognized when the City certifies the assessment in the government wide financial statements and as the annual installments become collectible in the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred inflows of resources in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Tax Increment Districts

Property tax revenues received on tax increment districts are recorded in the Debt Service Fund to the extent required to service bond principal and interest payments due plus 5 percent of such payments. Any remaining property tax revenues are recognized in the Capital Projects Funds for the tax increment district.

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "advances from other funds" or "advances to other funds".

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Capital Assets (continued)

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Buildings	20 - 40
Improvements other than buildings	20 - 40
Furniture and fixtures	5 - 10
Machinery and Equipment	5 - 10

Historical cost, accumulated depreciation and depreciation expense related to infrastructure assets constructed prior to January 1, 2004 are not included in the City's financial statements.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund of the fund financial statements that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense and liability in the government wide financial statements. Vested or accumulated vacation leave of enterprise funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and expensed in the year of issuance.

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

Fund Balance

In the fund financial statements, governmental fund types report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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 of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type and is pension related and is reported on the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types. The first type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported in the statement of net position.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts receivable. Credit risk associated with cash and investments are discussed in Note 2.

The City's accounts receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Dodge Center.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws, or regulations of other governments.

Unrestricted Net Position – This amount is all net position that do not meet the definition of “net investment in capital assets” or “restricted net position.”

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances to the city administrator.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2017, the City's cash and investments consisted of the following items, all of which are held in an internal cash and investment pool:

Cash and Investments	Maturities	Ratings	Fair Value
Cash on hand	None	N/A	\$ 1,097
Deposits	None	N/A	1,905,305
Money Market Mutual Funds	None	N/A	646,973
Non-negotiable Certificate of deposits	February 2018 - September 2020	N/A	764,023
Federal Farm Credit Bank	August 2024	AA+	198,162
Federal Home Loan Mortgage Corp	April 2024	AA+	62,649
Cash and Investments per Statement of Net Position			<u>\$ 3,578,209</u>

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Collateralization of Cash Deposits

The City's deposits are covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Fair Value Measurement

Fair value measurements are determined by utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2, inputs must be observable for substantially the full term of the asset or liability

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Fair Value Measurement (continued)

The City's investments within the fair value hierarchy at December 31, 2017 and 2016 were as follows:

	At December 31, 2017			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Federal Farm Credit Bank	\$ 198,162	\$	\$ 198,162	\$
Federal Home Loan Mortgage Corp	62,649		62,649	
Total	\$ 260,811	\$	\$ 260,811	\$

	At December 31, 2016			
	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Federal Home Loan Mortgage Corp	\$ 62,534	\$	\$ 62,534	\$

Interest Rate Risk

The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investments</u>	<u>Ratings</u>	<u>of Total</u>
Non-negotiable Certificate of deposits	N/A	21%
Federal Farm Credit Bank	AA+	6%

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2017 are as follows:

<u>Fund</u>	Dodge County	State of Minnesota	Total
General	\$ 1,828	\$	\$ 1,828
Special Revenue	384	286,753	287,137
Debt Service	739		739
Capital Projects	1,563		1,563
Subtotal - Governmental Funds	4,514	286,753	291,267
Water	288		288
Sewer	288		288
Subtotal - Enterprise Funds	576		576
Total	\$ 5,090	\$ 286,753	\$ 291,843

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 574,226	\$	\$	\$ 574,226
Construction in process	267,154	2,966,142	189,078	3,044,218
Total capital assets, not being depreciated	841,380	2,966,142	189,078	3,618,444
Capital assets, being depreciated:				
Buildings	2,256,824	723,230		2,980,054
Improvements other than buildings	8,266,330	20,164		8,286,494
Furniture and fixtures	53,557	7,538		61,095
Machinery and equipment	2,718,632	180,031	20,198	2,878,465
Total capital assets, being depreciated	13,295,343	930,963	20,198	14,206,108
Less accumulated depreciation for:				
Buildings	916,873	57,578		974,451
Improvements other than buildings	2,785,495	351,544		3,137,039
Furniture and fixtures	33,414	2,652		36,066
Machinery and equipment	1,853,985	194,118	20,198	2,027,905
Total accumulated depreciation	5,589,767	605,892	20,198	6,175,461
Total capital assets, being depreciated, net	7,705,576	325,071		8,030,647
Governmental activities capital assets, net	\$ 8,546,956	\$ 3,291,213	\$ 189,078	\$ 11,649,091
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 120,768	\$	\$	\$ 120,768
Capital assets, being depreciated:				
Buildings and improvements	8,535,506	459,719		8,995,225
Machinery and equipment	1,400,112	150,752		1,550,864
Total capital assets, being depreciated	9,935,618	610,471		10,546,089
Less accumulated depreciation for:				
Buildings and improvements	4,125,189	219,599		4,344,788
Machinery and equipment	1,293,205	65,673		1,358,878
Total accumulated depreciation	5,418,394	285,272		5,703,666
Total capital assets, being depreciated, net	4,517,224	325,199		4,842,423
Business-type activities capital assets, net	\$ 4,637,992	\$ 325,199	\$	\$ 4,963,191

