

CITY OF WYKOFF, MINNESOTA
FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF WYKOFF, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2019

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CITY OF WYKOFF, MINNESOTA

INTRODUCTORY SECTION

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CITY OF WYKOFF, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2019

Alan Williams	Mayor
Richard Gleason	Council Member & Mayor Pro-term
Lyle Morey	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, 2019, 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, 2019, 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, 2018, from which such partial information was derived.

We have previously audited the City's 2018 financial statements and our report dated February 25, 2019, 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, 2018, 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 6, 2020, 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 6, 2020

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CITY OF WYKOFF, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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CITY OF WYKOFF, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2019

With Comparative Totals for December 31, 2018

	Governmental Activities	Business-Type Activities	Totals	
			2019	2018
Assets				
Cash and cash equivalents	\$ 674,549	\$ 401,423	\$ 1,075,972	\$ 1,146,671
Restricted cash and cash equivalents		39,224	39,224	45,000
Receivables	73,570	23,851	97,421	104,755
Due from other governments	16,654		16,654	34,399
Net pension asset	79,732		79,732	83,697
Capital assets:				
Nondepreciable	169,833	4,560	174,393	412,359
Depreciable, net	1,063,940	3,291,112	4,355,052	4,120,541
Total Assets	2,078,278	3,760,170	5,838,448	5,947,422
Deferred Outflows of Resources				
Deferred outflows from pension activity	2,042	240	2,282	10,430
Liabilities				
Accounts payable	17,596	6,104	23,700	38,015
Due to other governments	6,000		6,000	6,000
Accrued interest payable	4,689	1,550	6,239	37,548
Customer deposits		14,204	14,204	13,533
Accrued compensated absences	605		605	657
Noncurrent liabilities:				
Due within one year	38,000	63,000	101,000	78,000
Due in more than one year	282,000	1,354,000	1,636,000	1,737,000
Net pension liability	18,995	3,120	22,115	33,286
Total Liabilities	367,885	1,441,978	1,809,863	1,944,039
Deferred Inflows of Resources				
Deferred inflows from pension activity	36,255	1,262	37,517	47,594
Net Position				
Net investment in capital assets	913,773	1,878,672	2,792,445	2,717,900
Restricted	105,226	39,224	144,450	111,641
Unrestricted	657,181	399,274	1,056,455	1,136,678
Total Net Position	\$ 1,676,180	\$ 2,317,170	\$ 3,993,350	\$ 3,966,219

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
With Comparative Totals for December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 91,805	\$ 10,091	\$ 2,740	\$
Public safety	129,252	5,917	53,453	40,000
Public works	127,260			
Economic development	20			70,000
Parks, museum and recreation	20,949			
Interest on long-term debt	11,319			
Unallocated	440			
Total governmental activities	381,045	16,008	56,193	110,000
Business-Type activities:				
Water	130,264	103,432		372
Sewer	256,217	163,418		248
Total business-type activities	386,481	266,850		620
Total	\$ 767,526	\$ 282,858	\$ 56,193	\$ 110,620

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

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2019	2018
\$ (78,974)	\$	\$ (78,974)	\$ (93,421)
(29,882)		(29,882)	22,634
(127,260)		(127,260)	(47,839)
69,980		69,980	
(20,949)		(20,949)	(25,902)
(11,319)		(11,319)	(11,022)
(440)		(440)	(2,634)
<u>(198,844)</u>		<u>(198,844)</u>	<u>(158,184)</u>
	(26,460)	(26,460)	58,845
	<u>(92,551)</u>	<u>(92,551)</u>	<u>(102,989)</u>
	(119,011)	(119,011)	(44,144)
<u>(198,844)</u>	<u>(119,011)</u>	<u>(317,855)</u>	<u>(202,328)</u>
182,808		182,808	182,239
130,486		130,486	130,323
109	219	328	1,828
6,603	4,242	10,845	2,745
4,377	16,142	20,519	24,597
(72,642)	72,642		
<u>251,741</u>	<u>93,245</u>	<u>344,986</u>	<u>341,732</u>
52,897	(25,766)	27,131	139,404
<u>1,623,283</u>	<u>2,342,936</u>	<u>3,966,219</u>	<u>3,826,815</u>
<u>\$ 1,676,180</u>	<u>\$ 2,317,170</u>	<u>\$ 3,993,350</u>	<u>\$ 3,966,219</u>

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CITY OF WYKOFF, MINNESOTA

FUND FINANCIAL STATEMENTS

DECEMBER 31, 2019

CITY OF WYKOFF, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals for December 31, 2018

	Special Revenue Funds			
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan
ASSETS				
Cash and cash equivalents	\$ 320,476	\$ 18,942	\$ 36,290	\$ 32,186
Accounts receivable	502			
Loans receivable				24,816
Taxes receivable, delinquent	6,765	173		
Special assessments receivable:				
Delinquent				
Deferred				
Due from other funds	60,864			
Due from other governmental units	14,825	89	815	
TOTAL ASSETS	\$ 403,432	\$ 19,204	\$ 37,105	\$ 57,002
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 17,488	\$	\$ 108	\$
Due to other funds				
Due to other governmental units	6,000			
Total Liabilities	23,488		108	
Deferred Inflows of Resources				
Unavailable revenue:				
Property taxes	6,765	173		
Special assessments				
Loans receivable				24,816
Total Deferred Inflows of Resources	6,765	173		24,816
Fund Balance				
Restricted:				
Debt covenants				
Committed:				
By Council action		19,031	36,997	32,186
Unassigned	373,179			
Total Fund Balance	373,179	19,031	36,997	32,186
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 403,432	\$ 19,204	\$ 37,105	\$ 57,002

