

**CITY OF WYKOFF, MINNESOTA**

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**



**CITY OF WYKOFF, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2017**

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**CITY OF WYKOFF, MINNESOTA**

**INTRODUCTORY SECTION**

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**CITY OF WYKOFF, MINNESOTA**

**CITY OFFICIALS**

**DECEMBER 31, 2017**

Alan Williams	Mayor
Rocky Vreeman	Council Member & <i>Mayor Pro-tem</i>
Richard Gleason	Council Member
Mary Ann Tjepkes	Council Member
Mary Sackett	Council Member
Rebecca Schmidt	Clerk-Treasurer

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**CITY OF WYKOFF, MINNESOTA**

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Wykoff, Minnesota, as of December 31, 2017, and the respective changes in financial position and cash flows thereof and the respective budgetary comparisons for the General Fund, First Responders Fund, and the Rural Fire Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplemental 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 inquires 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.

The City of Wykoff, Minnesota, has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***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 April 24, 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wykoff, Minnesota's basic financial statements. The introductory section 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 introductory section and supplementary information has 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.

Honorable Mayor and Members  
of the City Council  
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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018, on our consideration of the City of Wykoff, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Wykoff, Minnesota's internal control over financial reporting and compliance.

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
April 2, 2018

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**CITY OF WYKOFF, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**CITY OF WYKOFF, MINNESOTA**  
**STATEMENT OF NET POSITION**

December 31, 2017

*With Comparative Totals for December 31, 2016*

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
<b>Assets</b>				
Cash and investments	\$ 768,027	\$ 463,808	\$ 1,231,835	\$ 1,131,391
Restricted cash and cash equivalents		30,000	30,000	15,000
Receivables	44,457	24,973	69,430	79,809
Due from other governments	1,683		1,683	
Net pension asset	43,523		43,523	43,523
Capital assets:				
Nondepreciable	41,914		41,914	39,014
Depreciable, net	751,285	3,469,983	4,221,268	4,407,358
<b>Total Assets</b>	<b>1,650,889</b>	<b>3,988,764</b>	<b>5,639,653</b>	<b>5,716,095</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity	7,241	10,817	18,058	60,002
<b>Liabilities</b>				
Accounts payable	28,349	7,312	35,661	26,490
Customer deposits		13,158	13,158	11,665
Accrued liabilities				12,074
Accrued interest payable	932	33,499	34,431	35,337
Due to other governments	12,000		12,000	6,000
Noncurrent liabilities:				
Due within one year	16,000	61,000	77,000	76,000
Due in more than one year	86,000	1,479,000	1,565,000	1,642,000
Net pension liability	24,245	39,594	63,839	121,793
<b>Total Liabilities</b>	<b>167,526</b>	<b>1,633,563</b>	<b>1,801,089</b>	<b>1,931,359</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pension activity	11,319	18,488	29,807	9,894
<b>Net Position</b>				
Net investment in capital assets	691,199	1,929,983	2,621,182	2,728,372
Restricted	45,166	30,000	75,166	72,721
Unrestricted	742,920	387,547	1,130,467	1,033,751
<b>Total Net Position</b>	<b>\$ 1,479,285</b>	<b>\$ 2,347,530</b>	<b>\$ 3,826,815</b>	<b>\$ 3,834,844</b>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017  
*With Comparative Totals for December 31, 2016*

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 86,343	\$ 6,840	\$ 14,909	\$ 3,460
Public safety	132,248	6,165	48,482	12,500
Public works	100,437		7,690	
Sanitation				
Parks, museum and recreation	13,223			
Interest on long-term debt	2,275			
Unallocated	2,049			
Total governmental activities	336,575	13,005	71,081	15,960
Business-Type activities:				
Water	63,181	100,679		
Sewer	311,550	161,718		28,537
Total business-type activities	374,731	262,397		28,537
Total	\$ 711,306	\$ 275,402	\$ 71,081	\$ 44,497

General revenues:

    General property taxes  
    Grants and contributions not restricted to specific programs  
        Local government aid  
        Other  
    Interest earnings  
    Miscellaneous  
    Transfers in (out)  
    Total general revenues and transfers

Change in net position

Net position - Beginning

Net position - Ending

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2017	2016
\$ (61,134)	\$	\$ (61,134)	\$ (73,210)
(65,101)		(65,101)	(71,122)
(92,747)		(92,747)	(105,354)
			(450)
(13,223)		(13,223)	(15,877)
(2,275)		(2,275)	(2,622)
(2,049)		(2,049)	(1,154)
<u>(236,529)</u>		<u>(236,529)</u>	<u>(269,789)</u>
	37,498	37,498	23,264
	(121,295)	(121,295)	(79,364)
	<u>(83,797)</u>	<u>(83,797)</u>	<u>(56,100)</u>
<u>(236,529)</u>	<u>(83,797)</u>	<u>(320,326)</u>	<u>(325,889)</u>
177,785	245	178,030	166,870
128,250		128,250	128,086
110	219	329	658
990	225	1,215	1,125
4,473		4,473	39,939
(23,300)	23,300		
<u>288,308</u>	<u>23,989</u>	<u>312,297</u>	<u>336,678</u>
51,779	(59,808)	(8,029)	10,789
<u>1,427,506</u>	<u>2,407,338</u>	<u>3,834,844</u>	<u>3,824,055</u>
<u>\$ 1,479,285</u>	<u>\$ 2,347,530</u>	<u>\$ 3,826,815</u>	<u>\$ 3,834,844</u>

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**CITY OF WYKOFF, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