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 31,494
Public safety	128,611
Streets and highways	294,329
Culture and recreation	86,787
Airport operations	<u>64,671</u>
Total depreciation expense - governmental activities	<u>\$ 605,892</u>
Business-Type Activities:	
Water	\$ 129,719
Sewer	96,150
Ambulance	<u>59,403</u>
Total depreciation expense - business-type activities	<u>\$ 285,272</u>

5. Long-Term Debt

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

General Obligation Improvement Bonds:

These bonds are payable partly from special assessments being levied and collected for local improvements, and are backed by the full faith and credit of the City. The City's general policy is to charge the benefiting property owners a portion of the cost of street and public utility improvements. The City levies additional taxes to fund its share of the bond payments. The utility funds also contribute to payments.

A summary of interest rates, maturities and December 31, 2017 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2017
<u>General Obligation Improvement Bonds</u>			
2014A Refunding	1.75-2.60%	2024	\$ 800,000
2014B Improvement	1.50-3.00%	2025	1,245,000
2017A Improvement	1.25-3.00%	2034	<u>945,000</u>
Total			<u>\$ 2,990,000</u>

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The 2014B General Improvement Bonds were issued to fund the 2014 Main Street improvement and reclaim projects.

On August 4, 2014, the City of Dodge Center issued \$1,580,000 of General Obligation Crossover Refunding Bonds, Series 2014A. The proceeds of this issue were used to refund the outstanding principal and interest of the City's 2007A General Improvement Bonds on February 1, 2015.

The City issued \$945,000 of 2017A General Obligation Improvement Bonds to fund the 2017 street improvement project.

The changes in the Long-Term Debt of the City during the year ended December 31, 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds:					
General Obligation Improvement Bonds:					
2014A Refunding	\$ 1,195,000	\$	\$ 395,000	\$ 800,000	\$ 290,000
2014B Improvement	1,390,000		145,000	1,245,000	145,000
2017A Improvement		945,000		945,000	
Unamortized Discount		(9,884)		(9,884)	
Unamortized Premium	28,175		3,204	24,971	
Total Bonds	2,613,175	935,116	543,204	3,005,087	435,000
Other Liabilities:					
Compensated absences	11,945	4,512		16,457	
Governmental Activities					
Long-term Liabilities	\$ 2,625,120	\$ 939,628	\$ 543,204	\$ 3,021,544	\$ 435,000

The annual requirements to amortize all long-term debt outstanding as of December 31, 2017 are summarized below.

Years	General Obligation	
	Principal	Interest
<u>Governmental Activities</u>		
2018	\$ 435,000	\$ 61,974
2019	240,000	57,400
2020	310,000	52,401
2021	305,000	46,803
2022	320,000	38,215
2023-2027	1,025,000	96,383
2028-2032	255,000	31,875
2033-2034	100,000	3,000
Totals	\$ 2,990,000	\$ 388,051

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures

Transfers during the year ended December 31, 2017 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 179,427	\$
General Fund	3,828	
Special Revenue:		
Economic Development		3,828
Debt Service:		
GO Bonds of 2014A	113,000	
GO Bonds of 2014A	41,000	
GO Bonds of 2014B	69,000	
GO Bonds of 2017A	8,250	
Capital Projects:		
Central Avenue		41,000
County 34		113,000
Equipment Replacement		179,427
2017 Street Project	1,244,783	
2017 Street Project	446,677	
2017 Street Project	406,590	
Capital Improvement		8,250
Capital Improvement		1,244,783
Subtotal - Governmental Funds	2,512,555	1,590,288
Enterprise:		
Water		446,677
Water		69,000
Sewer		406,590
Subtotal - Enterprise Funds		922,267
Totals	\$ 2,512,555	\$ 2,512,555

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and to move general fund revenues to finance various programs that the government accounts for in other funds.