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	2019	2018
\$	\$ 177,292	\$	\$ 30,587	\$ 58,776	\$ 674,549	\$ 707,555
					502	360
			1,097	555	24,816	
					8,590	9,489
			158		158	175
			13,683	25,821	39,504	71,947
					60,864	6,000
			515	410	16,654	34,399
<u>\$</u>	<u>\$ 177,292</u>	<u>\$</u>	<u>\$ 46,040</u>	<u>\$ 85,562</u>	<u>\$ 825,637</u>	<u>\$ 829,925</u>
\$	\$	\$	\$	\$	\$ 17,596	\$ 24,179
		60,864			60,864	6,000
					6,000	6,000
		60,864			84,460	36,179
			1,097		8,035	9,489
			13,841	26,376	40,217	72,122
					24,816	
			14,938	26,376	73,068	81,611
			31,102	59,186	90,288	50,910
	177,292				265,506	288,612
		(60,864)			312,315	372,613
	177,292	(60,864)	31,102	59,186	668,109	712,135
<u>\$</u>	<u>\$ 177,292</u>	<u>\$</u>	<u>\$ 46,040</u>	<u>\$ 85,562</u>	<u>\$ 825,637</u>	<u>\$ 829,925</u>

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

For the Year Ended December 31, 2019
With Comparative Totals for December 31, 2018

	Special Revenue Funds			
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan
REVENUES				
Property taxes	\$ 139,822	\$ 5,191	\$	\$
Special assessments				
Licenses and permits	1,876			
Intergovernmental revenues	150,787	3,637	25,848	
Charges for services	8,190		5,250	
Fines and forfeits	667			
Interest income	3,191	161	371	311
Miscellaneous revenues	16,958	3,776		184
Total Revenues	<u>321,491</u>	<u>12,765</u>	<u>31,469</u>	<u>495</u>
EXPENDITURES				
Current:				
General government	93,391			
Public safety	72,910	5,565	18,475	
Public works	47,880			
Economic development				24,836
Parks, museum and recreation	21,236			
Unallocated	440			
Capital outlay	5,721			
Debt service				
Total Expenditures	<u>241,578</u>	<u>5,565</u>	<u>18,475</u>	<u>24,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>79,913</u>	<u>7,200</u>	<u>12,994</u>	<u>(24,341)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of bonds				
Operating transfers in				
Operating transfers out	(85,347)			
Total Other Financing Sources (Uses)	<u>(85,347)</u>			
Net change in fund balance	(5,434)	7,200	12,994	(24,341)
FUND BALANCES, BEGINNING	<u>378,613</u>	<u>11,831</u>	<u>24,003</u>	<u>56,527</u>
FUND BALANCES, ENDING	<u>\$ 373,179</u>	<u>\$ 19,031</u>	<u>\$ 36,997</u>	<u>\$ 32,186</u>

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	2019	2018
\$	\$	\$	\$ 14,775 4,496	\$ 23,919 22,792	\$ 183,707 27,288 1,876 180,272 13,440 667	\$ 182,051 22,555 1,402 173,545 8,070 420
	1,708 30,000		295	566	6,603 50,918	2,745 89,308
	31,708		19,566	47,277	464,771	480,096
					93,391 96,950 47,880 24,836 21,236 440	84,781 104,559 40,215 18,070 2,933
49,364	14,008	54,864	17,715	9,750	123,957 27,465	467,829 18,069
49,364	14,008	54,864	17,715	9,750	436,155	736,456
(49,364)	17,700	(54,864)	1,851	37,527	28,616	(256,360)
34,884	31,232 (53,411)				66,116 (138,758)	244,950 199,290 (222,590)
34,884	(22,179)				(72,642)	221,650
(14,480)	(4,479)	(54,864)	1,851	37,527	(44,026)	(34,710)
14,480	181,771	(6,000)	29,251	21,659	712,135	746,845
\$	\$ 177,292	\$ (60,864)	\$ 31,102	\$ 59,186	\$ 668,109	\$ 712,135

**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, 2019**

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

Total governmental fund balances (page 7 and 8)		\$ 668,109
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 4,062,162	
Less: Accumulated depreciation	<u>(2,828,389)</u>	1,233,773
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 8,590	
Special assessments	39,662	
Loans receivable	<u>24,816</u>	73,068
Long-term liabilities, including bonds payable, net pension liability, net pension asset, accrued compensated absences, and accrued interest are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (320,000)	
Net pension liability	(53,208)	
Net pension asset	79,732	
Accrued compensated absences	(605)	
Accrued interest	<u>(4,689)</u>	<u>(298,770)</u>
Net position of governmental activities (page 4)		<u><u>\$ 1,676,180</u></u>

**CITY OF WYKOFF, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

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)	\$	(44,026)
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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	\$ 187,523	
Depreciation expense	(111,532)	
		75,991

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

Property taxes	\$ (1,454)	
Special assessments	(31,905)	
Loans receivable	24,816	
		(8,543)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.

