

**CITY OF WYKOFF, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**



**CITY OF WYKOFF, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2018**

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**CITY OF WYKOFF, MINNESOTA**

**INTRODUCTORY SECTION**

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**CITY OF WYKOFF, MINNESOTA**

**CITY OFFICIALS**

**DECEMBER 31, 2018**

Alan Williams	Mayor
Richard Gleason	Council Member & Mayor Pro-tem
Rocky Vreeman	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, and each major fund of the City of Wykoff, Minnesota, as of and for the year ended December 31, 2018, 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, and each major fund of the City of Wykoff, Minnesota, as of December 31, 2018, 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 supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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, 2017, from which such partial information was derived.

We have previously audited the City's 2017 financial statements and our report dated April 2, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

The introductory section 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 February 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Wykoff, Minnesota's 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  
February 25, 2019

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**CITY OF WYKOFF, MINNESOTA**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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**CITY OF WYKOFF, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2018  
*With Comparative Totals for December 31, 2017*

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
<b>Assets</b>				
Cash and cash equivalents	\$ 707,555	\$ 439,116	\$ 1,146,671	\$ 1,231,835
Restricted cash and cash equivalents		45,000	45,000	30,000
Receivables	81,971	22,784	104,755	69,430
Due from other governments	34,399		34,399	1,683
Net pension asset	83,697		83,697	43,523
Capital assets:				
Nondepreciable	407,799	4,560	412,359	41,914
Depreciable, net	749,983	3,370,558	4,120,541	4,221,268
<b>Total Assets</b>	<b>2,065,404</b>	<b>3,882,018</b>	<b>5,947,422</b>	<b>5,639,653</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity	10,430		10,430	18,058
<b>Liabilities</b>				
Accounts payable	24,179	13,836	38,015	35,661
Due to other governments	6,000		6,000	12,000
Accrued interest payable	4,835	32,713	37,548	34,431
Customer deposits		13,533	13,533	13,158
Accrued compensated absences	657		657	
Noncurrent liabilities:				
Due within one year	16,000	62,000	78,000	77,000
Due in more than one year	320,000	1,417,000	1,737,000	1,565,000
Net pension liability	33,286		33,286	63,839
<b>Total Liabilities</b>	<b>404,957</b>	<b>1,539,082</b>	<b>1,944,039</b>	<b>1,801,089</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pension activity	47,594		47,594	29,807
<b>Net Position</b>				
Net investment in capital assets	821,782	1,896,118	2,717,900	2,621,182
Restricted	66,641	45,000	111,641	75,166
Unrestricted	734,860	401,818	1,136,678	1,130,467
<b>Total Net Position</b>	<b>\$ 1,623,283</b>	<b>\$ 2,342,936</b>	<b>\$ 3,966,219</b>	<b>\$ 3,826,815</b>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2018  
*With Comparative Totals for December 31, 2017*

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 107,736	\$ 6,314	\$ 6,337	\$ 1,664
Public safety	87,461	3,700	56,395	50,000
Public works	132,640		7,796	77,005
Parks, museum and recreation	25,902			
Interest on long-term debt	11,022			
Unallocated	2,634			
Total governmental activities	367,395	10,014	70,528	128,669
Business-Type activities:				
Water	42,184	100,548		481
Sewer	263,625	159,842		794
Total business-type activities	305,809	260,390		1,275
Total	\$ 673,204	\$ 270,404	\$ 70,528	\$ 129,944

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	
		2018	2017
\$ (93,421)	\$	\$ (93,421)	\$ (61,134)
22,634		22,634	(65,101)
(47,839)		(47,839)	(92,747)
(25,902)		(25,902)	(13,223)
(11,022)		(11,022)	(2,275)
(2,634)		(2,634)	(2,049)
(158,184)		(158,184)	(236,529)
	58,845	58,845	37,498
	(102,989)	(102,989)	(121,295)
	(44,144)	(44,144)	(83,797)
(158,184)	(44,144)	(202,328)	(320,326)
182,239		182,239	178,030
130,323		130,323	128,250
1,609	219	1,828	329
2,745		2,745	1,215
8,566	16,031	24,597	4,473
(23,300)	23,300		
302,182	39,550	341,732	312,297
143,998	(4,594)	139,404	(8,029)
1,479,285	2,347,530	3,826,815	3,834,844
\$ 1,623,283	\$ 2,342,936	\$ 3,966,219	\$ 3,826,815

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**CITY OF WYKOFF, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**CITY OF WYKOFF, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2018  
*With Comparative Totals for December 31, 2017*

	Special Revenue Funds			
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan
<b>ASSETS</b>				
Cash and cash equivalents	\$ 386,208	\$ 11,956	\$ 5,780	\$ 56,527
Accounts receivable	360			
Taxes receivable, delinquent	8,219	53		
Special assessments receivable:				
Delinquent				
Deferred				
Due from other funds	6,000			
Due from other governmental units	13,409		20,663	
<b>TOTAL ASSETS</b>	<b>\$ 414,196</b>	<b>\$ 12,009</b>	<b>\$ 26,443</b>	<b>\$ 56,527</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 21,364	\$ 125	\$ 2,440	\$
Due to other funds				
Due to other governmental units	6,000			
<b>Total Liabilities</b>	<b>27,364</b>	<b>125</b>	<b>2,440</b>	
<b>Deferred Inflows of Resources</b>				
Unavailable revenue:				
Property taxes	8,219	53		
Special assessments				
<b>Total Deferred Inflows of Resources</b>	<b>8,219</b>	<b>53</b>		
<b>Fund Balance</b>				
Restricted:				
Debt covenants				
Committed:				
By Council action		11,831	24,003	56,527
Unassigned	378,613			
<b>Total Fund Balance</b>	<b>378,613</b>	<b>11,831</b>	<b>24,003</b>	<b>56,527</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 414,196</b>	<b>\$ 12,009</b>	<b>\$ 26,443</b>	<b>\$ 56,527</b>