		Special Revenue Funds		
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan
<b>ASSETS</b>				
Cash and investments	\$ 536,307	\$ 15,261	\$ 19,458	\$ 56,527
Accounts receivable	12,006		5,478	
Taxes receivable, delinquent	7,653	211		
Special assessments receivable:				
Delinquent				
Deferred				
Due from other governmental units	1,447	42		
<b>TOTAL ASSETS</b>	<u>\$ 557,413</u>	<u>\$ 15,514</u>	<u>\$ 24,936</u>	<u>\$ 56,527</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 24,378	\$ 47	\$ 3,924	\$
Due to other governmental units	12,000			
Accrued expenses				
<b>Total Liabilities</b>	<u>36,378</u>	<u>47</u>	<u>3,924</u>	
<b>Deferred Inflows of Resources</b>				
Unavailable revenue:				
Property taxes	7,653	211		
Special assessments				
<b>Total Deferred Inflows of Resources</b>	<u>7,653</u>	<u>211</u>		
<b>Fund Balance</b>				
Restricted:				
Debt covenants				
Committed:				
By Council action	140,000	15,256	21,012	56,527
Unassigned	373,382			
<b>Total Fund Balance</b>	<u>513,382</u>	<u>15,256</u>	<u>21,012</u>	<u>56,527</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 557,413</u>	<u>\$ 15,514</u>	<u>\$ 24,936</u>	<u>\$ 56,527</u>

**See Notes to the Financial Statements**

Capital Projects	Debt Service Fund	Total Governmental Funds	
	304	2017	2016
406 Capital Improvement	2012A Imp Refunding Bond		
\$ 114,215	\$ 26,259	\$ 768,027	\$ 636,332
		17,484	1,394
372	1,065	9,301	12,356
	229	229	314
	17,443	17,443	31,972
24	170	1,683	
<u>\$ 114,611</u>	<u>\$ 45,166</u>	<u>\$ 814,167</u>	<u>\$ 682,368</u>
\$	\$	\$ 28,349	\$ 20,293
		12,000	6,000
			3,029
		40,349	29,322
372	1,065	9,301	12,356
	17,672	17,672	32,286
372	18,737	26,973	44,642
	26,429	26,429	23,918
114,239		347,034	318,239
		373,382	266,247
114,239	26,429	746,845	608,404
<u>\$ 114,611</u>	<u>\$ 45,166</u>	<u>\$ 814,167</u>	<u>\$ 682,368</u>

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

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

		Special Revenue Funds		
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan
<b>REVENUES</b>				
Property taxes	\$ 157,232	\$ 7,929	\$	\$
Special assessments	6,154			
Licenses and permits	1,510			
Intergovernmental revenues	159,697		21,525	
Charges for services	5,330		5,478	
Fines and forfeits	687			
Interest income	769	40	19	41
Miscellaneous revenues	25,942	850	2,460	
Total Revenues	357,321	8,819	29,482	41
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	79,025			
Public safety	89,208	4,433	16,642	
Public works	33,487			
Sanitation				
Parks, museum and recreation	12,624			
Unallocated	2,049			
Capital outlay	10,493			
Debt service				
Total Expenditures	226,886	4,433	16,642	
Excess (deficiency) of revenues over (under) expenditures	130,435	4,386	12,840	41
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in				
Operating transfers out	(23,300)			
Total Other Financing Sources (Uses)	(23,300)			
Net change in fund balance	107,135	4,386	12,840	41
<b>FUND BALANCES, BEGINNING</b>	406,247	10,870	8,172	56,486
<b>FUND BALANCES, ENDING</b>	\$ 513,382	\$ 15,256	\$ 21,012	\$ 56,527

**See Notes to the Financial Statements**



Capital Projects	Debt Service Fund	Total Governmental Funds	
406 Capital Improvement	304 2012A Imp Refunding Bond	2017	2016
\$ 107	\$ 15,657 5,275	\$ 180,925 11,429 1,510 181,222 10,808 687 990 41,752	\$ 163,793 5,420 1,432 169,078 13,625 92 1,040 35,374
121 12,500			
12,728	20,932	429,323	389,854
		79,025 110,283 33,487 12,624 2,049 11,693 18,421	95,634 112,222 41,388 10,425 13,740 1,154 752 17,761
1,200	18,421	267,582	293,076
11,528	2,511	161,741	96,778
		(23,300)	500 (55,300)
		(23,300)	(54,800)
11,528	2,511	138,441	41,978
102,711	23,918	608,404	566,426
\$ 114,239	\$ 26,429	\$ 746,845	\$ 608,404

**CITY OF WYKOFF, 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 7 and 8)		\$ 746,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 3,507,663	
Less: Accumulated depreciation	<u>(2,714,464)</u>	
		793,199
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 9,301	
Special assessments	<u>17,672</u>	
		26,973
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	\$ (102,000)	
Net pension liability	(28,323)	
Net pension asset	43,523	
Accrued interest	<u>(932)</u>	
		<u>(87,732)</u>
Net position of governmental activities (page 4)		<u><u>\$ 1,479,285</u></u>

**CITY OF WYKOFF, 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 9 and 10)		\$ 138,441
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	\$ 13,610	
Depreciation expense	<u>(97,372)</u>	
		(83,762)
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.		
Property taxes	\$ (3,055)	
Special assessments	<u>(14,614)</u>	
		(17,669)
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.		
Change in accrued interest	\$ 146	
Change in net pension liability	(1,377)	
Principal retirement on long-term debt	<u>16,000</u>	
		<u>14,769</u>
Change in net position of governmental activities (pages 5 and 6)		<u><u>\$ 51,779</u></u>

**CITY OF WYKOFF, 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 December 31, 2016*

REVENUES	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Local Taxes</b>					
General tax levy	\$ 155,098	\$ 155,098	\$ 157,232	\$ 2,134	\$ 149,024
<b>Special Assessments</b>	1,000	1,000	6,154	5,154	
<b>Licenses and Permits</b>					
Business	1,325	1,325	1,325		1,325
Nonbusiness	450	450	185	(265)	107
Total Licenses and Permits	1,775	1,775	1,510	(265)	1,432
<b>Intergovernmental Revenues</b>					
Local government aid	128,250	128,250	128,250		128,086
Fire relief aid	11,000	11,000	11,647	647	11,859
Volunteer firefighter retention stipend	10,000	10,000	12,000	2,000	10,500
Small cities assistance			7,690	7,690	
Other state aid	100	100	110	10	439
Total Intergovernmental Revenues	149,350	149,350	159,697	10,347	150,884
<b>Charges for Services</b>					
City Hall rent	4,000	4,000	5,305	1,305	2,900
Refuse collection charges			25	25	9,975
Total Charges for Services	4,000	4,000	5,330	1,330	12,875
<b>Fines and Forfeits</b>					
Court fines	800	800	687	(113)	92
<b>Interest Income</b>	500	500	769	269	961
<b>Miscellaneous Revenues</b>					
Contributions	5,000	5,000	12,640	7,640	18,680
Refunds and reimbursements			8,542	8,542	9,413
Other	200	200	4,760	4,560	1,423
Total Miscellaneous Revenues	5,200	5,200	25,942	20,742	29,516
<b>TOTAL REVENUES</b>	<b>\$ 317,723</b>	<b>\$ 317,723</b>	<b>\$ 357,321</b>	<b>\$ 39,598</b>	<b>\$ 344,784</b>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, 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 December 31, 2016*

