

CITY OF WYKOFF, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2021

CITY OF WYKOFF, MINNESOTA
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2021

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CITY OF WYKOFF, MINNESOTA

INTRODUCTORY SECTION

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CITY OF WYKOFF, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2021

Alan Williams	Mayor
Ryan Breckenridge (<i>December 2021</i>)	Mayor
Richard Gleason (<i>resigned August 2021</i>)	Council Member & Mayor Pro-term
Kaleb Himli	Council Member & Mayor Pro-term
Lyle Morey	Council Member
Barb Fate	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 Audit of the Financial Statements

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Wykoff, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Wykoff, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Wykoff, Minnesota's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Wykoff, Minnesota's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Wykoff, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Wykoff, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Management 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.

Supplementary 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 was derived from and relates 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.

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, 2020, from which such partial information was derived.

We have previously audited the City's 2020 financial statements and our report dated February 11, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2022, 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 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, Schafn and Associates, Ltd.

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CITY OF WYKOFF, MINNESOTA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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CITY OF WYKOFF, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2021

With Comparative Totals for December 31, 2020

	Governmental Activities	Business-Type Activities	Totals	
			2021	2020
Assets				
Cash and cash equivalents	\$ 912,463	\$ 345,159	\$ 1,257,622	\$ 1,371,101
Restricted cash and cash equivalents		34,607	34,607	54,224
Receivables	102,535	24,096	126,631	87,742
Due from other governments	16,678		16,678	15,623
Net pension asset	126,465		126,465	87,614
Capital assets:				
Nondepreciable	114,085		114,085	109,014
Depreciable, net	1,654,779	3,099,406	4,754,185	4,903,843
Total Assets	2,927,005	3,503,268	6,430,273	6,629,161
Deferred Outflows of Resources				
Deferred outflows from pension activity	13,580	849	14,429	5,653
Liabilities				
Accounts payable	17,699	22,553	40,252	229,402
Due to other governments	6,000		6,000	6,000
Accrued interest payable	8,076	1,001	9,077	12,073
Customer deposits		15,813	15,813	14,737
Accrued compensated absences	1,569		1,569	1,959
Unearned revenue	24,228		24,228	
Noncurrent liabilities:				
Due within one year	71,000	67,000	138,000	104,000
Due in more than one year	729,000	1,223,000	1,952,000	2,090,000
Net pension liability	16,184	898	17,082	29,977
Total Liabilities	873,756	1,330,265	2,204,021	2,488,148
Deferred Inflows of Resources				
Deferred inflows from pension activity	21,482	1,372	22,854	14,283
Net Position				
Net investment in capital assets	968,864	1,809,406	2,778,270	2,818,857
Restricted	151,393	34,607	186,000	188,183
Unrestricted	925,090	328,467	1,253,557	1,125,343
Total Net Position	\$ 2,045,347	\$ 2,172,480	\$ 4,217,827	\$ 4,132,383

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021
With Comparative Totals for December 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 90,999	\$ 6,935	\$ 2,371	\$
Public safety	84,861	7,957	46,100	92,330
Public works	149,363		17,361	48,414
Economic development				
Parks, museum and recreation	30,878	13,794	900	4,875
Interest on long-term debt	20,002			
Unallocated				
Total governmental activities	376,103	28,686	66,732	145,619
Business-Type activities:				
Water	118,609	101,993		158
Sewer	300,870	189,386		1,088
Total business-type activities	419,479	291,379		1,246
Total	\$ 795,582	\$ 320,065	\$ 66,732	\$ 146,865