Capital Projects Funds			Debt Service Funds		Total Governmental Funds	
405 South Main St. Improvement	406 Capital Improvement	407 County Rd 5 Improvement	304 2012A Imp Refunding Bond	305 2018A Improvement Bond	2018	2017
\$ 14,480	\$ 182,021	\$	\$ 28,924	\$ 21,659	\$ 707,555	\$ 768,027
			1,217		360	5,838
					9,489	9,301
			175		175	229
			14,339	57,608	71,947	17,443
					6,000	
			327		34,399	13,329
<u>\$ 14,480</u>	<u>\$ 182,021</u>	<u>\$</u>	<u>\$ 44,982</u>	<u>\$ 79,267</u>	<u>\$ 829,925</u>	<u>\$ 814,167</u>
\$	\$ 250	\$ 6,000	\$	\$	\$ 24,179	\$ 28,349
					6,000	
					6,000	12,000
	250	6,000			36,179	40,349
			1,217		9,489	9,301
			14,514	57,608	72,122	17,672
			15,731	57,608	81,611	26,973
			29,251	21,659	50,910	26,429
14,480	181,771	(6,000)			288,612	347,034
					372,613	373,382
14,480	181,771	(6,000)	29,251	21,659	712,135	746,845
<u>\$ 14,480</u>	<u>\$ 182,021</u>	<u>\$</u>	<u>\$ 44,982</u>	<u>\$ 79,267</u>	<u>\$ 829,925</u>	<u>\$ 814,167</u>

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

For the Year Ended December 31, 2018  
*With Comparative Totals for December 31, 2017*

		Special Revenue Funds		
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan
<b>REVENUES</b>				
Property taxes	\$ 166,773	\$ 158	\$	\$
Special assessments				
Licenses and permits	1,402			
Intergovernmental revenues	151,382	2,525	19,638	
Charges for services	4,790		3,280	
Fines and forfeits	420			
Interest income	2,745			
Miscellaneous revenues	26,480	22,815	2,513	
Total Revenues	353,992	25,498	25,431	
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	84,781			
Public safety	73,197	8,922	22,440	
Public works	40,215			
Parks, museum and recreation	18,070			
Unallocated	2,933			
Capital outlay	46,975	20,001		
Debt service				
Total Expenditures	266,171	28,923	22,440	
Excess (deficiency) of revenues over (under) expenditures	87,821	(3,425)	2,991	
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of bonds				
Operating transfers in				
Operating transfers out	(222,590)			
Total Other Financing Sources (Uses)	(222,590)			
Net change in fund balance	(134,769)	(3,425)	2,991	
<b>FUND BALANCES, BEGINNING</b>	513,382	15,256	21,012	56,527
<b>FUND BALANCES, ENDING</b>	\$ 378,613	\$ 11,831	\$ 24,003	\$ 56,527

**See Notes to the Financial Statements**



Capital Projects Funds			Debt Service Funds		Total Governmental Funds	
405 South Main St. Improvement	406 Capital Improvement	407 County Rd 5 Improvement	304 2012A Imp Refunding Bond	305 2018A Improvement Bond	2018	2017
\$	\$	\$	\$ 15,120 5,771	\$ 16,784	\$ 182,051 22,555 1,402 173,545 8,070 420 2,745 89,308	\$ 180,925 11,429 1,510 181,222 10,808 687 990 41,752
	37,500					
	37,500		20,891	16,784	480,096	429,323
					84,781 104,559 40,215 18,070 2,933 467,829 18,069	79,025 110,283 33,487 12,624 2,049 11,693 18,421
359,885	34,968	6,000	18,069		736,456	267,582
(359,885)	2,532	(6,000)	2,822	16,784	(256,360)	161,741
240,075 134,290	65,000			4,875	244,950 199,290 (222,590)	(23,300)
374,365	65,000			4,875	221,650	(23,300)
14,480	67,532	(6,000)	2,822	21,659	(34,710)	138,441
	114,239		26,429		746,845	608,404
\$ 14,480	\$ 181,771	\$ (6,000)	\$ 29,251	\$ 21,659	\$ 712,135	\$ 746,845

**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, 2018**

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

Total governmental fund balances (page 7 and 8)	\$	712,135
---	----	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 3,874,639	
Less: Accumulated depreciation	<u>(2,716,857)</u>	
		1,157,782

Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.