	Budgeted Amounts		2017	Variance with	2016
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries and wages	\$ 4,510	\$ 4,510	\$ 3,520	\$ 990	\$ 4,765
Dues and other	715	715	761	(46)	1,972
Total Mayor and Council	<u>5,225</u>	<u>5,225</u>	<u>4,281</u>	<u>944</u>	<u>6,737</u>
<b>Elections and Voter Registration</b>					
Salaries					2,353
Miscellaneous					1,150
Total Elections and					
Voter Registration					<u>3,503</u>
<b>City Clerk</b>					
Salaries and wages	25,384	25,384	16,667	8,717	22,754
General supplies	2,500	2,500	2,878	(378)	2,468
Repair and maintenance	3,500	3,500	2,190	1,310	4,124
Utilities	1,950	1,950	1,724	226	1,753
Travel and education	600	600	347	253	2,610
Printing, publishing and dues	230	230	1,164	(934)	231
Insurance and bonds	650	650	856	(206)	2,107
Miscellaneous	1,850	1,850	3,229	(1,379)	1,675
Total City Clerk	<u>36,664</u>	<u>36,664</u>	<u>29,055</u>	<u>7,609</u>	<u>37,722</u>
<b>Professional Services</b>					
Legal and audit	19,845	19,845	9,374	10,471	22,373
Assessor	1,500	1,500	2,063	(563)	1,477
Total Professional Services	<u>21,345</u>	<u>21,345</u>	<u>11,437</u>	<u>9,908</u>	<u>23,850</u>
<b>Municipal Buildings</b>					
Salaries and wages	3,375	3,375	4,930	(1,555)	3,898
General supplies	1,550	1,550	235	1,315	557
Repair and maintenance	5,500	5,500	2,175	3,325	1,018
Utilities	9,715	9,715	9,555	160	12,102
Insurance	3,900	3,900	12,870	(8,970)	3,331
Miscellaneous	1,173	1,173	2,066	(893)	1,476
Total Municipal Buildings	<u>25,213</u>	<u>25,213</u>	<u>31,831</u>	<u>(6,618)</u>	<u>22,382</u>
<b>Other General Government</b>					
City promotion	800	800	2,421	(1,621)	1,440
Total General Government	<u>\$ 89,247</u>	<u>\$ 89,247</u>	<u>\$ 79,025</u>	<u>\$ 10,222</u>	<u>\$ 95,634</u>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, 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 December 31, 2016*

<b>EXPENDITURES</b>	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Public Safety</b>					
<b>Law Enforcement</b>					
Contractual services	\$ 24,000	\$ 24,000	\$ 24,000	\$	\$ 24,000
<b>Fire Protection</b>					
Salaries and wages	8,612	8,612	10,977	(2,365)	6,410
City fire relief aid	1,350	1,350	3,350	(2,000)	1,350
Fire relief contribution	11,000	11,000	11,647	(647)	11,859
Volunteer retention stipend	10,000	10,000	12,000	(2,000)	10,500
Motor fuel	750	750	980	(230)	137
Repair and maintenance	4,000	4,000	5,604	(1,604)	3,727
Professional services	1,500	1,500	4,501	(3,001)	2,115
Utilities	3,500	3,500	2,729	771	2,593
Insurance	2,500	2,500	713	1,787	2,471
Travel and education	1,000	1,000	4,083	(3,083)	3,203
Capital outlay	25,000	25,000	10,493	14,507	4,536
Miscellaneous	1,000	1,000	3,179	(2,179)	3,936
Total Fire Protection	70,212	70,212	70,256	(44)	52,837
<b>Ambulance Services</b>					
Contributions	2,800	2,800	4,727	(1,927)	3,108
<b>Civil Defense</b>					
Utilities	150	150	117	33	116
Insurance	500	500	304	196	464
Miscellaneous	200	200	228	(28)	
Total Civil Defense	850	850	649	201	580
<b>Animal Control</b>					
Miscellaneous	100	100	69	31	64
Total Public Safety	97,962	97,962	99,701	(1,739)	80,589
<b>Public Works</b>					
<b>Streets and Highways</b>					
Salaries and wages	24,682	24,682	6,966	17,716	9,916
Motor fuels	3,700	3,700	1,815	1,885	994
Repair and maintenance	9,000	9,000	13,996	(4,996)	20,207
Utilities	7,000	7,000	6,581	419	7,050
Insurance	6,150	6,150	1,332	4,818	2,276
Miscellaneous	3,700	3,700	2,797	903	945
Total Public Works	\$ 54,232	\$ 54,232	\$ 33,487	\$ 20,745	\$ 41,388

**See Notes to the Financial Statements**

**CITY OF WYKOFF, 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 December 31, 2016*

<b>EXPENDITURES</b>	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Sanitation</b>					
Contractual services	\$	\$	\$	\$	\$ 10,290
Weed control					135
Total Sanitation					10,425
<b>Park and Recreation</b>					
<b>Recreation</b>					
Sports, athletics and miscellaneous	700	700	498	202	614
<b>Park and Museum</b>					
Salaries and wages	3,805	3,805	5,296	(1,491)	3,299
Motor fuel	260	260	314	(54)	224
Repair and maintenance	2,325	2,325	310	2,015	1,428
Insurance	1,620	1,620	1,409	211	1,561
Museum expenses	1,950	1,950	1,453	497	2,786
Professional services	100	100	52	48	80
Tree removal	4,000	4,000	2,277	1,723	3,150
Miscellaneous	590	590	1,015	(425)	598
Total Park and Museum	14,650	14,650	12,126	2,524	13,126
Total Park, Museum and Recreation	15,350	15,350	12,624	2,726	13,740
<b>Unallocated</b>					
Group insurance	100	100		100	26
Insurance	1,500	1,500	2,049	(549)	931
Miscellaneous	50	50		50	197
Total Unallocated	1,650	1,650	2,049	(399)	1,154
<b>TOTAL EXPENDITURES</b>	258,441	258,441	226,886	31,555	242,930
<b>EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES</b>	\$ 59,282	\$ 59,282	\$ 130,435	\$ 71,153	\$ 101,854