General revenues:
General property taxes
Grants and contributions not restricted to specific programs:
Local government aid
Other
Interest earnings
Insurance reimbursement
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	
		2021	2020
\$ (81,693)	\$	\$ (81,693)	\$ (98,270)
61,526		61,526	72,306
(83,588)		(83,588)	(88,244)
			(175)
(11,309)		(11,309)	(13,455)
(20,002)		(20,002)	(16,803)
			(22,498)
<u>(135,066)</u>		<u>(135,066)</u>	<u>(167,139)</u>
	(16,458)	(16,458)	25,520
	<u>(110,396)</u>	<u>(110,396)</u>	<u>(114,940)</u>
	(126,854)	(126,854)	(89,420)
<u>(135,066)</u>	<u>(126,854)</u>	<u>(261,920)</u>	<u>(256,559)</u>
196,715		196,715	184,590
136,652		136,652	135,277
296		296	33,300
1,027	225	1,252	5,437
1,046	8,043	8,043	27,701
1,046	3,360	4,406	9,287
(10,000)	10,000		
<u>325,736</u>	<u>21,628</u>	<u>347,364</u>	<u>395,592</u>
190,670	(105,226)	85,444	139,033
<u>1,854,677</u>	<u>2,277,706</u>	<u>4,132,383</u>	<u>3,993,350</u>
<u>\$ 2,045,347</u>	<u>\$ 2,172,480</u>	<u>\$ 4,217,827</u>	<u>\$ 4,132,383</u>

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CITY OF WYKOFF, MINNESOTA
FUND FINANCIAL STATEMENTS
DECEMBER 31, 2021

CITY OF WYKOFF, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021
With Comparative Totals for December 31, 2020

	Special Revenue Funds				
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan	260 Historical
ASSETS					
Cash and cash equivalents	\$ 442,769	\$ 16,493	\$ 57,639	\$ 37,558	\$
Accounts receivable					
Loans receivable				20,294	
Taxes receivable, delinquent	4,806	150			
Special assessments receivable:					
Delinquent					
Deferred					
Due from other funds	5,443				
Due from other governmental units	14,836	97			
	<u>467,854</u>	<u>16,740</u>	<u>57,639</u>	<u>57,852</u>	<u>\$</u>
TOTAL ASSETS					
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 16,502	\$ 52	\$ 894	\$	\$ 251
Due to other funds					5,443
Due to other governmental units	6,000				
Unearned revenue	24,228				
	<u>46,730</u>	<u>52</u>	<u>894</u>	<u></u>	<u>5,694</u>
Total Liabilities					
Deferred Inflows of Resources					
Unavailable revenue:					
Property taxes	4,806	150			
Special assessments					
Loans receivable				20,294	
	<u>4,806</u>	<u>150</u>	<u></u>	<u>20,294</u>	<u></u>
Total Deferred Inflows of Resources					
Fund Balance					
Restricted:					
Debt covenants					
Committed:					
By Council action		16,538	56,745	37,558	
Unassigned	416,318				(5,694)
	<u>416,318</u>	<u>16,538</u>	<u>56,745</u>	<u>37,558</u>	<u>(5,694)</u>
Total Fund Balance					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	<u>\$ 467,854</u>	<u>\$ 16,740</u>	<u>\$ 57,639</u>	<u>\$ 57,852</u>	<u>\$</u>

See Notes to the Financial Statements

Capital Projects Fund	Debt Service Funds			Total Governmental Funds	
	304 2012A Imp Refunding Bond	305 2018A Improvement Bond	307 2020A Improvement Bond	2021	2020
406 Capital Improvement					
\$ 217,201	\$ 30,656	\$ 54,079	\$ 56,068	\$ 912,463	\$ 976,907
					910
				20,294	22,583
	848	795	923	7,522	10,304
	309		1,854	2,163	311
	7,688	22,615	42,253	72,556	34,930
				5,443	1,646
	332	522	891	16,678	15,623
<u>\$ 217,201</u>	<u>\$ 39,833</u>	<u>\$ 78,011</u>	<u>\$ 101,989</u>	<u>\$ 1,037,119</u>	<u>\$ 1,063,214</u>
\$	\$	\$	\$	\$ 17,699	\$ 220,788
				5,443	1,646
				6,000	6,000
				24,228	
				53,370	228,434
	848	795	923	7,522	10,304
	7,997	22,615	44,107	74,719	35,241
				20,294	22,583
	8,845	23,410	45,030	102,535	68,128
	30,988	54,601	56,959	142,548	121,680
217,201				328,042	261,923
				410,624	383,049
<u>217,201</u>	<u>30,988</u>	<u>54,601</u>	<u>56,959</u>	<u>881,214</u>	<u>766,652</u>
<u>\$ 217,201</u>	<u>\$ 39,833</u>	<u>\$ 78,011</u>	<u>\$ 101,989</u>	<u>\$ 1,037,119</u>	<u>\$ 1,063,214</u>