Delinquent property taxes	\$ 9,489	
Special assessments	<u>72,122</u>	
		81,611

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	\$ (336,000)	
Net pension liability	(70,450)	
Net pension asset	83,697	
Accrued compensated absences	(657)	
Accrued interest	<u>(4,835)</u>	
		<u>(328,245)</u>

Net position of governmental activities (page 4)	\$	<u><u>1,623,283</u></u>
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**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, 2018**

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)	\$	(34,710)
--	----	----------

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	\$	464,073	
Depreciation expense		(99,449)	
Loss on disposal of assets		(41)	
			364,583

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

Property taxes	\$	188	
Special assessments		54,450	
			54,638

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(657)
----------------------	--	-------

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	\$	(3,903)	
Change in net pension liability		(42,127)	
Change in net pension asset		40,174	
Issuance of bond		(250,000)	
Principal retirement on long-term debt		16,000	
			(239,856)

Change in net position of governmental activities (pages 5 and 6)	\$	143,998
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**CITY OF WYKOFF, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2018  
*With Comparative Totals for December 31, 2017*

REVENUES	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
<b>Local Taxes</b>					
General tax levy	\$ 163,810	\$ 163,810	\$ 166,773	\$ 2,963	\$ 157,232
<b>Special Assessments</b>	1,000	1,000		(1,000)	6,154
<b>Licenses and Permits</b>					
Business	1,325	1,325	1,300	(25)	1,325
Nonbusiness	400	400	102	(298)	185
Total Licenses and Permits	1,725	1,725	1,402	(323)	1,510
<b>Intergovernmental Revenues</b>					
Local government aid	128,250	128,250	130,323	2,073	128,250
Fire relief aid			11,654	11,654	11,647
Volunteer firefighter retention stipend					12,000
Small cities assistance			7,796	7,796	7,690
Other state aid			1,609	1,609	110
Total Intergovernmental Revenues	128,250	128,250	151,382	23,132	159,697
<b>Charges for Services</b>					
City Hall rent	4,500	4,500	4,790	290	5,305
<b>Fines and Forfeits</b>					
Court fines	700	700	420	(280)	687
<b>Interest Income</b>	650	650	2,745	2,095	769
<b>Miscellaneous Revenues</b>					
Contributions	9,500	9,500	17,275	7,775	12,640
Refunds and reimbursements	3,800	3,800	4,808	1,008	8,542
Other	1,860	1,860	4,397	2,537	4,785
Total Miscellaneous Revenues	15,160	15,160	26,480	11,320	25,967
<b>TOTAL REVENUES</b>	\$ 315,795	\$ 315,795	\$ 353,992	\$ 38,197	\$ 357,321

**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, 2018  
*With Comparative Totals for December 31, 2017*

	Budgeted Amounts		2018	Variance with	2017
	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	\$ 3,484	\$ 1,026	\$ 3,520
Dues and other	500	500	274	226	761
Total Mayor and Council	5,010	5,010	3,758	1,252	4,281
<b>Elections and Voter Registration</b>					
Salaries	500	500	2,209	(1,709)	
Miscellaneous	200	200	361	(161)	
Total Elections and Voter Registration	700	700	2,570	(1,870)	
<b>City Clerk</b>					
Salaries and wages	23,955	23,955	20,563	3,392	16,667
General supplies	2,000	2,000	2,401	(401)	2,878
Repair and maintenance	2,000	2,000	2,184	(184)	2,190
Utilities	2,000	2,000	1,697	303	1,724
Travel and education	450	450	846	(396)	347
Printing, publishing and dues	1,900	1,900	2,211	(311)	1,164
Insurance	800	800	646	154	856
Miscellaneous	1,600	1,600	1,225	375	3,229
Total City Clerk	34,705	34,705	31,773	2,932	29,055
<b>Professional Services</b>					
Legal and audit	15,000	15,000	14,637	363	9,374
Assessor	1,500	1,500	1,370	130	2,063
Total Professional Services	16,500	16,500	16,007	493	11,437
<b>Municipal Buildings</b>					
Salaries and wages	4,460	4,460	5,116	(656)	4,930
General supplies	800	800	721	79	235
Repair and maintenance	2,800	2,800	4,191	(1,391)	2,175
Utilities	10,100	10,100	10,247	(147)	9,130
Insurance	5,500	5,500	4,882	618	12,870
Miscellaneous	1,850	1,850	4,417	(2,567)	2,491
Total Municipal Buildings	25,510	25,510	29,574	(4,064)	31,831
<b>Other General Government</b>					
City promotion	925	925	1,099	(174)	2,421
Total General Government	\$ 83,350	\$ 83,350	\$ 84,781	\$ (1,431)	\$ 79,025

**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, 2018  
*With Comparative Totals for December 31, 2017*

<b>EXPENDITURES</b>	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 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	8,600	8,600	15,191	(6,591)	10,977
City fire relief aid			1,562	(1,562)	3,350
Fire relief contribution	11,000	11,000	11,654	(654)	11,647
Volunteer retention stipend	10,000	10,000		10,000	12,000
Motor fuel	600	600	550	50	980
Repair and maintenance	3,500	3,500	7,671	(4,171)	5,604
Professional services	1,000	1,000	1,329	(329)	4,501
Utilities	2,500	2,500	2,361	139	2,729
Insurance	800	800	1,011	(211)	713
Travel and education	2,500	2,500	2,853	(353)	4,083
Capital outlay	24,500	24,500	26,295	(1,795)	10,493
Miscellaneous	1,100	1,100	849	251	3,179
Total Fire Protection	66,100	66,100	71,326	(5,226)	70,256
<b>Ambulance Services</b>					
Contributions			3,552	(3,552)	4,727
<b>Civil Defense</b>					
Utilities	125	125	116	9	117
Insurance	500	500		500	304
Miscellaneous	100	100	498	(398)	228
Total Civil Defense	725	725	614	111	649
<b>Animal Control</b>					
Miscellaneous	100	100		100	69
Total Public Safety	90,925	90,925	99,492	(8,567)	99,701
<b>Public Works</b>					
<b>Streets and Highways</b>					
Salaries and wages	18,400	18,400	12,881	5,519	6,966
Motor fuels	2,000	2,000	1,812	188	1,815
Repair and maintenance	8,800	8,800	6,572	2,228	13,996
Utilities	6,500	6,500	7,587	(1,087)	6,581
Insurance	1,500	1,500	2,462	(962)	1,332
Miscellaneous	1,600	1,600	8,901	(7,301)	2,797
Capital outlay			20,680	(20,680)	
Total Public Works	\$ 38,800	\$ 38,800	\$ 60,895	\$ (22,095)	\$ 33,487