**See Notes to the Financial Statements**

**CITY OF WYKOFF, 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 December 31, 2016*

	Budgeted Amounts		2017	Variance with	2016
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>Other Financing Uses</b>					
Operating transfers out	\$ (54,800)	\$ (54,800)	\$ (23,300)	\$ 31,500	\$ (55,300)
Total Other Financing Uses	(54,800)	(54,800)	(23,300)	31,500	(55,300)
<b>Net change in fund balance</b>	4,482	4,482	107,135	102,653	46,554
<b>FUND BALANCE - Beginning</b>	406,247	406,247	406,247		359,693
<b>FUND BALANCE - Ending</b>	<u>\$ 410,729</u>	<u>\$ 410,729</u>	<u>\$ 513,382</u>	<u>\$ 102,653</u>	<u>\$ 406,247</u>

**See Notes to the Financial Statements**



**CITY OF WYKOFF, MINNESOTA**  
**FIRST RESPONDERS FUND**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2017  
*With Comparative Totals for December 31, 2016*

REVENUES	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Property taxes</b>	\$	\$	\$ 7,929	\$ 7,929	\$
<b>Interest Income</b>			40	40	13
<b>Miscellaneous Revenues</b>					
Contributions	9,095	9,095	850	(8,245)	1,331
<b>TOTAL REVENUES</b>	9,095	9,095	8,819	(276)	1,344
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and wages	3,000	3,000	3,961	(961)	3,413
Insurance			160	(160)	1,021
Repair and maintenance					625
Fuels and lubricants			47	(47)	214
Travel, schools, conferences	1,500	1,500		1,500	394
Professional services	2,000	2,000		2,000	1,200
Miscellaneous			265	(265)	
<b>TOTAL EXPENDITURES</b>	6,500	6,500	4,433	2,067	6,867
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,595	2,595	4,386	1,791	(5,523)
<b>Other Financing Sources</b>					
Operating transfers in					500
<b>NET CHANGE IN FUND BALANCE</b>	2,595	2,595	4,386	(1,791)	(5,023)
<b>FUND BALANCE, JANUARY 1</b>	10,870	10,870	10,870		15,893
<b>FUND BALANCE, DECEMBER 31</b>	\$ 13,465	\$ 13,465	\$ 15,256	\$ 1,791	\$ 10,870

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**RURAL FIRE FUND**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2017  
*With Comparative Totals for December 31, 2016*

REVENUES	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget Positive (Negative)	2016 Actual Amounts
	Original	Final			
<b>Charges for Services</b>					
Fire calls	\$ 3,000	\$ 3,000	\$ 5,478	\$ 2,478	\$ 750
<b>Intergovernmental Revenue</b>					
Fire contracts	18,000	18,000	21,525	3,525	18,194
<b>Interest Income</b>			19	19	5
<b>Miscellaneous Revenues</b>					
Contributions			2,460	2,460	2,027
<b>TOTAL REVENUES</b>	21,000	21,000	29,482	8,482	20,976
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and wages	4,415	4,415	2,522	1,893	2,910
City fire relief aid	1,350	1,350	1,350		1,350
Insurance	2,000	2,000	713	1,287	2,472
Communication	1,000	1,000		1,000	4,423
Repair and maintenance	3,500	3,500	4,884	(1,384)	3,068
Utilities	1,500	1,500	941	559	601
Fuels and lubricants	500	500	292	208	77
Travel, schools, conferences	2,500	2,500	739	1,761	2,409
Professional services	2,500	2,500	3,559	(1,059)	3,315
Miscellaneous	1,000	1,000	1,642	(642)	4,141
Capital outlay	1,000	1,000		1,000	
<b>TOTAL EXPENDITURES</b>	21,265	21,265	16,642	4,623	24,766
<b>NET CHANGE IN FUND BALANCE</b>	(265)	(265)	12,840	13,105	(3,790)
<b>FUND BALANCE, JANUARY 1</b>	8,172	8,172	8,172		11,962
<b>FUND BALANCE, DECEMBER 31</b>	\$ 7,907	\$ 7,907	\$ 21,012	\$ 13,105	\$ 8,172

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
For the Year Ended December 31, 2017  
*With Comparative Totals for December 31, 2016*

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 177,345	\$ 286,463	\$ 463,808	\$ 495,059
Restricted cash and cash equivalents		30,000	30,000	15,000
Accounts receivable	10,704	14,269	24,973	33,773
Total Current Assets	188,049	330,732	518,781	543,832
<b>Capital Assets</b>				
Building and structures	19,585	3,015,965	3,035,550	3,035,550
Other improvements	1,415,391	170,975	1,586,366	1,586,366
Machinery and equipment	35,582	28,039	63,621	63,621
Total	1,470,558	3,214,979	4,685,537	4,685,537
Less: Accumulated depreciation	690,980	524,574	1,215,554	1,116,126
Capital Assets, Net	779,578	2,690,405	3,469,983	3,569,411
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity	4,770	6,047	10,817	36,936
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 972,397</u>	<u>\$ 3,027,184</u>	<u>\$ 3,999,581</u>	<u>\$ 4,150,179</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 1,392	\$ 5,920	\$ 7,312	\$ 6,197
Accrued expenses				9,045
Accrued interest payable	2,078	31,421	33,499	34,259
Customer deposits	13,158		13,158	11,665
Bonds payable - current	41,000	20,000	61,000	60,000
Total Current Liabilities	57,628	57,341	114,969	121,166
<b>Long-Term Liabilities</b>				
Net pension liability	18,419	21,175	39,594	75,538
Bonds payable - noncurrent	302,000	1,177,000	1,479,000	1,540,000
Total Noncurrent Liabilities	320,419	1,198,175	1,518,594	1,615,538
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pension activity	8,600	9,888	18,488	6,137
<b>Net Position</b>				
Net investment in capital assets	436,578	1,493,405	1,929,983	1,969,411
Restricted		30,000	30,000	15,000
Unrestricted	149,172	238,375	387,547	422,927
Total Net Position	585,750	1,761,780	2,347,530	2,407,338
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 972,397</u>	<u>\$ 3,027,184</u>	<u>\$ 3,999,581</u>	<u>\$ 4,150,179</u>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Position**  
For the Year Ended December 31, 2017  
*With Comparative Totals for December 31, 2016*