At December 31, 2017 the following funds have deficit fund balances:

Debt Service:		
Public Project Revenue Bonds of 2006A	\$	438,867

The City intends to fund accumulated deficits through additional revenue sources.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

The amounts due to and from and advanced to and from other funds at December 31, 2017, at the individual fund level are summarized below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 272,292	\$
Special Revenue Funds:		
Airport		272,292
	<u>\$ 272,292</u>	<u>\$ 272,292</u>
	Advances to Other Funds	Advances From Other Funds
General Fund	\$ 61,823	\$
Capital Project Fund:		
Capital Improvement	80,524	
Debt Service Fund:		
Public Project Revenue Bonds of 2006A		439,961
Enterprise Funds:		
Sewer	297,614	
	<u>\$ 439,961</u>	<u>\$ 439,961</u>

Advances were used for interfund borrowings to prepay the Public Project Revenue Bonds of 2006A and the General Obligation Bonds of 2004A. The funding mechanisms scheduled to repay these bonds will now be used to repay the interfund advances.

Excess of expenditures over appropriations at the individual fund level during 2017 are as follows:

General Fund	\$ 156,333
Economic Development	3,645
Library	9,589
Airport	775,037
Fire Fund	19,878

All excess expenditures were the result of planned processes

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / net position represents the portion not available for expenditure or legally segregated for specific use. A summary of the restricted portion of the fund balance / equity at December 31, 2017 is as follows:

Specific Purpose	Restriction Imposed By		
	Grantors	Creditors	Regulations
Restricted Fund Balance			
Revolving Loan Fund:			
Economic development	\$ 130,689	\$	\$
Urban Development Grant Fund:			
Economic development	177,367		
Tax Increment Funds:			
Tax increment financing plan			21,164
Debt Service Funds:			
Debt service requirements		453,462	
Total Restricted Fund Balance	<u>\$ 308,056</u>	<u>\$ 453,462</u>	<u>\$ 21,164</u>
Restricted Net Position			
Economic development	\$ 322,935	\$	\$
Tax increment financing plan			21,164
Debt service requirements		1,167,183	
Total Restricted Net Position	<u>\$ 322,935</u>	<u>\$ 1,167,183</u>	<u>\$ 21,164</u>

The City has committed portions of the fund equity in the governmental funds. A summary of the committed portion of the fund equity at December 31, 2017 is as follows:

	General	Equipment Replacement
Committed Fund Balance:		
Capital Reserve	\$ 106,000	\$
Cash Flow	700,000	
Equipment Replacement:		
Public works		(49,775)
Fire		564,313
	<u>\$ 806,000</u>	<u>\$ 514,538</u>

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Commitments and Contingencies

The City participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

9. Defined Benefit Pension Plans - Statewide

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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 Plan - All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Plan for the year ended December 31, 2017, were \$61,820. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2017, the City reported a liability of \$817,144 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 \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$10,271. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .0128% at the end of the measurement period and .0122% for the beginning of the period.

For the year ended December 31, 2017, the City recognized pension expense of \$45,697 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized additional \$297 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 22,302
Changes in actuarial assumptions	47,387	
Difference between projected and actual investment earnings		3,926
Changes in proportion	51,881	
Contributions paid to PERA subsequent to the measurement date	31,325	
Total	<u>\$ 130,593</u>	<u>\$ 26,228</u>

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

Included in deferred outflows of resources related to pensions is \$31,325 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ 46,228
2019	66,554
2020	(5,056)
2021	(34,686)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	Per year
Active Member Payroll Growth	3.25%	Per year
Investment Rate of Return	7.50%	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent for the General Employees Plan through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

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 arithmetic 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERF net pension liability	\$ 1,267,450	\$ 817,144	\$ 448,486

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

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.

10. Defined Benefit Pension Plan – Volunteer Fire Relief Association

Defined Benefit Pension Plan – Fire Relief Association

The Dodge Center Fire Relief Association has not had an actuarial study performed. The Association believes the funding status determined using the calculation required by the Minnesota State Auditor is sufficient to determine the reportable amounts under GASB No. 68, *Accounting and Financial Reporting for Pensions*.

Plan Description

The City contributes to the Dodge Center Fire Relief Association ("Association"), a single employer public employee retirement system that acts as a common investment and administrator for the City's firefighters.