**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, 2018  
*With Comparative Totals for December 31, 2017*

EXPENDITURES	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Original	Final			
<b>Park and Recreation</b>					
<b>Recreation</b>					
Sports, athletics and miscellaneous	\$ 500	\$ 500	\$ 484	\$ 16	\$ 498
<b>Park and Museum</b>					
Salaries and wages	5,775	5,775	6,682	(907)	5,296
Motor fuel	300	300	431	(131)	314
Repair and maintenance	1,000	1,000	4,321	(3,321)	310
Insurance	1,550	1,550	1,268	282	1,409
Museum expenses	2,000	2,000	2,432	(432)	1,453
Professional services			12	(12)	52
Tree removal	3,000	3,000	2,059	941	2,277
Miscellaneous	200	200	381	(181)	1,015
Total Park and Museum	13,825	13,825	17,586	(3,761)	12,126
Total Park, Museum and Recreation	14,325	14,325	18,070	(3,745)	12,624
<b>Unallocated</b>					
Insurance			2,634	(2,634)	2,049
Miscellaneous			299	(299)	
Total Unallocated			2,933	(2,933)	2,049
<b>TOTAL EXPENDITURES</b>	227,400	227,400	266,171	(38,771)	226,886
<b>EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES</b>	88,395	88,395	87,821	(574)	130,435
<b>Other Financing Uses</b>					
Operating transfers out	(88,395)	(88,395)	(222,590)	(134,195)	(23,300)
<b>Net change in fund balance</b>			(134,769)	(134,195)	107,135
<b>FUND BALANCE - Beginning</b>	513,382	513,382	513,382		406,247
<b>FUND BALANCE - Ending</b>	\$ 513,382	\$ 513,382	\$ 378,613	\$ (134,195)	\$ 513,382

**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, 2018  
*With Comparative Totals for December 31, 2017*

REVENUES	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
<b>Property taxes</b>	\$	\$	\$ 158	\$ 158	\$ 7,929
<b>Interest Income</b>					40
<b>Intergovernmental Revenue</b>					
First responders contracts	2,525	2,525	2,525		
<b>Miscellaneous Revenues</b>					
Contributions	850	850	22,815	21,965	850
<b>TOTAL REVENUES</b>	3,375	3,375	25,498	22,123	8,819
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and wages	3,000	3,000	2,390	610	3,961
Insurance			882	(882)	160
General supplies			754	(754)	
Repair and maintenance			2,598	(2,598)	
Fuels and lubricants			54	(54)	47
Travel, schools, conferences	500	500	825	(325)	
Professional services	500	500	1,275	(775)	
Miscellaneous	425	425	144	281	265
Capital outlay			20,001	(20,001)	
<b>TOTAL EXPENDITURES</b>	4,425	4,425	28,923	(24,498)	4,433
<b>NET CHANGE IN FUND BALANCE</b>	(1,050)	(1,050)	(3,425)	2,375	4,386
<b>FUND BALANCE, JANUARY 1</b>	15,256	15,256	15,256		10,870
<b>FUND BALANCE, DECEMBER 31</b>	\$ 14,206	\$ 14,206	\$ 11,831	\$ (2,375)	\$ 15,256

**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, 2018  
*With Comparative Totals for December 31, 2017*

REVENUES	Budgeted Amounts		2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
	Original	Final			
<b>Charges for Services</b>					
Fire calls	\$	\$	\$ 3,280	\$ 3,280	\$ 5,478
<b>Intergovernmental Revenue</b>					
Fire contracts	18,000	18,000	19,638	1,638	21,525
<b>Interest Income</b>					19
<b>Miscellaneous Revenues</b>					
Contributions			2,513	2,513	2,460
<b>TOTAL REVENUES</b>	18,000	18,000	25,431	7,431	29,482
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and wages	8,315	8,315	2,037	6,278	2,522
City fire relief aid			1,350	(1,350)	1,350
Insurance	800	800	2,874	(2,074)	713
Communication	500	500	2,295	(1,795)	
Repair and maintenance	3,500	3,500	7,302	(3,802)	4,884
Utilities	1,000	1,000	960	40	941
Fuels and lubricants	300	300	480	(180)	292
Travel, schools, conferences	2,500	2,500	2,047	453	739
Professional services	1,000	1,000	2,447	(1,447)	3,559
Miscellaneous	1,000	1,000	648	352	1,642
Capital outlay	1,000	1,000		1,000	
<b>TOTAL EXPENDITURES</b>	19,915	19,915	22,440	(2,525)	16,642
<b>NET CHANGE IN FUND BALANCE</b>	(1,915)	(1,915)	2,991	4,906	12,840
<b>FUND BALANCE, JANUARY 1</b>	21,012	21,012	21,012		8,172
<b>FUND BALANCE, DECEMBER 31</b>	\$ 19,097	\$ 19,097	\$ 24,003	\$ 4,906	\$ 21,012