Change in accrued interest	\$ 146	
Principal retirement on long-term debt	17,281	
		17,427

In the statement of activities, certain operating expenses - compensated absences, net pension liability, and net pension asset - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Change in accrued compensated absences	\$ (1,229)	
Change in net pension liability	17,242	
Change in net pension asset	(3,965)	
		12,048

Change in net position of governmental activities (pages 5 and 6)	\$	<u>52,897</u>
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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, 2019
With Comparative Totals for December 31, 2018

REVENUES	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Local Taxes					
General tax levy	\$ 139,825	\$ 139,825	\$ 139,822	\$ (3)	\$ 166,773
Licenses and Permits					
Business	1,325	1,325	1,300	(25)	1,300
Nonbusiness	400	400	576	176	102
Total Licenses and Permits	1,725	1,725	1,876	151	1,402
Intergovernmental Revenues					
Local government aid	130,486	130,486	130,486		130,323
Fire relief aid			14,679	14,679	11,654
Small cities assistance					7,796
Other state aid			5,622	5,622	1,609
Total Intergovernmental Revenues	130,486	130,486	150,787	20,301	151,382
Charges for Services					
City Hall rent	4,500	4,500	8,190	3,690	4,790
Fines and Forfeits					
Court fines	700	700	667	(33)	420
Interest Income	650	650	3,191	2,541	2,745
Miscellaneous Revenues					
Contributions	8,500	8,500	11,987	3,487	17,275
Refunds and reimbursements	3,800	3,800	4,476	676	4,808
Other	1,890	1,890	495	(1,395)	4,397
Total Miscellaneous Revenues	14,190	14,190	16,958	2,768	26,480
TOTAL REVENUES	\$ 292,076	\$ 292,076	\$ 321,491	\$ 29,415	\$ 353,992

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, 2019
With Comparative Totals for December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Salaries and wages	\$ 3,760	\$ 3,760	\$ 3,871	\$ (111)	\$ 3,484
Dues and other	750	750	1,288	(538)	274
Total Mayor and Council	<u>4,510</u>	<u>4,510</u>	<u>5,159</u>	<u>(649)</u>	<u>3,758</u>
Elections and Voter Registration					
Salaries					2,209
Miscellaneous					361
Total Elections and Voter Registration					<u>2,570</u>
City Clerk					
Salaries and wages	29,480	29,480	18,601	10,879	20,563
General supplies	2,000	2,000	1,577	423	2,401
Repair and maintenance	3,000	3,000	2,943	57	2,184
Utilities	1,800	1,800	1,616	184	1,697
Travel and education	350	350		350	846
Printing, publishing and dues	2,350	2,350	807	1,543	2,211
Insurance	500	500	2,741	(2,241)	646
Miscellaneous	1,200	1,200	2,903	(1,703)	1,225
Total City Clerk	<u>40,680</u>	<u>40,680</u>	<u>31,188</u>	<u>9,492</u>	<u>31,773</u>
Professional Services					
Legal and audit	12,500	12,500	16,592	(4,092)	14,637
Assessor	1,500	1,500	1,434	66	1,370
Total Professional Services	<u>14,000</u>	<u>14,000</u>	<u>18,026</u>	<u>(4,026)</u>	<u>16,007</u>
Municipal Buildings					
Salaries and wages	4,955	4,955	4,343	612	5,116
General supplies	600	600	1,205	(605)	721
Repair and maintenance	6,318	6,318	9,957	(3,639)	4,191
Utilities	10,150	10,150	11,425	(1,275)	10,247
Insurance	4,900	4,900	6,358	(1,458)	4,882
Miscellaneous	1,990	1,990	4,587	(2,597)	4,417
Total Municipal Buildings	<u>28,913</u>	<u>28,913</u>	<u>37,875</u>	<u>(8,962)</u>	<u>29,574</u>
Other General Government					
City promotion	1,190	1,190	1,143	47	1,099
Total General Government	<u>\$ 89,293</u>	<u>\$ 89,293</u>	<u>\$ 93,391</u>	<u>\$ (4,098)</u>	<u>\$ 84,781</u>

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
GENERAL FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019
With Comparative Totals for December 31, 2018

EXPENDITURES	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Public Safety					
Law Enforcement					
Contractual services	\$ 24,000	\$ 24,000	\$ 24,000	\$	\$ 24,000
Fire Protection					
Salaries and wages	5,930	5,930	8,883	(2,953)	15,191
City fire relief aid	1,350	1,350	1,350		1,562
Fire relief contribution	12,000	12,000	14,679	(2,679)	11,654
Motor fuel	500	500	438	62	550
Repair and maintenance	6,100	6,100	4,900	1,200	7,671
Professional services	2,700	2,700	2,729	(29)	1,329
Utilities	2,600	2,600	2,424	176	2,361
Insurance	600	600	1,891	(1,291)	1,011
Travel and education	1,800	1,800	7,460	(5,660)	2,853
Capital outlay	12,500	12,500	880	11,620	26,295
Miscellaneous	775	775	184	591	849
Total Fire Protection	46,855	46,855	45,818	1,037	71,326
Ambulance Services					
Contributions			3,552	(3,552)	3,552
Civil Defense					
Utilities	125	125	116	9	116
Miscellaneous	275	275	228	47	498
Total Civil Defense	400	400	344	56	614
Animal Control					
Miscellaneous			76	(76)	
Total Public Safety	71,255	71,255	73,790	(2,535)	99,492
Public Works					
Streets and Highways					
Salaries and wages	12,350	12,350	11,142	1,208	12,881
Motor fuels	1,950	1,950	1,638	312	1,812
Repair and maintenance	57,700	57,700	23,216	34,484	6,572
Utilities	5,000	5,000	7,965	(2,965)	7,587
Insurance	600	600	3,109	(2,509)	2,462
Miscellaneous	850	850	810	40	8,901
Capital outlay	4,500	4,500	4,841	(341)	20,680
Total Public Works	\$ 82,950	\$ 82,950	\$ 52,721	\$ 30,229	\$ 60,895