Volunteer firefighters of the City are members of the Dodge Center Fire Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,700 per person per year of service after reaching a minimum retirement age of 50 and at least 20 years of service with 10 years of membership in the association. Association members are eligible to receive partial pension benefits for service of 10 years with 10 years of membership in the association. These benefit provisions are consistent with enabling State statutes. Volunteers of the department are not required to contribute to the relief association. The City levies property taxes at the direction of and for the benefit of the fire relief association and passes through state aids allocated to the plan, all in accordance with enabling state statutes. During 2017, at the Association direction, the City did not levy any property taxes to be paid to the Association.

Funding Status and Progress

At December 31, 2017 the Association funding status is as follows:

Total plan assets	\$	810,863
Total accrued liability		(498,679)
Excess (Deficiency) of Plan Assets over Accrued Liability	\$	<u>312,184</u>

CITY OF DODGE CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plan – Volunteer Fire Relief Association (Continued)

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. The City was not obligated to make a contribution in 2017.

The computation of the pension contribution requirements for 2017 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

11. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for employee health, liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2017.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2017. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

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CITY OF DODGE CENTER
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

CITY OF DODGE CENTER, MINNESOTA
Schedules of City Contributions
December 31, 2017

Schedule of City Contributions
PERA General Employees Retirement Fund

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Employee Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 45,934	\$ 45,934	\$	\$ 633,572	7.25%
2015	48,614	48,614		648,186	7.5%
2016	56,680	56,680		755,733	7.5%
2017	61,820	61,820		824,267	7.5%
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF DODGE CENTER, MINNESOTA
Schedules of Proportionate Share of Net Pension Liability
December 31, 2017

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund

Fiscal Year Ended June 30	Proportionate (Percentage) of Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Covered- Employee Payroll (b)	Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0121%	\$ 568,397	\$ 654,081	86.9%	78.7%
2015	0.0112%	580,442	719,994	80.6%	78.2%
2016	0.0122%	990,579	778,002	127.3%	68.9%
2017	0.0128%	817,144	790,000	103.4%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

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CITY OF DODGE CENTER
COMBINING AND INDIVIDUAL FUND STATEMENTS
DECEMBER 31, 2017

**CITY OF DODGE CENTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

December 31, 2017

	Special Revenue				
	211 Library	215 Economic Development	216 Revolving Loan	225 Fire	202 Urban Development Grant
ASSETS					
Cash and investments	\$ 69,090	\$ 10,942	\$ 130,689	\$ 106,325	\$ 177,367
Accounts receivable				6,938	
Taxes receivable delinquent	3,210	31		2,481	
Special assessments receivable					
Delinquent					
Deferred					
Loans receivable		150,000	14,879		
Due from other governmental units	216			168	
Prepaid items	1,251			9,249	
TOTAL ASSETS	\$ 73,767	\$ 160,973	\$ 145,568	\$ 125,161	\$ 177,367
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 330	\$	\$	\$ 1,304	\$
Accrued liabilities	2,112				
Total Liabilities	2,442			1,304	
Deferred Inflows of Resources:					
Unavailable revenue:					
Property taxes	3,210	31		2,481	
Special assessments					
Loans receivable		150,000	14,879		
Total Deferred Inflows of Resources	3,210	150,031	14,879	2,481	
Fund Balance:					
Nonspendable:					
Prepaid items	1,251			9,249	
Restricted:					
Creditors					
Grantors			130,689		177,367
Regulations					
Assigned	66,864	10,942		112,127	
Total Fund Balance	68,115	10,942	130,689	121,376	177,367
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 73,767	\$ 160,973	\$ 145,568	\$ 125,161	\$ 177,367