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
For the Year Ended December 31, 2018  
*With Comparative Totals for December 31, 2017*

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 200,691	\$ 238,425	\$ 439,116	\$ 463,808
Restricted cash and cash equivalents		45,000	45,000	30,000
Accounts receivable	9,353	13,431	22,784	24,973
Total Current Assets	<u>210,044</u>	<u>296,856</u>	<u>506,900</u>	<u>518,781</u>
<b>Capital Assets</b>				
Construction in process	2,280	2,280	4,560	
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	<u>1,472,838</u>	<u>3,217,259</u>	<u>4,690,097</u>	<u>4,685,537</u>
Less: Accumulated depreciation	<u>717,143</u>	<u>597,836</u>	<u>1,314,979</u>	<u>1,215,554</u>
Capital Assets, Net	<u>755,695</u>	<u>2,619,423</u>	<u>3,375,118</u>	<u>3,469,983</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity				10,817
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 965,739</u>	<u>\$ 2,916,279</u>	<u>\$ 3,882,018</u>	<u>\$ 3,999,581</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 3,471	\$ 10,365	\$ 13,836	\$ 7,312
Accrued interest payable	1,817	30,896	32,713	33,499
Customer deposits	13,533		13,533	13,158
Bonds payable - current	42,000	20,000	62,000	61,000
Total Current Liabilities	<u>60,821</u>	<u>61,261</u>	<u>122,082</u>	<u>114,969</u>
<b>Long-Term Liabilities</b>				
Net pension liability				39,594
Bonds payable - noncurrent	<u>260,000</u>	<u>1,157,000</u>	<u>1,417,000</u>	<u>1,479,000</u>
Total Noncurrent Liabilities	<u>260,000</u>	<u>1,157,000</u>	<u>1,417,000</u>	<u>1,518,594</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pension activity				18,488
<b>Net Position</b>				
Net investment in capital assets	453,695	1,442,423	1,896,118	1,929,983
Restricted		45,000	45,000	30,000
Unrestricted	<u>191,223</u>	<u>210,595</u>	<u>401,818</u>	<u>387,547</u>
Total Net Position	<u>644,918</u>	<u>1,698,018</u>	<u>2,342,936</u>	<u>2,347,530</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 965,739</u>	<u>\$ 2,916,279</u>	<u>\$ 3,882,018</u>	<u>\$ 3,999,581</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, 2018  
*With Comparative Totals for December 31, 2017*

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2018	2017
<b>Operating Revenues</b>				
Charges for services	\$ 100,548	\$ 159,842	\$ 260,390	\$ 262,397
<b>Operating Expenses</b>				
Salaries and wages	2,728	2,301	5,029	18,152
Benefits	(21,840)	(24,671)	(46,511)	6,853
Contractual services	14,967	72,039	87,006	91,031
Chemicals	70	31,400	31,470	21,474
General supplies	549	727	1,276	1,467
Repairs and maintenance	1,697	25,687	27,384	24,729
Utilities	10,269	47,344	57,613	64,856
Insurance	994	2,876	3,870	5,024
Depreciation	26,163	73,262	99,425	99,428
Miscellaneous	1,087	1,764	2,851	3,655
Total Operating Expenses	36,684	232,729	269,413	336,669
<b>OPERATING INCOME (LOSS)</b>	63,864	(72,887)	(9,023)	(74,272)
<b>Nonoperating Revenues (Expenses)</b>				
FEMA aid				28,537
Intergovernmental revenue	109	110	219	219
Special assessments	481	794	1,275	245
Interest income				225
Bond interest and charges	(5,500)	(30,896)	(36,396)	(37,645)
Miscellaneous	214	15,817	16,031	(417)
Total Nonoperating Revenues (Expenses)	(4,696)	(14,175)	(18,871)	(8,836)
<b>Net Income (Loss) Before Transfers</b>	59,168	(87,062)	(27,894)	(83,108)
Operating transfers in		23,300	23,300	23,300
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	59,168	(63,762)	(4,594)	(59,808)
<b>NET POSITION, BEGINNING</b>	585,750	1,761,780	2,347,530	2,407,338
<b>NET POSITION, ENDING</b>	\$ 644,918	\$ 1,698,018	\$ 2,342,936	\$ 2,347,530

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2018  
*With Comparative Totals for December 31, 2017*

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals 2018	Totals 2017
<b>Cash Flows From Operating Activities</b>				
Cash received from customers	\$ 101,899	\$ 160,680	\$ 262,579	\$ 271,197
Cash paid to suppliers	(27,849)	(178,262)	(206,111)	(216,907)
Cash paid to employees	(2,728)	(2,301)	(5,029)	(25,005)
Net Cash Provided By (Used In) Operating Activities	71,322	(19,883)	51,439	29,285
<b>Cash Flows From Capital And Related Financing Activities</b>				
Grants and aid received				28,537
Principal paid on bonds	(41,000)	(20,000)	(61,000)	(60,000)
Interest paid on debt	(5,500)	(30,896)	(36,396)	(37,645)
Cash received from other sources	804	16,721	17,525	47
Transfers in from other funds		23,300	23,300	23,300
Additions to capital assets	(2,280)	(2,280)	(4,560)	
Net Cash Used In Capital and Related Financing Activities	(47,976)	(13,155)	(61,131)	(45,761)
<b>Cash Flows From Investing Activities</b>				
Interest earnings on temporary investments				225
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	23,346	(33,038)	(9,692)	(16,251)
<b>Cash and Cash Equivalents, Beginning of Year</b>	177,345	316,463	493,808	510,059
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 200,691</u>	<u>\$ 283,425</u>	<u>\$ 484,116</u>	<u>\$ 493,808</u>
Classified as:				
Cash and cash equivalents	\$ 200,691	\$ 238,425	\$ 439,116	\$ 463,808
Restricted cash and cash equivalents		45,000	45,000	30,000
Total Cash and Cash Equivalents, End of Year	<u>\$ 200,691</u>	<u>\$ 283,425</u>	<u>\$ 484,116</u>	<u>\$ 493,808</u>