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

For the Year Ended December 31, 2021
With Comparative Totals for December 31, 2020

	Special Revenue Funds				
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan	260 Historical
REVENUES					
Property taxes	\$ 119,858	\$ 5,015	\$	\$	\$
Special assessments					
Licenses and permits	1,659				
Intergovernmental revenues	173,097	4,667	29,500		4,875
Charges for services	5,275		7,056		13,794
Fines and forfeits	42				
Interest income	279	10	32	499	
Miscellaneous revenues	26,586	475		2,097	33
Total Revenues	326,796	10,167	36,588	2,596	18,702
EXPENDITURES					
Current:					
General government	88,986				
Public safety	60,196	8,229	18,679		
Public works	48,239				
Economic development					
Parks, museum and recreation	13,374				16,119
Unallocated					
Capital outlay	51,051	1,000	5,970		6,060
Debt service					
Total Expenditures	261,846	9,229	24,649		22,179
Excess (deficiency) of revenues over (under) expenditures	64,950	938	11,939	2,596	(3,477)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of bonds					
Transfers in					
Transfers out	(33,898)				
Total Other Financing Sources (Uses)	(33,898)				
Net change in fund balance	31,052	938	11,939	2,596	(3,477)
FUND BALANCES, BEGINNING	385,266	15,600	44,806	34,962	(2,217)
FUND BALANCES, ENDING	\$ 416,318	\$ 16,538	\$ 56,745	\$ 37,558	\$ (5,694)

See Notes to the Financial Statements

Capital Projects Fund	Debt Service Funds			Total Governmental Funds	
	304 2012A Imp Refunding Bond	305 2018A Improvement Bond	307 2020A Improvement Bond	2021	2020
406 Capital Improvement					
\$	\$ 14,201	\$ 26,843	\$ 33,580	\$ 199,497	\$ 182,876
	3,311	2,524	3,101	8,936	39,260
				1,659	2,389
				212,139	347,257
				26,125	19,311
				42	993
125	18	31	33	1,027	3,852
63,750				92,941	70,022
63,875	17,530	29,398	36,714	542,366	665,960
				88,986	107,017
				87,104	91,159
				48,239	64,280
					175
				29,493	65,414
					47,323
37,127				101,208	681,680
	18,968	30,503	13,303	62,774	48,694
37,127	18,968	30,503	13,303	417,804	1,105,742
26,748	(1,438)	(1,105)	23,411	124,562	(439,782)
23,898					558,000
				23,898	47,913
				(33,898)	(67,588)
23,898				(10,000)	538,325
50,646	(1,438)	(1,105)	23,411	114,562	98,543
166,555	32,426	55,706	33,548	766,652	668,109
\$ 217,201	\$ 30,988	\$ 54,601	\$ 56,959	\$ 881,214	\$ 766,652

**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, 2021**

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

Total governmental fund balances (page 7 and 8)		\$ 881,214
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 4,870,326	
Less: Accumulated depreciation	<u>(3,101,462)</u>	1,768,864
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 7,522	
Special assessments	74,719	
Loans receivable	<u>20,294</u>	102,535
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	\$ (800,000)	
Net pension liability	(24,086)	
Net pension asset	126,465	
Accrued compensated absences	(1,569)	
Accrued interest	<u>(8,076)</u>	<u>(707,266)</u>
Net position of governmental activities (page 4)		<u><u>\$ 2,045,347</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, 2021