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, 2019
With Comparative Totals for December 31, 2018

EXPENDITURES	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
Park and Recreation					
Recreation					
Sports, athletics and miscellaneous	\$ 500	\$ 500	\$ 494	\$ 6	\$ 484
Park and Museum					
Salaries and wages	5,775	5,775	6,377	(602)	6,682
Motor fuel	300	300	908	(608)	431
Repair and maintenance	1,050	1,050	3,405	(2,355)	4,321
Insurance	1,350	1,350	1,180	170	1,268
Museum utilities	2,150	2,150	3,036	(886)	2,432
Professional services			3,719	(3,719)	12
Tree removal	1,500	1,500	1,050	450	2,059
Miscellaneous			1,067	(1,067)	381
Total Park and Museum	12,125	12,125	20,742	(8,617)	17,586
Total Park, Museum and Recreation	12,625	12,625	21,236	(8,611)	18,070
Unallocated					
Insurance					2,634
Miscellaneous	250	250	440	(190)	299
Total Unallocated	250	250	440	(190)	2,933
TOTAL EXPENDITURES	256,373	256,373	241,578	14,795	266,171
EXCESS REVENUE OVER EXPENDITURES	35,703	35,703	79,913	44,210	87,821
Other Financing Uses					
Operating transfers out	(55,886)	(55,886)	(85,347)	(29,461)	(222,590)
Net change in fund balance	(20,183)	(20,183)	(5,434)	(29,461)	(134,769)
FUND BALANCE - Beginning	378,613	378,613	378,613		513,382
FUND BALANCE - Ending	\$ 358,430	\$ 358,430	\$ 373,179	\$ (29,461)	\$ 378,613

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, 2019
With Comparative Totals for December 31, 2018

REVENUES	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget Positive (Negative)	2018 Actual Amounts
	Original	Final			
Property taxes	\$ 5,275	\$ 5,275	\$ 5,191	\$ (84)	\$ 158
Interest Income			161	161	
Intergovernmental Revenue					
First responders contracts			3,637	3,637	2,525
Miscellaneous Revenues					
Contributions	500	500	3,776	3,276	22,815
TOTAL REVENUES	5,775	5,775	12,765	6,990	25,498
EXPENDITURES					
Public Safety					
Salaries and wages	1,500	1,500	2,632	(1,132)	2,390
Insurance	300	300	664	(364)	882
General supplies	200	200	284	(84)	754
Repair and maintenance	300	300	117	183	2,598
Fuels and lubricants	100	100	77	23	54
Travel, schools, conferences	850	850	1,020	(170)	825
Professional services	1,000	1,000	500	500	1,275
Miscellaneous	175	175	271	(96)	144
Capital outlay					20,001
TOTAL EXPENDITURES	4,425	4,425	5,565	(1,140)	28,923
NET CHANGE IN FUND BALANCE	1,350	1,350	7,200	(5,850)	(3,425)
FUND BALANCES, BEGINNING	11,831	11,831	11,831		15,256
FUND BALANCES, ENDING	\$ 13,181	\$ 13,181	\$ 19,031	\$ 5,850	\$ 11,831

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, 2019
With Comparative Totals for December 31, 2018

REVENUES	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget	2018 Actual Amounts
	Original	Final		Positive (Negative)	
Charges for Services					
Fire calls	\$ 1,000	\$ 1,000	\$ 5,250	\$ 4,250	\$ 3,280
Intergovernmental Revenue					
Fire contracts	20,000	20,000	20,336	336	18,138
Other state aid			5,512	5,512	1,500
Total Intergovernmental Revenue	20,000	20,000	25,848	5,848	19,638
Interest Income			371	371	
Miscellaneous Revenues					
Contributions					2,513
TOTAL REVENUES	21,000	21,000	31,469	10,469	25,431
EXPENDITURES					
Public Safety					
Salaries and wages	5,115	5,115	1,575	3,540	2,037
City fire relief aid	1,350	1,350	1,350		1,350
Insurance	600	600	1,891	(1,291)	2,874
Communication	250	250	880	(630)	2,295
Repair and maintenance	3,100	3,100	3,351	(251)	7,302
Utilities	1,600	1,600	1,282	318	960
Fuels and lubricants	300	300	372	(72)	480
Travel, schools, conferences	1,200	1,200	4,520	(3,320)	2,047
Professional services	2,500	2,500	3,229	(729)	2,447
Miscellaneous	920	920	25	895	648
Capital outlay	12,000	12,000		12,000	
TOTAL EXPENDITURES	28,935	28,935	18,475	10,460	22,440
NET CHANGE IN FUND BALANCE	(7,935)	(7,935)	12,994	20,929	2,991
FUND BALANCES, BEGINNING	24,003	24,003	24,003		21,012
FUND BALANCES, ENDING	\$ 16,068	\$ 16,068	\$ 36,997	\$ 20,929	\$ 24,003

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
For the Year Ended December 31, 2019
With Comparative Totals for December 31, 2018