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

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals 2018	Totals 2017
<b>Operating Income (Loss)</b>	\$ 63,864	\$ (72,887)	\$ (9,023)	\$ (74,272)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	26,163	73,262	99,425	99,428
Change in net pension liability	(22,249)	(25,016)	(47,265)	2,526
Decrease In:				
Accounts receivable	1,351	838	2,189	8,800
Increase (Decrease) In:				
Accounts payable	2,079	4,445	6,524	1,115
Customer deposits	375		375	1,493
Accrued interest payable	(261)	(525)	(786)	(760)
Accrued expenses				(9,045)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 71,322</u>	<u>\$ (19,883)</u>	<u>\$ 51,439</u>	<u>\$ 29,285</u>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

## 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 *2018A Improvement Bond fund* accounts for the accumulation of resources for payment of the improvement bonds.

The *South Main Street Improvement fund* accounts for all capital improvements of South Main Street.

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

The *County Road 5 Improvement fund* accounts for all capital improvements of County Road 5.

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.



## 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

##### Cash and Cash Equivalents

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 cash equivalents which is under the management of the City.

##### 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)

1. Summary of Significant Accounting Policies (Continued)

*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 acquisition value at the date of donation.

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

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

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:

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

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

Unrestricted Net Position – This amount includes all net position that does not meet the definition of “net investment in capital assets” 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 2017 financial statement have been reclassified to conform to the 2018 presentation.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Cash and Cash Equivalents

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##### Summary of Cash and Cash Equivalents

As of December 31, 2018, the City's cash and cash equivalents consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Cash Equivalents</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 100
Deposits	None	N/A	1,191,571
Total Cash and Cash Equivalents			<u>\$ 1,191,671</u>
Cash and Cash Equivalents - Statement of Net Position			\$ 1,146,671
Restricted Cash and Cash Equivalents - Statement of Net Position			<u>45,000</u>
Total Cash and Cash Equivalents			<u>\$ 1,191,671</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 Cash Equivalents (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.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Cash and Cash Equivalents (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, 2018 or 2017.

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#### 3. Due From Other Governmental Units

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Amounts due from other governmental units at December 31, 2018 are as follows:

Fund	Fillmore County	State of Minnesota	Township Contracts	Total
General	\$ 1,755	\$ 11,654	\$	\$ 13,409
Rural Fire			20,663	20,663
Debt Service	327			327
	<u>\$ 2,082</u>	<u>\$ 11,654</u>	<u>\$ 20,663</u>	<u>\$ 34,399</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	365,885		368,785
Total capital assets, not being depreciated	<u>41,914</u>	<u>365,885</u>		<u>407,799</u>
Capital assets, being depreciated:				
Buildings	425,279	41,113	594	465,798
Improvements	2,142,110		17,446	2,124,664
Machinery and equipment	898,360	57,075	79,057	876,378
Total capital assets, being depreciated	<u>3,465,749</u>	<u>98,188</u>	<u>97,097</u>	<u>3,466,840</u>
Less accumulated depreciation for:				
Buildings	273,602	12,198	553	285,247
Improvements	1,748,441	61,724	17,446	1,792,719
Machinery and equipment	692,421	25,527	79,057	638,891
Total accumulated depreciation	<u>2,714,464</u>	<u>99,449</u>	<u>97,056</u>	<u>2,716,857</u>
Total capital assets, being depreciated, net	<u>751,285</u>	<u>(1,261)</u>	<u>41</u>	<u>749,983</u>
Governmental activities capital assets, net	<u>\$ 793,199</u>	<u>\$ 364,624</u>	<u>\$ 41</u>	<u>\$ 1,157,782</u>

**Governmental Activities:**

General government	\$ 7,226
Public safety	21,850
Public works	69,896
Parks, museum and recreation	<u>477</u>
Total depreciation expense - governmental activities	<u>\$ 99,449</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, not being depreciated:				
Construction in progress	\$	\$ 4,560	\$	\$ 4,560
Total capital assets, not being depreciated		4,560		4,560
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	4,685,537			4,685,537
Less accumulated depreciation for:				
Buildings and improvements	1,162,082	97,227		1,259,309
Machinery and equipment	53,472	2,198		55,670
Total accumulated depreciation	1,215,554	99,425		1,314,979
Total capital assets, being depreciated, net	3,469,983	(99,425)		3,370,558
Business type activities capital assets, net	\$ 3,469,983	\$ (94,865)	\$	\$ 3,375,118

**Business Type Activities:**

Water	\$ 26,163
Sewer	73,262
Total depreciation expense - business type activities	\$ 99,425