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2017	2016
<b>Operating Revenues</b>				
Charges for services	\$ 100,679	\$ 161,718	\$ 262,397	\$ 271,700
<b>Operating Expenses</b>				
Salaries and wages	5,625	19,380	25,005	66,204
Contractual services	10,175	67,266	77,441	48,780
Chemicals		21,474	21,474	23,325
General supplies		1,467	1,467	930
Repairs and maintenance	2,697	22,032	24,729	9,850
Utilities	9,569	55,287	64,856	50,628
Insurance	699	4,325	5,024	11,111
Depreciation	26,166	73,262	99,428	115,881
Miscellaneous	1,609	15,636	17,245	10,521
Total Operating Expenses	56,540	280,129	336,669	337,230
<b>OPERATING INCOME (LOSS)</b>	44,139	(118,411)	(74,272)	(65,530)
<b>Nonoperating Revenues (Expenses)</b>				
USDA grant				98,765
FEMA aid		28,537	28,537	
Intergovernmental revenue	109	110	219	219
Special assessments	245		245	349
Interest income	115	110	225	85
Bond interest and charges	(6,224)	(31,421)	(37,645)	(66,277)
Loss on disposal of capital assets				(23,058)
Miscellaneous	(417)		(417)	38,331
Total Nonoperating Revenues (Expenses)	(6,172)	(2,664)	(8,836)	48,414
<b>Change in Net Position Before Other Financing Sources</b>	37,967	(121,075)	(83,108)	(17,116)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in		23,300	23,300	54,800
Total Other Financing Sources		23,300	23,300	54,800
<b>CHANGE IN NET POSITION</b>	37,967	(97,775)	(59,808)	37,684
<b>NET POSITION, BEGINNING</b>	547,783	1,859,555	2,407,338	2,369,654
<b>NET POSITION, ENDING</b>	\$ 585,750	\$ 1,761,780	\$ 2,347,530	\$ 2,407,338

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2017  
*With Comparative Totals for December 31, 2016*

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2017	2016
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 105,281	\$ 165,916	\$ 271,197	\$ 263,243
Cash paid to suppliers	(27,515)	(189,392)	(216,907)	(111,764)
Cash paid to employees	(5,625)	(19,380)	(25,005)	(66,204)
Net Cash Provided By (Used In) Operating Activities	72,141	(42,856)	29,285	85,275
<b>Cash Flows From Capital And Related Financing Activities</b>				
Grants and aid received		28,537	28,537	98,765
Principal paid on bonds	(41,000)	(19,000)	(60,000)	(58,000)
Interest paid on debt	(6,224)	(31,421)	(37,645)	(66,277)
Cash received from other sources	(63)	110	47	38,899
Transfers in from other funds		23,300	23,300	54,800
Additions to capital assets				(98,765)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(47,287)	1,526	(45,761)	(30,578)
<b>Cash Flows From Investing Activities</b>				
Interest earnings on temporary investments	115	110	225	91
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	24,969	(41,220)	(16,251)	54,788
<b>Cash and Cash Equivalents, Beginning of Year</b>	152,376	357,683	510,059	455,271
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 177,345</u>	<u>\$ 316,463</u>	<u>\$ 493,808</u>	<u>\$ 510,059</u>

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided By Operations**

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2017	2016
<b>Operating Income (Loss)</b>	\$ 44,139	\$ (118,411)	\$ (74,272)	\$ (65,530)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	26,166	73,262	99,428	115,881
Change in net pension liability	986	1,540	2,526	9,862
(Increase) Decrease In:				
Accounts receivable	4,602	4,198	8,800	(8,457)
Prepaid expense				662
Increase (Decrease) In:				
Accounts payable	(1,465)	2,580	1,115	1,076
Customer deposits	1,493		1,493	960
Accrued interest payable	(261)	(499)	(760)	26,698
Accrued expenses	(3,519)	(5,526)	(9,045)	4,123
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 72,141</u>	<u>\$ (42,856)</u>	<u>\$ 29,285</u>	<u>\$ 85,275</u>

**See Notes to the Financial Statements**

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**CITY OF WYKOFF, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

##### Reporting Entity

In accordance with GASB Statement No. 14 of the City's financial statements include the primary government and the component units of the City of Wykoff, 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 Wykoff.

*Component Units* - Component units are legally separate organizations for which the elected officials of the City of Wykoff are financially accountable or for which the nature or significance of their relationship with the City of Wykoff would cause the financial statements to be misleading or incomplete. Based on these criteria, there are no component units of the City of Wykoff.

##### 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 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 segments are 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.

##### 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.

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## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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.

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 *First Responders fund* accounts for activities of the first responder service.

The *Rural Fire fund* accounts for the activities of the volunteer fire department.

The *Revolving Loan fund* accounts for the disbursement and collection of revolving loans.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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

The *2012A Improvement Refunding Bond fund* accounts for the accumulation of resources for payment of the refunding bonds.

The *Capital Improvement fund* accounts for all major capital improvements of the City.

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.

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 *non-operating* 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 non-operating revenues and expenses.