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	\$ 181,319	\$ 220,104	\$ 401,423	\$ 439,116
Restricted cash and cash equivalents		39,224	39,224	45,000
Accounts receivable	9,485	14,366	23,851	22,784
Total Current Assets	<u>190,804</u>	<u>273,694</u>	<u>464,498</u>	<u>506,900</u>
Capital Assets				
Construction in process	2,280	2,280	4,560	4,560
Building and structures	19,585	3,015,965	3,035,550	3,035,550
Other improvements	1,403,950	170,975	1,574,925	1,586,366
Machinery and equipment	41,582	38,465	80,047	63,621
Total	<u>1,467,397</u>	<u>3,227,685</u>	<u>4,695,082</u>	<u>4,690,097</u>
Less: Accumulated depreciation	<u>728,532</u>	<u>670,878</u>	<u>1,399,410</u>	<u>1,314,979</u>
Capital Assets, Net	<u>738,865</u>	<u>2,556,807</u>	<u>3,295,672</u>	<u>3,375,118</u>
Deferred Outflows of Resources				
Deferred outflows from pension activity	<u>173</u>	<u>67</u>	<u>240</u>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 929,842</u>	<u>\$ 2,830,568</u>	<u>\$ 3,760,410</u>	<u>\$ 3,882,018</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 835	\$ 5,269	\$ 6,104	\$ 13,836
Accrued interest payable	1,550		1,550	32,713
Customer deposits	14,204		14,204	13,533
Bonds payable - current	43,000	20,000	63,000	62,000
Total Current Liabilities	<u>59,589</u>	<u>25,269</u>	<u>84,858</u>	<u>122,082</u>
Long-Term Liabilities				
Net pension liability	2,246	874	3,120	
Bonds payable - noncurrent	<u>217,000</u>	<u>1,137,000</u>	<u>1,354,000</u>	<u>1,417,000</u>
Total Noncurrent Liabilities	<u>219,246</u>	<u>1,137,874</u>	<u>1,357,120</u>	<u>1,417,000</u>
Deferred Inflows of Resources				
Deferred inflows from pension activity	<u>919</u>	<u>343</u>	<u>1,262</u>	
Net Position				
Net investment in capital assets	478,865	1,399,807	1,878,672	1,896,118
Restricted		39,224	39,224	45,000
Unrestricted	<u>171,223</u>	<u>228,051</u>	<u>399,274</u>	<u>401,818</u>
Total Net Position	<u>650,088</u>	<u>1,667,082</u>	<u>2,317,170</u>	<u>2,342,936</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 929,842</u>	<u>\$ 2,830,568</u>	<u>\$ 3,760,410</u>	<u>\$ 3,882,018</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, 2019
With Comparative Totals for December 31, 2018

	Enterprise Funds			
	Water Fund	Sewer Fund	Totals	
			2019	2018
Operating Revenues				
Charges for services	\$ 103,432	\$ 163,418	\$ 266,850	\$ 260,390
Operating Expenses				
Salaries and wages	8,853	6,743	15,596	5,029
Benefits	3,921	1,764	5,685	(46,511)
Contractual services	11,602	61,833	73,435	87,006
Chemicals	579	28,992	29,571	31,470
General supplies	4,884	632	5,516	1,276
Repairs and maintenance	9,393	19,736	29,129	27,384
Utilities	10,683	60,269	70,952	57,613
Insurance	396	1,725	2,121	3,870
Depreciation	28,442	73,042	101,484	99,425
Miscellaneous	4,943	1,481	6,424	2,851
Total Operating Expenses	<u>83,696</u>	<u>256,217</u>	<u>339,913</u>	<u>269,413</u>
OPERATING INCOME (LOSS)	<u>19,736</u>	<u>(92,799)</u>	<u>(73,063)</u>	<u>(9,023)</u>
Nonoperating Revenues (Expenses)				
Intergovernmental revenue	109	110	219	219
Special assessments	372	248	620	1,275
Interest income	1,746	2,496	4,242	
Bond interest and charges	(4,769)		(4,769)	(36,396)
Loss on disposal of equipment	(41,799)		(41,799)	
Miscellaneous	102	16,040	16,142	16,031
Total Nonoperating Revenues (Expenses)	<u>(44,239)</u>	<u>18,894</u>	<u>(25,345)</u>	<u>(18,871)</u>
Net Loss Before Transfers	<u>(24,503)</u>	<u>(73,905)</u>	<u>(98,408)</u>	<u>(27,894)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	53,411	42,969	96,380	23,300
Operating transfers out	(23,738)		(23,738)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,673</u>	<u>42,969</u>	<u>72,642</u>	<u>23,300</u>
CHANGE IN NET POSITION	5,170	(30,936)	(25,766)	(4,594)
NET POSITION, BEGINNING	<u>644,918</u>	<u>1,698,018</u>	<u>2,342,936</u>	<u>2,347,530</u>
NET POSITION, ENDING	<u>\$ 650,088</u>	<u>\$ 1,667,082</u>	<u>\$ 2,317,170</u>	<u>\$ 2,342,936</u>

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2019
With Comparative Totals for December 31, 2018