## 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 Bonds:**

The bonds are 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, 2018 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2018
<b>Governmental Activities</b>			
General Obligation Improvement Bond:			
2012A Refunding Improvement Note	2.20%	2/1/2023	\$ 86,000
2018A Improvement Note	3.90%	2/1/2029	250,000
Compensated Absences			657
<b>Business-Type Activities</b>			
General Obligation Revenue Bonds:			
2007 Drinking Water Revenue Bond	1.40%	8/20/2026	216,000
2004 Drinking Water Revenue Bond	2.34%	8/20/2023	86,000
2015A Sewer Revenue Bond	2.625%	1/1/2055	527,000
2015B Sewer Revenue Bond	2.625%	1/1/2055	650,000
Total Long Term Debt			<u>\$ 1,815,657</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 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	\$ 102,000	\$	\$ 16,000	\$ 86,000	\$ 16,000
2018A Improvement Note		250,000		250,000	
Compensated Absences		657		657	
Governmental Activities					
Long-term Liabilities	102,000	250,657	16,000	336,657	16,000
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Revenue Bonds:					
2007 Drinking Water Revenue Bond	241,000		25,000	216,000	26,000
2004 Drinking Water Revenue Bond	102,000		16,000	86,000	16,000
2015A Sewer Revenue Bond	536,000		9,000	527,000	9,000
2015B Sewer Revenue Bond	661,000		11,000	650,000	11,000
Business-type Activities					
Long-term Liabilities	1,540,000		61,000	1,479,000	62,000
Total	<u>\$ 1,642,000</u>	<u>\$ 250,657</u>	<u>\$ 77,000</u>	<u>\$ 1,815,657</u>	<u>\$ 78,000</u>

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

Year	Principal	Interest	Total
2019	\$ 78,000	\$ 47,398	\$ 125,398
2020	101,000	45,447	146,447
2021	104,000	42,852	146,852
2022	107,000	40,278	147,278
2023	108,000	37,618	145,618
2024-2028	336,000	155,895	491,895
2029-2033	166,000	118,570	284,570
2034-2038	156,000	99,068	255,068
2039-2043	178,000	77,456	255,456
2044-2048	202,000	52,847	254,847
2049-2053	230,000	24,920	254,920
2054	49,000	1,287	50,287
	<u>\$ 1,815,000</u>	<u>\$ 743,634</u>	<u>\$ 2,558,634</u>

**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	\$	\$ 222,590
Capital Improvement	65,000	
South Main St. Improvement	134,290	
Sewer	23,300	
	<u>\$ 222,590</u>	<u>\$ 222,590</u>

The amounts due to and due from other funds at December 31, 2018, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General	\$	\$ 6,000
County Road 5 Improvement	6,000	
	<u>\$ 6,000</u>	<u>\$ 6,000</u>

Excess of expenditures over appropriations, all the result of a planned process, were as follows:

	<u>Excess Expenditures</u>
General Fund	\$ 38,771
First Responders Fund	24,498
Rural Fire Fund	2,525

As of December 31, 2018 the following fund had deficit fund balances:

County Road 5 Improvement	\$ 6,000
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## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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:

	First Responders	Rural Fire	Revolving Loan	South Main St. Improvement	Capital Improvement	Total
Street improvements	\$	\$	\$	\$ 14,480	\$ 73,556	\$ 88,036
Equipment		24,003			65,000	89,003
First responders activities	11,831					11,831
Economic development			56,527			56,527
Fire					24,789	24,789
Street lights					4,664	4,664
Museum					3,865	3,865
Emergency disaster					9,897	9,897
Total	<u>\$ 11,831</u>	<u>\$ 24,003</u>	<u>\$ 56,527</u>	<u>\$ 14,480</u>	<u>\$ 181,771</u>	<u>\$ 288,612</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.

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

##### General Employees Retirement Plan

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

##### Benefits Provided

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

##### Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$2,788. The City's contributions were equal to the required contributions as set by state statute.

## 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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##### Pension Costs

At December 31, 2018, the City reported a liability of \$33,286 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$1,057. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.0006 percent which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2017.

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

For the year ended December 31, 2018, the City recognized pension expense of \$42,127 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$247 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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	\$ 1,442	\$ 2,426
Changes in actuarial assumptions	7,948	5,447
Difference between projected and actual investment earnings		270
Changes in proportion		39,451
Contributions paid to PERA subsequent to the measurement date	1,040	
Total	<u>\$ 10,430</u>	<u>\$ 47,594</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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\$1,040 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, 2019. 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
2019	\$ (9,990)
2020	(17,351)
2021	(10,169)
2022	(694)

#### Actuarial Assumptions

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

Inflation	2.50% Per year
Salary Growth	3.25% After 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Inflation is assumed to be 2.0 percent for the Correctional Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service. In the Correctional Plan, salary growth assumptions decrease from 8.50 percent at age 20 to 3.50 percent at age 65.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. The most recent five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

There following changes in actuarial assumptions occurred in 2018:

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



## 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	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

#### Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the PERA net pension liability at different discount rates	\$ 54,093	\$ 33,286	\$ 16,109

#### 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 20 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 2018, at the Association direction, the City did not levy any property taxes to be paid to the Association.

Related Party Investments

During 2018 and as of December 31, 2018, the Association held no securities issued by the City.

Funding Status and Progress

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

Total plan assets	\$ 303,153
Total accrued liability	(219,456)
Excess (Deficiency) of Plan Assets over Accrued Liability	<u>\$ 83,697</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 2018.