Capital Projects					Debt Service		Total Nonmajor Governmental Funds 2017
419 County 34	436 Downtown Street Lights	437 Cultural Capital Project	418 Central Avenue Project	416 TIF #11 Rozell II	383 General Obligation Bonds of 2014B	382 General Obligation Bonds of 2014A	
\$ 469	\$ 8,054	\$ 57,794	\$ 75,602	\$ 21,164	\$ 154,252	\$ 298,596	\$1,110,344
					2,740	6,133	6,938
2,459			5,990		1,981		14,595
62,475			168,606		111,082		10,430
			611		276	338	342,163
							164,879
							1,609
							10,500
<u>\$ 65,403</u>	<u>\$ 8,054</u>	<u>\$ 57,794</u>	<u>\$ 250,809</u>	<u>\$ 21,164</u>	<u>\$ 270,331</u>	<u>\$ 305,067</u>	<u>\$1,661,458</u>
\$	\$	\$	\$	\$	\$	\$	\$ 1,634
							2,112
							3,746
					2,740	6,133	14,595
64,934			174,596		113,063		352,593
							164,879
<u>64,934</u>			<u>174,596</u>		<u>115,803</u>	<u>6,133</u>	<u>532,067</u>
							10,500
					154,528	298,934	453,462
				21,164			308,056
469	8,054	57,794	76,213				21,164
<u>469</u>	<u>8,054</u>	<u>57,794</u>	<u>76,213</u>	<u>21,164</u>	<u>154,528</u>	<u>298,934</u>	<u>332,463</u>
							1,125,645
<u>\$ 65,403</u>	<u>\$ 8,054</u>	<u>\$ 57,794</u>	<u>\$ 250,809</u>	<u>\$ 21,164</u>	<u>\$ 270,331</u>	<u>\$ 305,067</u>	<u>\$1,661,458</u>

CITY OF DODGE CENTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue				
	211 Library	215 Economic Development	216 Revolving Loan	225 Fire	202 Urban Development Grant
REVENUES					
General property taxes	\$ 106,042	\$ 109		\$ 81,569	\$
Tax increments					
Special assessments					
Fines and forfeits	2,075				
Intergovernmental revenues					
County grant	32,889				
Federal and state grants				7,862	
Fire relief aid				20,535	
Contributions-Townships				21,316	
Charges for services				900	
Investment income	812	77	349		
Miscellaneous revenues	3,484	3,625	2,217	836	41,310
TOTAL REVENUES	145,302	3,811	2,566	133,018	41,310
EXPENDITURES					
Public safety				132,886	
Culture and recreation	146,832				
Economic development		3,645			4,212
Debt service					
Capital outlay					
TOTAL EXPENDITURES	146,832	3,645		132,886	4,212
Excess (deficiency) of revenues over (under) expenditures	(1,530)	166	2,566	132	37,098
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out		(3,828)			
Total other financing sources (uses)		(3,828)			
Net change in fund balances	(1,530)	(3,662)	2,566	132	37,098
Fund Balance - Beginning	69,645	14,604	128,123	121,244	140,269
Fund Balance - Ending	\$ 68,115	\$ 10,942	\$ 130,689	\$ 121,376	\$ 177,367

Capital Project					Debt Service		Total Nonmajor Governmental Funds 2017
419 County 34	436 Downtown Street Lights	437 Cultural Capital Project	418 Central Avenue Project	416 TIF #11 Rozell II	383 General Obligation Bonds of 2014B	382 General Obligation Bonds of 2014A	
\$	\$	\$	\$	\$	\$ 91,303	\$ 151,831	\$ 430,854
28,984			42,770	18,725	9,677		18,725
							81,431
							2,075
							32,889
							7,862
							20,535
							21,316
							900
							1,238
							58,985
28,984	7,513		42,770	18,725	100,980	151,831	676,810
							132,886
							146,832
							7,857
					177,258	416,158	593,416
				16,853			16,853
				16,853	177,258	416,158	897,844
28,984	7,513		42,770	1,872	(76,278)	(264,327)	(221,034)
(113,000)			(41,000)		69,000	154,000	223,000
(113,000)			(41,000)				(157,828)
(113,000)			(41,000)		69,000	154,000	65,172
(84,016)	7,513		1,770	1,872	(7,278)	(110,327)	(155,862)
84,485	541	57,794	74,443	19,292	161,806	409,261	1,281,507
\$ 469	\$ 8,054	\$ 57,794	\$ 76,213	\$ 21,164	\$ 154,528	\$ 298,934	\$ 1,125,645