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2019	2018
Cash Flows From Operating Activities				
Cash received from customers	\$ 103,300	\$ 162,483	\$ 265,783	\$ 262,579
Cash paid to suppliers	(45,374)	(180,378)	(225,752)	(205,325)
Cash paid to employees	(8,853)	(6,743)	(15,596)	(5,029)
Net Cash Provided By (Used In) Operating Activities	49,073	(24,638)	24,435	52,225
Cash Flows From Capital And Related Financing Activities				
Principal paid on bonds	(42,000)	(20,000)	(62,000)	(61,000)
Interest paid on debt	(5,036)	(30,896)	(35,932)	(37,182)
Cash received from other sources	583	16,398	16,981	17,525
Transfers in (out) from other funds	29,673	42,969	72,642	23,300
Additions to capital assets	(53,411)	(10,426)	(63,837)	(4,560)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(70,191)	(1,955)	(72,146)	(61,917)
Cash Flows From Investing Activities				
Interest earnings on temporary investments	1,746	2,496	4,242	
Net Decrease in Cash and Cash Equivalents	(19,372)	(24,097)	(43,469)	(9,692)
Cash and Cash Equivalents, Beginning of Year	200,691	283,425	484,116	493,808
Cash and Cash Equivalents, End of Year	\$ 181,319	\$ 259,328	\$ 440,647	\$ 484,116
Classified as:				
Cash and cash equivalents	\$ 181,319	\$ 220,104	\$ 401,423	\$ 439,116
Restricted cash and cash equivalents		39,224	39,224	45,000
Total Cash and Cash Equivalents, End of Year	\$ 181,319	\$ 259,328	\$ 440,647	\$ 484,116

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

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2019	2018
Operating Income (Loss)	\$ 19,736	\$ (92,799)	\$ (73,063)	\$ (9,023)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	28,442	73,042	101,484	99,425
Change in net pension liability	2,992	1,150	4,142	(47,265)
(Increase) Decrease In:				
Accounts receivable	(132)	(935)	(1,067)	2,189
Increase (Decrease) In:				
Accounts payable	(2,636)	(5,096)	(7,732)	6,524
Customer deposits	671		671	375
Net Cash Provided By (Used In) Operating Activities	\$ 49,073	\$ (24,638)	\$ 24,435	\$ 52,225

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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)

1. Summary of Significant Accounting Policies (Continued)

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

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund and all special revenue funds with the exception of the Revolving Loan Fund, which adopts a project length budget. Annual operating budgets are adopted each fiscal year by council action and may be amended by formal council action. Budgets are adopted on a basis consistent with generally accepted accounting principles. All budget appropriations lapse at the end of the fiscal year.

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.

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)

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.

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 <u>in Years</u>
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.

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)

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.

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)

1. Summary of Significant Accounting Policies (Continued)

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 2018 financial statement have been reclassified to conform to the 2019 presentation.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Cash Equivalents

Summary of Cash and Cash Equivalents

As of December 31, 2019, 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	<u>1,115,096</u>
Total Cash and Cash Equivalents			<u>\$ 1,115,196</u>
Cash and Cash Equivalents - Statement of Net Position			\$ 1,075,972
Restricted Cash and Cash Equivalents - Statement of Net Position			<u>39,224</u>
Total Cash and Cash Equivalents			<u>\$ 1,115,196</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)

2. Cash and Cash Equivalents (Continued)

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)

2. Cash and Cash Equivalents (Continued)

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, 2019 or 2018.

3. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2019 are as follows:

Fund	Fillmore County	State of Minnesota	Township Contracts	Total
General	\$ 3,146	\$ 11,679	\$	\$ 14,825
First Responders	89			89
Rural Fire			815	815
Debt Service	925			925
	\$ 4,160	\$ 11,679	\$ 815	\$ 16,654

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 39,014	\$ 70,000	\$	\$ 109,014
Construction in progress	368,785	54,819	362,785	60,819
Total capital assets, not being depreciated	<u>407,799</u>	<u>124,819</u>	<u>362,785</u>	<u>169,833</u>
Capital assets, being depreciated:				
Buildings	465,798			465,798
Improvements	2,124,664	412,149		2,536,813
Machinery and equipment	876,378	13,340		889,718
Total capital assets, being depreciated	<u>3,466,840</u>	<u>425,489</u>		<u>3,892,329</u>
Less accumulated depreciation for:				
Buildings	285,247	12,741		297,988
Improvements	1,792,719	65,159		1,857,878
Machinery and equipment	638,891	33,632		672,523
Total accumulated depreciation	<u>2,716,857</u>	<u>111,532</u>		<u>2,828,389</u>
Total capital assets, being depreciated, net	<u>749,983</u>	<u>313,957</u>		<u>1,063,940</u>
Governmental activities capital assets, net	<u>\$ 1,157,782</u>	<u>\$ 438,776</u>	<u>\$ 362,785</u>	<u>\$ 1,233,773</u>

Governmental Activities:

General government	\$ 7,226
Public safety	28,582
Public works	73,873
Parks, museum and recreation	<u>1,851</u>
Total depreciation expense - governmental activities	<u>\$ 111,532</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,560	\$	\$	\$ 4,560
Total capital assets, not being depreciated	<u>4,560</u>			<u>4,560</u>
Capital assets, being depreciated:				
Buildings and improvements	4,633,781	47,411	58,852	4,622,340
Machinery and equipment	51,756	16,426		68,182
Total capital assets, being depreciated	<u>4,685,537</u>	<u>63,837</u>	<u>58,852</u>	<u>4,690,522</u>
Less accumulated depreciation for:				
Buildings and improvements	1,259,309	98,705	17,053	1,340,961
Machinery and equipment	55,670	2,779		58,449
Total accumulated depreciation	<u>1,314,979</u>	<u>101,484</u>	<u>17,053</u>	<u>1,399,410</u>
Total capital assets, being depreciated, net	<u>3,370,558</u>	<u>(37,647)</u>	<u>41,799</u>	<u>3,291,112</u>
Business type activities capital assets, net	<u>\$ 3,375,118</u>	<u>\$ (37,647)</u>	<u>\$ 41,799</u>	<u>\$ 3,295,672</u>