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)	\$	114,562
<p>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.</p>		
Capital outlay	\$ 98,230	
Depreciation expense	<u>(150,379)</u>	(52,149)
<p>Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.</p>		
Property taxes	\$ (2,782)	
Special assessments	39,478	
Loans receivable	<u>(2,289)</u>	34,407
<p>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.</p>		
Change in accrued interest	\$ 2,722	
Principal retirement on long-term debt	<u>40,000</u>	42,722
<p>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).</p>		
Change in accrued compensated absences	\$ 390	
Change in net pension liability	11,887	
Change in net pension asset	<u>38,851</u>	51,128
Change in net position of governmental activities (pages 5 and 6)	\$	<u><u>190,670</u></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, 2021
With Comparative Totals for December 31, 2020

REVENUES	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Local Taxes					
General tax levy	\$ 116,441	\$ 116,441	\$ 119,858	\$ 3,417	\$ 137,234
Licenses and Permits					
Business	1,325	1,325	1,300	(25)	1,300
Nonbusiness	500	500	359	(141)	1,089
Total Licenses and Permits	1,825	1,825	1,659	(166)	2,389
Intergovernmental Revenues					
Local government aid	136,652	136,652	136,652		135,277
Fire relief aid	2,000	2,000	12,288	10,288	12,048
Other state aid	5,000	5,000	20,492	15,492	727
Federal aid			3,665	3,665	47,118
CARES Act funding					33,000
Total Intergovernmental Revenues	143,652	143,652	173,097	29,445	228,170
Charges for Services					
City Hall rent	3,500	3,500	5,275	1,775	2,331
Fines and Forfeits					
Court fines	500	500	42	(458)	993
Interest Income	1,500	1,500	279	(1,221)	1,860
Miscellaneous Revenues					
Contributions	8,000	8,000	24,327	16,327	10,803
Refunds and reimbursements			259	259	8,968
Other	750	750	2,000	1,250	1,761
Total Miscellaneous Revenues	8,750	8,750	26,586	17,836	21,532
TOTAL REVENUES	\$ 276,168	\$ 276,168	\$ 326,796	\$ 50,628	\$ 394,509

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, 2021
With Comparative Totals for December 31, 2020

	Budgeted Amounts		2021	Variance with	2020
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
EXPENDITURES					
General Government					
Mayor and Council					
Salaries and wages	\$ 4,660	\$ 4,660	\$ 5,203	\$ (543)	\$ 3,898
Dues and other	650	650	700	(50)	30
Total Mayor and Council	<u>5,310</u>	<u>5,310</u>	<u>5,903</u>	<u>(593)</u>	<u>3,928</u>
Elections and Voter Registration					
Salaries			20	(20)	4,716
Miscellaneous					741
Total Elections and Voter Registration			<u>20</u>	<u>(20)</u>	<u>5,457</u>
City Clerk					
Salaries and wages	19,328	19,328	18,189	1,139	15,898
General supplies	1,500	1,500	1,622	(122)	1,970
Repair and maintenance	3,300	3,300	1,924	1,376	2,357
Utilities	2,000	2,000	1,903	97	1,652
Travel and education	350	350		350	9
Printing, publishing and dues	1,350	1,350	121	1,229	975
Insurance	2,500	2,500	4,544	(2,044)	5,241
Miscellaneous	2,575	2,575	3,971	(1,396)	3,452
Total City Clerk	<u>32,903</u>	<u>32,903</u>	<u>32,274</u>	<u>629</u>	<u>31,554</u>
Professional Services					
Legal and audit	62,700	62,700	13,623	49,077	15,587
Assessor	1,500	1,500	1,435	65	1,426
Total Professional Services	<u>64,200</u>	<u>64,200</u>	<u>15,058</u>	<u>49,142</u>	<u>17,013</u>
Municipal Buildings					
Salaries and wages	5,220	5,220	3,221	1,999	7,116
General supplies	1,000	1,000	812	188	532
Repair and maintenance	38,200	38,200	8,035	30,165	16,718
Utilities	8,500	8,500	11,363	(2,863)	10,280
Insurance	6,700	6,700	5,132	1,568	7,141
Miscellaneous	3,355	3,355	2,287	1,068	2,023
Capital outlay			3,390	(3,390)	2,900
Total Municipal Buildings	<u>62,975</u>	<u>62,975</u>	<u>34,240</u>	<u>28,735</u>	<u>46,710</u>
Other General Government					
City promotion	540	540	4,881	(4,341)	5,255
Total General Government	<u>\$ 165,928</u>	<u>\$ 165,928</u>	<u>\$ 92,376</u>	<u>\$ 73,552</u>	<u>\$ 109,917</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, 2021
With Comparative Totals for December 31, 2020