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

##### Assets, Liabilities, Deferred Inflows of Resources and Net Position

##### Cash and Investments

Except where otherwise required, the City maintains all deposits in accounts in the name of the City. The 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 investments which is under the management of the City. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market value. For purposes of the Financial Statements all investments are considered to be cash and cash equivalents.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### Assets, Liabilities, Deferred Inflows of Resources and Net Position (Continued)

##### Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

##### Property Taxes

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

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The amount of delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund types because they are not known to be available to finance current expenditures.

##### Special Assessments

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from three to fifteen years with interest charges of 6.0%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

**CITY OF WYKOFF, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)*

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 recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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.

	Useful Life in Years
Buildings	10 - 40
Infrastructure	15 - 50
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. These financial statements do not include the historical cost or related depreciation of infrastructure constructed prior to 2004.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Wykoff, Minnesota.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### Assets, Liabilities, Deferred Inflows of Resources and Net Position (continued)

##### Net Position / Fund Balance

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

Invested in Capital Assets, Net of Related Debt – 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 includes all net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

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

Non-spendable – 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 assigned fund balances to be used for specific purposes when appropriate. The council also delegates the power to assign fund balances to the following: 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.

When expenditures are made, the City uses restricted/committed amounts 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 WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Summary of Significant Accounting Policies (Continued)

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##### Assets, Liabilities, Deferred Inflows of Resources and Net Position (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 of deferred outflow which is pension related and 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 of deferred inflows. The first type 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 on the statement of net position.

##### Reclassifications

Certain amounts in the 2016 financial statement have been reclassified to conform to the 2017 presentation.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Cash and Investments

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##### 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 investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 100
Deposits	None	N/A	99,389
Non-negotiable certificates of deposit	March 2018	N/A	<u>1,162,346</u>
Total Cash and Investments			<u>\$ 1,261,835</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 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 WYKOFF, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**2. Cash and Investments (Continued)**

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*Collateralization of Cash Deposits*

The City's deposits are entirely 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 of 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.

*Interest Rate Risk*

The City does not have a formal investment policy that limits 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 further 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>Investment</u>	<u>Rating</u>	<u>Percent of Total</u>
Non-negotiable certificates of deposit	Unrated	100%



## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Cash and Investments (Continued)

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##### Fair Value Measurement

Fair value measurements are determined 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 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 observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input 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 inputs.

There were no assets which were required to be measured at fair value by the City at December 31, 2017 or 2016.

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#### 3. Due From Other Governmental Units

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

Fund	Fillmore County	State of Minnesota	Township Contracts	Total
General	\$ 1,447	\$	\$	\$ 1,447
First Responders	42			42
Capital Improvement	24			24
Debt Service	170			170
	<u>\$ 1,683</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,683</u>

**CITY OF WYKOFF, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 39,014	\$	\$	\$ 39,014
Construction in progress		2,900		2,900
Total capital assets, not being depreciated	<u>39,014</u>	<u>2,900</u>		<u>41,914</u>
Capital assets, being depreciated:				
Buildings	425,279			425,279
Improvements	2,132,433	9,677		2,142,110
Machinery and equipment	897,327	1,033		898,360
Total capital assets, being depreciated	<u>3,455,039</u>	<u>10,710</u>		<u>3,465,749</u>
Less accumulated depreciation for:				
Buildings	262,359	11,243		273,602
Improvements	1,687,190	61,251		1,748,441
Machinery and equipment	667,543	24,878		692,421
Total accumulated depreciation	<u>2,617,092</u>	<u>97,372</u>		<u>2,714,464</u>
Total capital assets, being depreciated, net	<u>837,947</u>	<u>(86,662)</u>		<u>751,285</u>
Governmental activities capital assets, net	<u>\$ 876,961</u>	<u>\$ (83,762)</u>	<u>\$</u>	<u>\$ 793,199</u>

**Governmental Activities:**

General government	\$ 7,089
Public safety	20,855
Public works	68,941
Parks, museum and recreation	<u>487</u>
Total depreciation expense - governmental activities	<u>\$ 97,372</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,633,781	\$	\$	\$ 4,633,781
Machinery and equipment	51,756			51,756
Total capital assets, being depreciated	<u>4,685,537</u>			<u>4,685,537</u>
Less accumulated depreciation for:				
Buildings and improvements	1,064,853	97,229		1,162,082
Machinery and equipment	51,273	2,199		53,472
Total accumulated depreciation	<u>1,116,126</u>	<u>99,428</u>		<u>1,215,554</u>
Total capital assets, being depreciated, net	<u>3,569,411</u>	<u>(99,428)</u>		<u>3,469,983</u>
Governmental activities capital assets, net	<u>\$ 3,569,411</u>	<u>\$ (99,428)</u>	<u>\$</u>	<u>\$ 3,469,983</u>
 <b>Business Type Activities:</b>				
Water			\$ 26,166	
Sewer			<u>73,262</u>	
Total depreciation expense - business type activities			<u>\$ 99,428</u>	

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 5. Long-Term Debt

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The Long-Term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable.

##### General Obligation Improvement Bond:

The bond is payable primarily from special assessments levied on the properties benefiting from the improvements and/or ad valorem tax levies. They are backed by the full faith and credit of the City.

##### General Obligation Revenue Bonds:

The Drinking Water Revenue Bonds are payable primarily from the revenues generated through charges to customers for water service. They are recorded as liabilities in the Water Enterprise Fund and are backed by the full faith and credit of the City. The Sewer Revenue Bonds are payable primarily from the revenues generated through charges to customers for sewer service. They are recorded as liabilities in the Sewer Enterprise Fund and are backed by the full faith and credit of the City.