Business Type Activities:

Water	\$ 28,442
Sewer	<u>73,042</u>
Total depreciation expense - business type activities	<u>\$ 101,484</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt

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, 2019 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2019
Governmental Activities			
General Obligation Improvement Bond:			
2012A Refunding Improvement Note	2.20%	2/1/2023	\$ 70,000
2018A Improvement Note	3.90%	2/1/2029	250,000
Compensated Absences			605
Business-Type Activities			
General Obligation Revenue Bonds:			
2007 Drinking Water Revenue Bond	1.40%	8/20/2026	190,000
2004 Drinking Water Revenue Bond	2.34%	8/20/2023	70,000
2015A Sewer Revenue Bond	2.625%	1/1/2055	518,000
2015B Sewer Revenue Bond	2.625%	1/1/2055	639,000
Total Long Term Debt			\$ 1,737,605

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
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
2012A Improvement Refunding Note	\$ 86,000	\$	\$ 16,000	\$ 70,000	\$ 17,000
2018A Improvement Note	250,000			250,000	21,000
Compensated Absences	657	1,229	1,281	605	605
Governmental Activities					
Long-term Liabilities	<u>336,657</u>	<u>1,229</u>	<u>17,281</u>	<u>320,605</u>	<u>38,605</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
2007 Drinking Water Revenue Bond	216,000		26,000	190,000	26,000
2004 Drinking Water Revenue Bond	86,000		16,000	70,000	17,000
2015A Sewer Revenue Bond	527,000		9,000	518,000	9,000
2015B Sewer Revenue Bond	650,000		11,000	639,000	11,000
Business-type Activities					
Long-term Liabilities	<u>1,479,000</u>		<u>62,000</u>	<u>1,417,000</u>	<u>63,000</u>
Total	<u>\$ 1,815,657</u>	<u>\$ 1,229</u>	<u>\$ 79,281</u>	<u>\$ 1,737,605</u>	<u>\$ 101,605</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt outstanding as of December 31, 2019, are summarized below:

Years	General Obligation Improvement Bonds		General Obligation Utility Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
Governmental Activities					
2020	\$ 38,000	\$ 10,694	\$	\$	\$ 48,694
2021	40,000	9,470			49,470
2022	40,000	8,208			48,208
2023	41,000	6,926			47,926
2024	25,000	5,792			30,792
2025-2029	136,000	13,611			149,611
	<u>\$ 320,000</u>	<u>\$ 54,699</u>	<u>\$</u>	<u>\$</u>	<u>\$ 374,699</u>
Business-Type Activities					
2020			\$ 63,000	\$ 34,753	\$ 97,753
2021			64,000	33,382	97,382
2022			67,000	32,070	99,070
2023			67,000	30,692	97,692
2024			51,000	29,394	80,394
2025-2029			179,000	132,654	311,654
2030-2034			140,000	114,407	254,407
2035-2039			161,000	94,974	255,974
2040-2044			182,000	72,818	254,818
2045-2049			207,000	47,509	254,509
2050-2054			236,000	18,884	254,884
			<u>\$ 1,417,000</u>	<u>\$ 641,537</u>	<u>\$ 2,058,537</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures

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

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$	\$ 85,347
Capital Improvement	31,232	
South Main St. Improvement	34,884	
Water		23,738
Sewer	42,969	
	<u>\$ 109,085</u>	<u>\$ 109,085</u>

The amounts due to and due from other funds at December 31, 2019, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General	\$	\$ 60,864
County Road 5 Improvement	60,864	
	<u>\$ 60,864</u>	<u>\$ 60,864</u>

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

	<u>Excess Expenditures</u>
First Responders Fund	\$ 1,140

As of December 31, 2019 the following fund had deficit fund balances:

County Road 5 Improvement	\$ 60,864
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CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity

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

	<u>First Responders</u>	<u>Rural Fire</u>	<u>Revolving Loan</u>	<u>Capital Improvement</u>	<u>Total</u>
Street improvements	\$	\$	\$	\$ 54,077	\$ 54,077
Equipment		36,997			36,997
First responders activities	19,031				19,031
Economic development			32,186		32,186
Fire				104,789	104,789
Street lights				4,664	4,664
Museum				3,865	3,865
Emergency disaster				9,897	9,897
Total	<u>\$ 19,031</u>	<u>\$ 36,997</u>	<u>\$ 32,186</u>	<u>\$ 177,292</u>	<u>\$ 265,506</u>

8. Commitments and Contingencies

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)

9. Defined Benefit Pension Plans - Statewide

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

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

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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and 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, 2019, were \$2,319. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2019, the City reported a liability of \$22,115 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 \$833. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0004 percent which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2018.