EXPENDITURES	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Public Safety					
Law Enforcement					
Contractual services	\$ 24,000	\$ 24,000	\$ 24,000	\$	\$ 24,000
Fire Protection					
Salaries and wages	7,150	7,150	7,788	(638)	8,003
City fire relief aid	1,350	1,350	1,350		1,350
Fire relief contribution			12,288	(12,288)	12,048
Motor fuel	200	200	468	(268)	178
Repair and maintenance	7,000	7,000	6,630	370	7,064
Professional services	300	300	895	(595)	1,775
Utilities	1,200	1,200	1,698	(498)	1,824
Insurance	1,000	1,000	2,259	(1,259)	2,232
Travel and education	4,000	4,000	1,742	2,258	2,523
Capital outlay	9,765	9,765	7,652	2,113	59,286
Miscellaneous	550	550	734	(184)	2,019
Total Fire Protection	32,515	32,515	43,504	(10,989)	98,302
Ambulance Services					
Contributions					3,552
Civil Defense					
Utilities			116	(116)	335
Miscellaneous	250	250	228	22	53
Total Civil Defense	250	250	344	(94)	388
Total Public Safety	56,765	56,765	67,848	(11,083)	126,242
Public Works					
Streets and Highways					
Salaries and wages	14,480	14,480	9,900	4,580	12,031
Motor fuels	1,300	1,300	926	374	824
Repair and maintenance	6,950	6,950	26,064	(19,114)	43,177
Utilities	4,500	4,500	7,862	(3,362)	6,995
Insurance	800	800	798	2	1,140
Miscellaneous	750	750	2,689	(1,939)	113
Capital outlay	44,000	44,000	40,009	3,991	
Total Public Works	\$ 72,780	\$ 72,780	\$ 88,248	\$ (15,468)	\$ 64,280

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, 2021
With Comparative Totals for December 31, 2020

EXPENDITURES	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget - Positive (Negative)	2020 Actual Amounts
	Original	Final			
Park and Recreation					
Recreation					
Sports, athletics and miscellaneous	\$ 3,500	\$ 3,500	\$ 403	\$ 3,097	\$
Park					
Salaries and wages	4,420	4,420	6,700	(2,280)	5,424
Motor fuel	500	500	907	(407)	391
Repair and maintenance	1,000	1,000	1,100	(100)	777
Insurance	650	650	1,013	(363)	627
Utilities			391	(391)	569
Professional services			160	(160)	173
Tree removal	500	500	984	(484)	60
Miscellaneous			1,716	(1,716)	256
Total Park	7,070	7,070	12,971	(5,901)	8,277
Total Park and Recreation	10,570	10,570	13,374	(2,804)	8,277
Unallocated					
CARES Act expenditures					32,483
Total Unallocated					32,483
TOTAL EXPENDITURES	306,043	306,043	261,846	44,197	341,199
EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	(29,875)	(29,875)	64,950	94,825	53,310
Other Financing Sources (Uses)					
Transfers in					7,500
Transfers out	(31,215)	(31,215)	(33,898)	(2,683)	(48,723)
Total Other Financing Sources (Uses)	(31,215)	(31,215)	(33,898)	(2,683)	(41,223)
Net change in fund balance	(61,090)	(61,090)	31,052	92,142	12,087
FUND BALANCE - Beginning	385,266	385,266	385,266		373,179
FUND BALANCE - Ending	\$ 324,176	\$ 324,176	\$ 416,318	\$ 92,142	\$ 385,266