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

	Range of Interest Rates	Final Maturity	Balance December 31, 2017
<hr/>			
General Obligation Improvement Bond:			
2012A Refunding Improvement Bond	2.20%	2/1/2023	\$ 102,000
General Obligation Revenue Bonds:			
2007 Drinking Water Revenue Bond	1.40%	8/20/2026	241,000
2004 Drinking Water Revenue Bond	2.34%	8/20/2023	102,000
2015A Sewer Revenue Bond	2.625%	1/1/2055	536,000
2015B Sewer Revenue Bond	2.625%	1/1/2055	661,000
			<hr/>
Total Long Term Debt			<u>\$ 1,642,000</u>

**CITY OF WYKOFF, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Long-Term Debt (Continued)**

The long-term debt obligations outstanding and related maturities and interest rates are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Improvement Bonds:					
2012A Improvement Refunding Note	\$ 118,000	\$	\$ 16,000	\$ 102,000	\$ 16,000
Governmental Activities					
Long-term Liabilities	118,000		16,000	102,000	16,000
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Revenue Bonds:					
2007 Drinking Water Revenue Bond	266,000		25,000	241,000	25,000
2004 Drinking Water Revenue Bond	118,000		16,000	102,000	16,000
2015A Sewer Revenue Bond	544,000		8,000	536,000	9,000
2015B Sewer Revenue Bond	672,000		11,000	661,000	11,000
Business-type Activities					
Long-term Liabilities	1,600,000		60,000	1,540,000	61,000
Total	\$ 1,718,000	\$	\$ 76,000	\$ 1,642,000	\$ 77,000

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

Year	Principal	Interest	Total
2018	\$ 77,000	\$ 39,251	\$ 116,251
2019	78,000	37,648	115,648
2020	80,000	36,106	116,106
2021	82,000	34,350	116,350
2022	84,000	32,653	116,653
2023-2027	264,000	142,231	406,231
2028-2032	133,000	121,567	254,567
2033-2037	152,000	103,058	255,058
2038-2042	173,000	81,996	254,996
2043-2047	198,000	58,022	256,022
2048-2052	223,000	30,797	253,797
2053-2054	98,000	3,859	101,859
	\$ 1,642,000	\$ 721,538	\$ 2,363,538

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 6. Individual Fund Disclosures

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Operating transfers, at the individual fund level, were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$	\$ 23,300
Sewer	23,300	
	<u>\$ 23,300</u>	<u>\$ 23,300</u>

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#### 7. Fund Equity

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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. Committed fund balances consist of the following:

	<u>General</u>	<u>First Responders</u>	<u>Rural Fire</u>	<u>Revolving Loan</u>	<u>Capital Improvement</u>	<u>Total</u>
Street improvements	\$ 140,000	\$	\$	\$	\$ 54,120	\$ 194,120
Equipment			21,012			21,012
First responders activities		15,256				15,256
Economic development				56,527		56,527
City shed					3,072	3,072
Fire					36,794	36,794
Street lights					5,164	5,164
Museum					5,192	5,192
Emergency disaster					9,897	9,897
Total	<u>\$ 140,000</u>	<u>\$ 15,256</u>	<u>\$ 21,012</u>	<u>\$ 56,527</u>	<u>\$ 114,239</u>	<u>\$ 347,034</u>

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#### 8. Commitments and Contingencies

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The City participates in various 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.

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## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 9. Defined Benefit Pension Plans - Statewide

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##### Plan Description

The City of Wykoff, Minnesota participates in the General Employees Retirement Fund, a 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.

All full-time and certain part-time employees of the City of Wykoff, Minnesota 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 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given one percent increases.

The benefit provisions stated in the following paragraphs 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 percent of average salary for each of the first ten years of service and 2.7 percent 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 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent 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 WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 9. Defined Benefit Pension Plans - Statewide (Continued)

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##### 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 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were \$4,682. 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 \$63,839 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 \$778. 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 0.0010 percent which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$(7,530) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$22 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 4,056
Changes in actuarial assumptions	9,497	
Difference between projected and actual investment earnings	6,037	
Changes in proportion		25,751
Contributions paid to GERF subsequent to the measurement date	2,524	
Total	<u>\$ 18,058</u>	<u>\$ 29,807</u>



## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 9. Defined Benefit Pension Plans - Statewide (Continued)

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\$2,524 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during 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:

Year ending June 30:	Pension Expense Amount
2018	\$ 861
2019	(2,531)
2020	(9,892)
2021	(2,711)

#### 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 all plans 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 per year for the General Employees Plan through 2044.

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 2016.

There following changes in actuarial assumptions occurred in 2017.

#### General Employees Fund

- 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 WYKOFF, MINNESOTA

## NOTES TO THE 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 on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statute. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
City's proportionate share of the GERF net pension liability	\$ 99,020	\$ 63,839	\$ 35,038

#### Pension Plan Fiduciary Net Position

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

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plan - Volunteer Fire Relief Association

The Wykoff Volunteer Fire Department 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 City of Wykoff Volunteer 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 Wykoff Volunteer Fire Department Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,200 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 to 20 years with 10 years of membership in the association. Association members are eligible to receive partial pension benefits for service of 10 to 20 years with 10 years of membership in the association. Partial vesting begins at 60% in the tenth year and increases 4% per year of additional service until fully vested. 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.

Related Party Investments

During 2017 and as of December 31, 2017, the Association held no securities issued by the City.

Funding Status and Progress

At December 31, 2016 the Association funding status is as follows:

Total plan assets	\$ 304,763
Total accrued liability	(261,240)
Excess (Deficiency) of Plan Assets over Accrued Liability	<u>\$ 43,523</u>

**CITY OF WYKOFF, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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

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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.

Ten-Year Historical Trend Information

Ten-year historical trend information related to the pension plan is unavailable.

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**11. Risk Management**

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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 liability, property, employee health 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. Coverage amounts on these insurance policies are as follows:

Employee Theft:

Clerk/Treasurer	\$ 75,000
All Others	25,000

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, so that 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 \$100,000 per claim for plan year 2017. The amount of any liability in excess of plan assets may be assessed to participating Cities in method and amount determined by the LMCIT.