CITY OF DODGE CENTER, MINNESOTA
LIBRARY FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 105,403	\$ 105,403	\$ 106,042	\$ 639	\$ 96,868
Intergovernmental revenues					
County grants	27,540	27,540	32,889	5,349	33,833
Fines and forfeits	1,400	1,400	2,075	675	1,854
Investment income			812	812	2
Miscellaneous revenues					
First read program	800	800	835	35	1,450
Other miscellaneous revenue	2,100	2,100	2,649	549	5,165
TOTAL REVENUES	137,243	137,243	145,302	8,059	139,172
EXPENDITURES					
Employee services	93,693	93,693	94,984	(1,291)	87,970
Employee benefits and retirement	13,150	13,150	13,241	(91)	12,170
Books, periodicals and video tapes	8,875	8,875	10,528	(1,653)	8,587
First read program	800	800	1,100	(300)	1,252
Materials and supplies	3,350	3,350	7,006	(3,656)	4,585
Insurance	2,650	2,650	2,299	351	2,392
Telephone	900	900	795	105	1,002
Utilities	3,950	3,950	3,781	169	3,358
Professional fees	7,650	7,650	8,118	(468)	7,954
Repairs and maintenance	1,675	1,675	1,390	285	1,158
Other charges	550	550	2,453	(1,903)	409
Capital outlay			1,137	(1,137)	6,070
TOTAL EXPENDITURES	137,243	137,243	146,832	(9,589)	136,907
Net Change in Fund Balance			(1,530)	(1,530)	2,265
FUND BALANCE - Beginning	69,645	69,645	69,645		67,380
FUND BALANCE - Ending	\$ 69,645	\$ 69,645	\$ 68,115	\$ (1,530)	\$ 69,645

CITY OF DODGE CENTER, MINNESOTA
FIRE FUND
Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2017
With Comparative Totals for The Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property tax levy					
Property tax collected	\$ 80,943	\$ 80,943	\$ 81,569	\$ 626	\$ 82,310
Intergovernmental revenues					
State and Federal grants			7,862	7,862	129,608
Fire relief aid	18,500	18,500	20,535	2,035	20,926
Township contributions	21,500	21,500	21,316	(184)	21,417
Charges for services	5,000	5,000	900	(4,100)	3,125
Miscellaneous income			836	836	100
TOTAL REVENUES	125,943	125,943	133,018	7,075	257,486
EXPENDITURES					
Employee services	6,755	6,755	5,827	928	5,711
Materials and supplies	16,512	16,512	11,167	5,345	22,690
Insurance	15,500	15,500	14,816	684	14,007
Other charges	6,841	6,841	10,228	(3,387)	8,907
Firemen's relief	33,500	33,500	30,804	2,696	33,531
Professional fees	2,300	2,300	3,733	(1,433)	803
Repairs and maintenance	15,700	15,700	27,725	(12,025)	14,665
Telephone	2,600	2,600	2,573	27	2,482
Utilities	11,000	11,000	8,044	2,956	7,373
Capital outlay	2,300	2,300	17,969	(15,669)	130,100
TOTAL EXPENDITURES	113,008	113,008	132,886	(19,878)	240,269
Excess of revenues over expenditures	12,935	12,935	132	(12,803)	17,217
OTHER FINANCING USES					
Transfers out					(10,420)
Net Change in Fund Balance	12,935	12,935	132	(12,803)	6,797
FUND BALANCE - Beginning	121,244	121,244	121,244		114,447
FUND BALANCE - Ending	\$ 134,179	\$ 134,179	\$ 121,376	\$ (12,803)	\$ 121,244

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**CITY OF DODGE CENTER
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2017**

**CITY OF DODGE CENTER, MINNESOTA
WATER FUND**

**Statement of Revenues, Expenses
and Changes in Fund Net Position**

For the Year Ended December 31, 2017

With Comparative Totals for The Year Ended December 31, 2016

	2017	2016
Operating Revenue		
Service charges	\$ 327,825	\$ 308,361
Debt service charge	51,017	51,311
Total Operating Revenue	378,842	359,672
Operating Expenses		
Employee services	71,107	49,681
Employee benefits and retirement	17,223	13,931
Materials and supplies	38,003	34,404
Professional fees	19,481	9,254
Insurance	5,102	4,758
Utilities	40,864	40,069
Repairs and maintenance	29,788	19,147
Depreciation	129,719	129,459
Other services and charges	19,544	19,302
Total Operating Expenses	370,831	320,005
Operating Income	8,011	39,667
Nonoperating Revenues (Expenses)		
Investment income	338	5
Utility connection/reconnection charges	13,820	10,150
Other revenue	14,096	13,656
Total Nonoperating Revenues (Expenses)	28,254	23,811
INCOME BEFORE TRANSFERS	36,265	63,478
Transfers out	(515,677)	(53,025)
Change in net position	(479,412)	10,453
Net Position - Beginning of Year	2,956,721	2,946,268
Net Position - End of Year	\$ 2,477,309	\$ 2,956,721