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, 2021
With Comparative Totals for December 31, 2020

REVENUES	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget Positive (Negative)	2020 Actual Amounts
	Original	Final			
Property taxes	\$ 4,945	\$ 4,945	\$ 5,015	\$ 70	\$ 5,236
Interest Income			10	10	65
Intergovernmental Revenue					
First responders contracts	4,700	4,700	4,667	(33)	4,667
Miscellaneous Revenues					
Contributions			475	475	130
TOTAL REVENUES	9,645	9,645	10,167	522	10,098
EXPENDITURES					
Public Safety					
Salaries and wages	2,445	2,445	2,086	359	2,503
Insurance	650	650	528	122	678
General supplies	200	200	10	190	294
Repair and maintenance	325	325		325	901
Fuels and lubricants	100	100	115	(15)	75
Travel, schools, conferences	850	850	50	800	200
Professional services	600	600	5,440	(4,840)	650
Miscellaneous	175	175		175	
Capital outlay	4,300	4,300	1,000	3,300	8,228
TOTAL EXPENDITURES	9,645	9,645	9,229	416	13,529
NET CHANGE IN FUND BALANCE			938	938	(3,431)
FUND BALANCES, BEGINNING	15,600	15,600	15,600		19,031
FUND BALANCES, ENDING	\$ 15,600	\$ 15,600	\$ 16,538	\$ 938	\$ 15,600

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, 2021
With Comparative Totals for December 31, 2020

REVENUES	Budgeted Amounts		2021 Actual Amounts	Variance with Final Budget	2020 Actual Amounts
	Original	Final		Positive (Negative)	
Charges for Services					
Fire calls	\$ 1,000	\$ 1,000	\$ 7,056	\$ 6,056	\$ 7,625
Intergovernmental Revenue					
Fire contracts	23,000	23,000	23,000		23,000
Other state aid			2,835	2,835	727
Federal aid			3,665	3,665	46,818
Total Intergovernmental Revenue	23,000	23,000	29,500	6,500	70,545
Interest Income			32	32	105
TOTAL REVENUES	24,000	24,000	36,588	12,588	78,275
EXPENDITURES					
Public Safety					
Salaries and wages	7,150	7,150	1,922	5,228	1,549
City fire relief aid			1,350	(1,350)	1,350
Insurance	1,000	1,000	2,259	(1,259)	2,232
Communication	1,000	1,000	1,088	(88)	222
Repair and maintenance	7,000	7,000	6,620	380	7,031
Utilities	1,200	1,200	1,698	(498)	1,824
Fuels and lubricants	200	200	496	(296)	178
Travel, schools, conferences	1,000	1,000	903	97	2,923
Professional services	500	500	1,495	(995)	1,480
Miscellaneous	575	575	848	(273)	113
Capital outlay	4,500	4,500	5,970	(1,470)	59,064
TOTAL EXPENDITURES	24,125	24,125	24,649	(524)	77,966
EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	(125)	(125)	11,939	12,064	309
Other Financing Sources					
Transfers in					7,500
NET CHANGE IN FUND BALANCE	(125)	(125)	11,939	12,064	7,809
FUND BALANCES, BEGINNING	44,806	44,806	44,806		36,997
FUND BALANCES, ENDING	\$ 44,681	\$ 44,681	\$ 56,745	\$ 12,064	\$ 44,806

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
For the Year Ended December 31, 2021
With Comparative Totals for December 31, 2020