**CITY OF WYKOFF, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2017**

**CITY OF WYKOFF, MINNESOTA**  
**Schedule of City Pension Contributions**  
**December 31, 2017**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

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	\$ 4,165	\$ 4,165	\$	\$ 57,448	7.25%
2015	6,694	6,694		89,253	7.50%
2016	6,874	6,874		91,653	7.50%
2017	4,682	4,682		62,427	7.50%
2018					
2019					
2020					
2021					
2022					
2023					

**CITY OF WYKOFF, MINNESOTA**  
**Schedule of City and Non-Employer Proportionate Share of Net Pension Liability**  
**December 31, 2017**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

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	0.0011%	\$ 51,672	\$ 68,671	75.2%	78.7%
2015	0.0015%	77,738	73,351	106.0%	78.2%
2016	0.0015%	121,793	90,453	134.6%	68.9%
2017	0.0010%	63,839	77,040	82.9%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

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**CITY OF WYKOFF, MINNESOTA**

**SUPPLEMENTAL INFORMATION**

**December 31, 2017**

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2017**

***General Obligation Drinking Water Revenue***  
***Bonds of 2004***

Payment Year	Principal	Interest	Rate	Total
2018	\$ 16,000	\$ 2,388	2.34%	\$ 18,388
2019	16,000	2,012	2.34%	18,012
2020	17,000	1,638	2.34%	18,638
2021	17,000	1,240	2.34%	18,240
2022	18,000	843	2.34%	18,843
2023	18,000	421	2.34%	18,421
	<u>\$ 102,000</u>	<u>\$ 8,542</u>		<u>\$ 110,542</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2017**

***General Obligation Drinking Water Revenue***  
***Bonds of 2007***

Payment Year	Principal	Interest	Rate	Total
2018	\$ 25,000	\$ 3,374	1.40%	\$ 28,374
2019	26,000	3,024	1.40%	29,024
2020	26,000	2,660	1.40%	28,660
2021	26,000	2,296	1.40%	28,296
2022	27,000	1,932	1.40%	28,932
2023-2026	111,000	3,906	1.40%	114,906
	<u>\$ 241,000</u>	<u>\$ 17,192</u>		<u>\$ 258,192</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2017**

***General Obligation Improvement Refunding***  
***Bonds of 2012A***

Payment Year	Principal	Interest	Rate	Total
2018	\$ 16,000	\$ 2,068	2.20%	\$ 18,068
2019	16,000	1,716	2.20%	17,716
2020	17,000	1,353	2.20%	18,353
2021	18,000	968	2.20%	18,968
2022	17,000	583	2.20%	17,583
2023	18,000	198	2.20%	18,198
	<u>\$ 102,000</u>	<u>\$ 6,886</u>		<u>\$ 108,886</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2017**

***General Obligation Sewer Revenue***  
***Bonds of 2015A***

Payment Year	Principal	Interest	Rate	Total
2018	\$ 9,000	\$ 14,070	2.625%	\$ 23,070
2019	9,000	13,834	2.625%	22,834
2020	9,000	13,635	2.625%	22,635
2021	9,000	13,361	2.625%	22,361
2022	10,000	13,125	2.625%	23,125
2023-2027	52,000	61,695	2.625%	113,695
2028-2032	60,000	54,503	2.625%	114,503
2033-2037	68,000	46,145	2.625%	114,145
2038-2042	77,000	36,743	2.625%	113,743
2043-2047	89,000	26,056	2.625%	115,056
2048-2052	100,000	13,822	2.625%	113,822
2053-2054	44,000	1,733	2.625%	45,733
	<u>\$ 536,000</u>	<u>\$ 308,722</u>		<u>\$ 844,722</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2017**

***General Obligation Sewer Revenue***  
***Bonds of 2015B***

Payment Year	Principal	Interest	Rate	Total
2018	\$ 11,000	\$ 17,351	2.625%	\$ 28,351
2019	11,000	17,062	2.625%	28,062
2020	11,000	16,820	2.625%	27,820
2021	12,000	16,485	2.625%	28,485
2022	12,000	16,170	2.625%	28,170
2023-2027	65,000	76,011	2.625%	141,011
2028-2032	73,000	67,064	2.625%	140,064
2033-2037	84,000	56,913	2.625%	140,913
2038-2042	96,000	45,253	2.625%	141,253
2043-2047	109,000	31,966	2.625%	140,966
2048-2052	123,000	16,975	2.625%	139,975
2053-2054	54,000	2,126	2.625%	56,126
	<u>\$ 661,000</u>	<u>\$ 380,196</u>		<u>\$ 1,041,196</u>

**CITY OF WYKOFF, MINNESOTA**  
**COMPLIANCE AND INTERNAL CONTROL REPORTS**  
**DECEMBER 31, 2017**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wykoff, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Wykoff, Minnesota's basic financial statements and have issued our report thereon dated April 2, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, finding 2008-001, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

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

### **City of Wykoff, Minnesota's Response to Findings**

City of Wykoff, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Wykoff, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Smith, Schafu and Associates, Ltd.*

Rochester, Minnesota  
April 2, 2018

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**YEAR ENDED DECEMBER 31, 2017**

**FINDING – 2008-001    ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)**

Condition:            A City of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for City to devote the resources required to overcome this limitation. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the City's internal controls.

Criteria:              The City should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.

Context:              The City has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

Effect:                No effect on the financial statements.

Cause:                The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation:    We recommend the City continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit findings.

**Actions Planned in Response to Findings:**

The management and accounting personnel review the drafted financial statements and notes. The City does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the City will rely upon the auditors for completeness of the disclosures. However, the management and accounting personnel will review the notes for accuracy prior to issuance of the statements.

**Official Responsible for Ensuring CAP:**

Rebecca Schmidt, Clerk-Treasurer, is the official responsible for ensuring the planned responses.

**Planned Completion Date for CAP:**

Not applicable as the City is willing to accept this risk at this time and will continue to evaluate the recommendation.

**Plan to Monitor Completion of CAP:**

Alan Williams, Mayor, will ensure the review by the Clerk-Treasurer has been completed. He will do this through discussion with the Clerk/Treasurer and reviewing the draft of the financial statements.

**CURRENT STATUS:**

The finding recurred in 2017.

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## MINNESOTA LEGAL COMPLIANCE

### Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
**City of Wykoff, Minnesota**

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of Wykoff, Minnesota as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the City of Wykoff, Minnesota's basic financial statements, and have issued our report thereon dated April 2, 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 Wykoff, Minnesota 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 Wykoff, Minnesota's noncompliance with the above referenced provisions.

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

*Smith, Schaffer and Associates, Ltd.*

Rochester, Minnesota  
April 2, 2018