City's proportionate share of net pension liability	\$	22,115
State of Minnesota's proportionate share of the net pension liability associated with the City	\$	833

For the year ended December 31, 2019, the City recognized pension expense of (\$21,384) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$62 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.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

Pension Costs (Continued)

At December 31, 2019, 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	\$ 1,042	\$
Changes in actuarial assumptions		3,282
Net collective difference between projected and actual investment earnings		2,959
Changes in proportion		31,276
Contributions paid to PERA subsequent to the measurement date	1,240	
Total	<u>\$ 2,282</u>	<u>\$ 37,517</u>

The \$1,240 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2020	\$ (20,115)
2021	(12,934)
2022	(3,461)
2023	35

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

There following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2019 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 current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

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:

Sensitivity Analysis			
<i>Net Pension Liability at Different Discount Rates</i>			
	General Employees Fund		
1% Lower	6.50%	\$	36,356
Current Discount Rate	7.50%	\$	22,115
1% Higher	8.50%	\$	10,356

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.

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 \$1,500 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 2019, at the Association direction, the City did not levy any property taxes to be paid to the Association.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Related Party Investments

During 2019 and as of December 31, 2019, the Association held no securities issued by the City.

Funding Status and Progress

At December 31, 2018 the Association funding status is as follows:

Total plan assets	\$	282,972
Total accrued liability		(203,240)
Excess (Deficiency) of Plan Assets over Accrued Liability	\$	<u>79,732</u>

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 2019, but did make a voluntary contribution of \$2,700.

The computation of the pension contribution requirements for 2019 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.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for 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 2019. 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 2019. 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, 2019

CITY OF WYKOFF, MINNESOTA
Schedule of City Pension Contributions
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)

Year Ended December 31	Statorily Required Contribution (a)	Contributions in Relation to Statorily 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	2,319	2,319		30,920	7.50%
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	0.0004%	22,115	833	22,948	34,047	67.4%	80.23%
2020							
2021							
2022							
2023							

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CITY OF WYKOFF, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2019

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS
As of December 31, 2019

General Obligation Drinking Water Revenue
Bonds of 2004

Payment Year	Principal	Interest	Rate	Total
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>\$ 70,000</u>	<u>\$ 4,142</u>		<u>\$ 74,142</u>

General Obligation Drinking Water Revenue
Bonds of 2007

Payment Year	Principal	Interest	Rate	Total
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	28,000	1,176	1.40%	29,176
2025-2026	56,000	1,176	1.40%	57,176
	<u>\$ 190,000</u>	<u>\$ 10,794</u>		<u>\$ 200,794</u>

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS
As of December 31, 2019

General Obligation Improvement Refunding
Bonds of 2012A

Payment Year	Principal	Interest	Rate	Total
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>\$ 70,000</u>	<u>\$ 3,102</u>		<u>\$ 73,102</u>

General Obligation Sewer Revenue
Bonds of 2015A

Payment Year	Principal	Interest	Rate	Total
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	10,000	12,635	2.625%	22,635
2025-2029	55,000	58,936	2.625%	113,936
2030-2034	63,000	51,268	2.625%	114,268
2035-2039	72,000	42,523	2.625%	114,523
2040-2044	81,000	32,664	2.625%	113,664
2045-2049	93,000	21,325	2.625%	114,325
2050-2054	106,000	8,484	2.625%	114,484
	<u>\$ 518,000</u>	<u>\$ 280,818</u>		<u>\$ 798,818</u>

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS
As of December 31, 2019

General Obligation Sewer Revenue
Bonds of 2015B

Payment Year	Principal	Interest	Rate	Total
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	13,000	15,583	2.625%	28,583
2024-2028	68,000	72,542	2.625%	140,542
2029-2033	77,000	63,139	2.625%	140,139
2034-2038	89,000	52,451	2.625%	141,451
2039-2043	101,000	40,154	2.625%	141,154
2044-2048	114,000	26,184	2.625%	140,184
2049-2053	130,000	10,400	2.625%	140,400
	<u>\$ 639,000</u>	<u>\$ 345,783</u>		<u>\$ 984,783</u>

General Obligation Improvement Note
Bonds of 2018A

Payment Year	Principal	Interest	Rate	Total
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	25,000	5,792	3.900%	30,792
2025-2029	136,000	13,611	3.900%	149,611
	<u>\$ 250,000</u>	<u>\$ 51,597</u>		<u>\$ 301,597</u>

CITY OF WYKOFF, MINNESOTA
COMPLIANCE AND INTERNAL CONTROL REPORTS
DECEMBER 31, 2019

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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, 2019, 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 6, 2020.

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 a certain deficiency 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

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City of Wykoff, Minnesota's Response to Findings

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

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
February 6, 2020

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

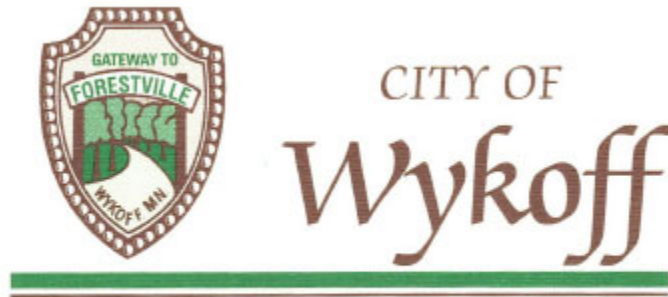
FINDING – 2008-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)

- 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 2019.

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217 NORTH GOLD STREET ■ P.O. BOX 218 ■ WYKOFF, MN 55990-0218 ■ 507-352-4011

CORRECTIVE ACTION PLAN (CAP):

The City respectfully submits the following corrective action plan for the year ended December 31, 2019.

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.