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets				
Cash and cash equivalents	\$ 168,097	\$ 177,062	\$ 345,159	\$ 394,194
Restricted cash and cash equivalents		34,607	34,607	54,224
Accounts receivable	8,428	15,668	24,096	18,704
Total Current Assets	<u>176,525</u>	<u>227,337</u>	<u>403,862</u>	<u>467,122</u>
Capital Assets				
Building and structures	19,585	3,019,378	3,038,963	3,035,550
Other improvements	1,403,950	170,975	1,574,925	1,574,925
Machinery and equipment	41,582	42,486	84,068	80,047
Total	<u>1,465,117</u>	<u>3,232,839</u>	<u>4,697,956</u>	<u>4,690,522</u>
Less: Accumulated depreciation	782,698	815,852	1,598,550	1,498,678
Capital Assets, Net	<u>682,419</u>	<u>2,416,987</u>	<u>3,099,406</u>	<u>3,191,844</u>
Deferred Outflows of Resources				
Deferred outflows from pension activity	520	329	849	731
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 859,464</u>	<u>\$ 2,644,653</u>	<u>\$ 3,504,117</u>	<u>\$ 3,659,697</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 1,346	\$ 21,207	\$ 22,553	\$ 8,614
Accrued interest payable	1,001		1,001	1,275
Customer deposits	15,813		15,813	14,737
Bonds payable - current	45,000	22,000	67,000	64,000
Total Current Liabilities	<u>63,160</u>	<u>43,207</u>	<u>106,367</u>	<u>88,626</u>
Long-Term Liabilities				
Net pension liability	476	422	898	2,474
Bonds payable - noncurrent	129,000	1,094,000	1,223,000	1,290,000
Total Noncurrent Liabilities	<u>129,476</u>	<u>1,094,422</u>	<u>1,223,898</u>	<u>1,292,474</u>
Deferred Inflows of Resources				
Deferred inflows from pension activity	766	606	1,372	891
Net Position				
Net investment in capital assets	508,419	1,300,987	1,809,406	1,837,844
Restricted		34,607	34,607	54,224
Unrestricted	157,643	170,824	328,467	385,638
Total Net Position	<u>666,062</u>	<u>1,506,418</u>	<u>2,172,480</u>	<u>2,277,706</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 859,464</u>	<u>\$ 2,644,653</u>	<u>\$ 3,504,117</u>	<u>\$ 3,659,697</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, 2021
With Comparative Totals for December 31, 2020

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2021	2020
Operating Revenues				
Charges for services	\$ 101,993	\$ 189,386	\$ 291,379	\$ 283,115
Operating Expenses				
Salaries and benefits	6,636	8,032	14,668	15,692
Contractual services	17,554	70,626	88,180	75,254
Chemicals	923		923	14,148
General supplies	1,320	1,302	2,622	2,498
Repairs and maintenance	50,523	51,465	101,988	41,695
Utilities	10,036	57,550	67,586	78,323
Insurance	1,064	3,158	4,222	1,638
Depreciation	26,993	72,879	99,872	99,268
Miscellaneous	298	6,012	6,310	955
Total Operating Expenses	<u>115,347</u>	<u>271,024</u>	<u>386,371</u>	<u>329,471</u>
OPERATING LOSS	<u>(13,354)</u>	<u>(81,638)</u>	<u>(94,992)</u>	<u>(46,356)</u>
Nonoperating Revenues (Expenses)				
Special assessments	158	1,088	1,246	47
Interest income	100	125	225	1,585
Bond interest and charges	(3,262)	(29,846)	(33,108)	(34,394)
Loss on disposal of equipment				(4,560)
Insurance reimbursement		8,043	8,043	23,220
Miscellaneous	833	2,527	3,360	1,319
Total Nonoperating Revenues (Expenses)	<u>(2,171)</u>	<u>(18,063)</u>	<u>(20,234)</u>	<u>(12,783)</u>
Net Loss Before Transfers	<u>(15,525)</u>	<u>(99,701)</u>	<u>(115,226)</u>	<u>(59,139)</u>
OTHER FINANCING SOURCES				
Transfers in		10,000	10,000	19,675
TOTAL OTHER FINANCING SOURCES		<u>10,000</u>	<u>10,000</u>	<u>19,675</u>
CHANGE IN NET POSITION	(15,525)	(89,701)	(105,226)	(39,464)
NET POSITION, BEGINNING	<u>681,587</u>	<u>1,596,119</u>	<u>2,277,706</u>	<u>2,317,170</u>
NET POSITION, ENDING	<u>\$ 666,062</u>	<u>\$ 1,506,418</u>	<u>\$ 2,172,480</u>	<u>\$ 2,277,706</u>