**CITY OF DODGE CENTER, MINNESOTA
SEWER FUND**

**Statement of Revenues, Expenses
and Changes in Fund Net Position**

For the Year Ended December 31, 2017

With Comparative Totals for The Year Ended December 31, 2016

	2017	2016
Operating Revenue		
Service charges	\$ 373,894	\$ 370,814
Debt service charge	53,275	53,145
Total Operating Revenue	427,169	423,959
Operating Expenses		
Employee services	42,758	38,964
Employee benefits and retirement	11,624	10,467
Materials and supplies	8,749	9,749
Professional fees	2,049	1,732
Insurance	11,476	12,623
Contractual services	193,818	192,697
Repairs and maintenance	19,624	41,532
Depreciation	96,150	99,387
Other services and charges	12,356	9,724
Total Operating Expenses	398,604	416,875
Operating Income (Loss)	28,565	7,084
Nonoperating Revenues (Expenses)		
Utility connection/reconnection charges	1,430	
Interest income	344	5
Other income	12,681	12,503
Total Nonoperating Revenues (Expenses)	14,455	12,508
INCOME BEFORE TRANSFERS	43,020	19,592
Transfers out	(406,590)	(72,565)
Change in net position	(363,570)	(52,973)
Net Position - Beginning of Year	3,051,454	3,104,427
Net Position - End of Year	\$ 2,687,884	\$ 3,051,454

**CITY OF DODGE CENTER, MINNESOTA
AMBULANCE FUND**

**Statement of Revenues, Expenses
and Changes in Fund Net Position**

For the Year Ended December 31, 2017

With Comparative Totals for The Year Ended December 31, 2016

	2017	2016
Operating Revenue		
Service charges	\$ 1,443,038	\$ 1,337,561
Contract adjustments	(700,625)	(719,039)
Net Operating Revenue	742,413	618,522
Operating Expenses		
Employee services	290,362	308,794
Employee benefits and retirement	75,582	81,898
Ambulance relief		5,021
Materials and supplies	53,839	44,755
Professional fees	4,534	5,391
Insurance	28,532	23,380
Telephone	9,501	6,353
Utilities	4,140	3,954
Contractual services	26,891	28,797
Repairs and maintenance	19,823	11,999
Depreciation	59,403	40,318
Uncollectible accounts and charge-offs	110,533	171,978
Other services and charges	26,377	32,990
	709,517	765,628
Operating Income (Loss)	32,896	(147,106)
Nonoperating Revenues (Expenses)		
Donations and other	11,558	13,756
Other nonoperating expenses	(7,875)	(12,955)
Interest income	1,373	16
Total Nonoperating Revenues	5,056	817
Change in net position	37,952	(146,289)
Net Position - Beginning of Year	737,016	883,305
Net Position - End of Year	\$ 774,968	\$ 737,016

**CITY OF DODGE CENTER
SCHEDULE OF TAX LEVIES
December 31, 2017**

Tax levies		
Extended in year	2016	2015
Collectible in year	2017	2016
Property tax valuations		
Taxable real and personal property		
- tax capacity value - General	\$ 1,548,784	\$ 1,441,193
- tax capacity value - TIF	11,962	11,962
- tax capacity value - JOB-Z		82,156
Total tax capacity value	<u>\$ 1,560,746</u>	<u>\$ 1,535,311</u>
Taxes levied		
General	\$ 602,045	\$ 516,163
Debt service	240,202	289,335
Library	105,403	95,193
Fire	80,943	80,943
EDA		8,000
Utility Advance	69,798	70,665
Capital Projects	329,364	289,364
Equipment Replacement	160,000	115,000
Total Levy	<u>\$ 1,587,755</u>	<u>\$ 1,464,663</u>
Tax capacity rate		
General	38.574	35.815
Debt service	15.390	20.076
Library	6.753	6.605
Fire	5.186	5.616
EDA		0.555
Utility Advance	4.472	4.903
Capital Projects	21.103	20.078
Equipment Replacement	10.252	7.980
	<u>101.730</u>	<u>101.628</u>

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MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Dodge Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Dodge Center, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Dodge Center, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly had we performed additional procedures, other matters may have come to our attention regarding the City of Dodge Center, Minnesota's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City of Dodge Center, and the State Auditor is not intended to be, and should not be, used by anyone other than those specified parties.

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
February 23, 2018