The computation of the pension contribution requirements for 2018 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 2018. 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 2018. The amount of any liability in excess of plan assets may be assessed to participating Cities in method and amount determined by the LMCIT.

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**CITY OF WYKOFF, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**CITY OF WYKOFF, MINNESOTA**  
**Schedule of City Pension Contributions**  
**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 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	2,788	2,788		37,173	7.50%
2019					
2020					
2021					
2022					
2023					

**CITY OF WYKOFF, MINNESOTA**  
**Schedule of City and Non-Employer Proportionate Share of Net Pension Liability**  
**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Employer's Proportionate Share (Percentage) of Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0011%	\$ 51,672	\$	\$ 51,672	\$ 68,671	75.2%	78.70%
2015	0.0015%	77,738		77,738	73,351	106.0%	78.20%
2016	0.0015%	121,793	1,570	123,363	90,453	136.4%	68.90%
2017	0.0010%	63,839	778	64,617	77,040	83.9%	75.90%
2018	0.0006%	33,286	1,057	34,343	49,800	69.0%	79.53%
2019							
2020							
2021							
2022							
2023							

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**CITY OF WYKOFF, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2018**

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

Payment Year	Principal	Interest	Rate	Total
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>\$ 86,000</u>	<u>\$ 6,154</u>		<u>\$ 92,154</u>

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

Payment Year	Principal	Interest	Rate	Total
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	27,000	1,554	1.40%	28,554
2024-2026	84,000	2,352	1.40%	86,352
	<u>\$ 216,000</u>	<u>\$ 13,818</u>		<u>\$ 229,818</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2018**

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

Payment Year	Principal	Interest	Rate	Total
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>\$ 86,000</u>	<u>\$ 4,818</u>		<u>\$ 90,818</u>

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

Payment Year	Principal	Interest	Rate	Total
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	10,000	12,862	2.625%	22,862
2024-2028	53,000	60,362	2.625%	113,362
2029-2033	62,000	52,896	2.625%	114,896
2034-2038	70,000	44,360	2.625%	114,360
2039-2043	79,000	34,722	2.625%	113,722
2044-2048	91,000	23,730	2.625%	114,730
2049-2053	103,000	11,187	2.625%	114,187
2054	22,000	578	2.625%	22,578
	<u>\$ 527,000</u>	<u>\$ 294,652</u>		<u>\$ 821,652</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2018**

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

Payment Year	Principal	Interest	Rate	Total
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	12,000	15,855	2.625%	27,855
2024-2028	67,000	74,344	2.625%	141,344
2029-2033	75,000	65,108	2.625%	140,108
2034-2038	86,000	54,708	2.625%	140,708
2039-2043	99,000	42,734	2.625%	141,734
2044-2048	111,000	29,117	2.625%	140,117
2049-2053	127,000	13,733	2.625%	140,733
2054	27,000	709	2.625%	27,709
	<u>\$ 650,000</u>	<u>\$ 362,845</u>		<u>\$ 1,012,845</u>

***General Obligation Sewer Revenue***  
***Bonds of 2018A***

Payment Year	Principal	Interest	Rate	Total
2019	\$	\$ 9,750	3.900%	\$ 9,750
2020	21,000	9,341	3.900%	30,341
2021	22,000	8,502	3.900%	30,502
2022	23,000	7,625	3.900%	30,625
2023	23,000	6,728	3.900%	29,728
2024-2028	132,000	18,837	3.900%	150,837
2029	29,000	566		29,566
	<u>\$ 250,000</u>	<u>\$ 61,347</u>		<u>\$ 311,347</u>

**CITY OF WYKOFF, MINNESOTA**  
**COMPLIANCE AND INTERNAL CONTROL REPORTS**  
**DECEMBER 31, 2018**

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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, and each major fund of the City of Wykoff, Minnesota, as of and for the year ended December 31, 2018, 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 February 25, 2019.

**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 have not been 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

## **Minnesota Legal Compliance**

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.

## **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, Schafn and Associates, Ltd.*

Rochester, Minnesota  
February 25, 2019



**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**YEAR ENDED DECEMBER 31, 2018**

**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.

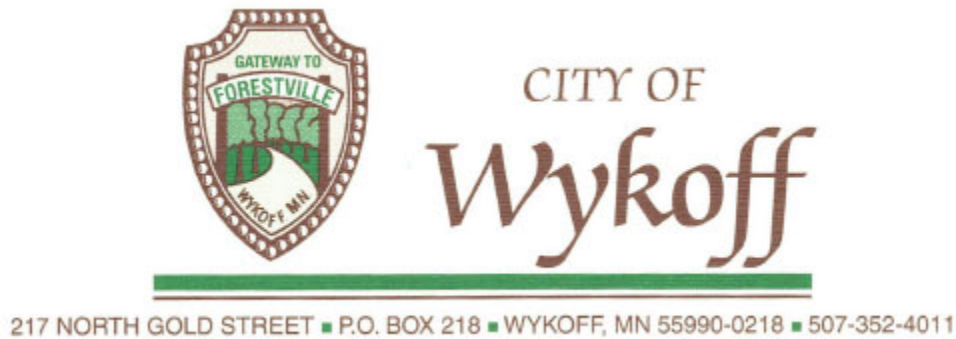
Cause:                The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

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.

**CURRENT STATUS:**

The finding recurred in 2018.

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### **CORRECTIVE ACTION PLAN (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2018.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

RESPONSE: FINDING 2008-001

#### **Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

#### **Actions Planned in Response to Finding:**

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.