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2021
With Comparative Totals for December 31, 2020

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2021	2020
Cash Flows From Operating Activities				
Cash received from customers	\$ 101,908	\$ 184,079	\$ 285,987	\$ 284,105
Cash paid to suppliers	(84,444)	(173,611)	(258,055)	(212,882)
Cash paid to employees	(7,392)	(7,250)	(14,642)	(15,786)
Net Cash Provided By Operating Activities	<u>10,072</u>	<u>3,218</u>	<u>13,290</u>	<u>55,437</u>
Cash Flows From Capital And Related Financing Activities				
Principal paid on bonds	(43,000)	(21,000)	(64,000)	(63,000)
Interest paid on debt	(3,536)	(29,846)	(33,382)	(34,669)
Cash received from other sources	991	11,658	12,649	28,743
Transfers in (out) from other funds		10,000	10,000	19,675
Additions to capital assets		(7,434)	(7,434)	
Net Cash Used In Capital and Related Financing Activities	<u>(45,545)</u>	<u>(36,622)</u>	<u>(82,167)</u>	<u>(49,251)</u>
Cash Flows From Investing Activities				
Interest earnings on temporary investments	100	125	225	1,585
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(35,373)</u>	<u>(33,279)</u>	<u>(68,652)</u>	<u>7,771</u>
Cash and Cash Equivalents, Beginning of Year	203,470	244,948	448,418	440,647
Cash and Cash Equivalents, End of Year	<u>\$ 168,097</u>	<u>\$ 211,669</u>	<u>\$ 379,766</u>	<u>\$ 448,418</u>
Classified as:				
Cash and cash equivalents	\$ 168,097	\$ 177,062	\$ 345,159	\$ 394,194
Restricted cash and cash equivalents		34,607	34,607	54,224
Total Cash and Cash Equivalents, End of Year	<u>\$ 168,097</u>	<u>\$ 211,669</u>	<u>\$ 379,766</u>	<u>\$ 448,418</u>

Reconciliation of Operating Loss to Net Cash Provided By Operations

	Enterprise Funds			
	Water	Sewer	Totals	
	Fund	Fund	2021	2020
Operating Loss	\$ (13,354)	\$ (81,638)	\$ (94,992)	\$ (50,513)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	26,993	72,879	99,872	99,268
Change in net pension liability	(1,384)	171	(1,213)	(1,508)
(Increase) Decrease In:				
Accounts receivable	(85)	(5,307)	(5,392)	5,147
Increase (Decrease) In:				
Accounts payable	(3,174)	17,113	13,939	2,510
Customer deposits	1,076		1,076	533
Net Cash Provided By Operating Activities	<u>\$ 10,072</u>	<u>\$ 3,218</u>	<u>\$ 13,290</u>	<u>\$ 55,437</u>

See Notes to the Financial Statements

CITY OF WYKOFF, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 *Historical fund* accounts for the activities of the jailhouse and museum.

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

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 *2020A Improvement Bond fund* accounts for the accumulation of resources for payment of the improvement bonds.

The City reports the following major proprietary funds:

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

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

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 and Historical fund, which adopt project length budgets. 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, Deferred Outflows of Resources, 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, Deferred Outflows of Resources, 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 ten to fifteen years with interest charges ranging from 3.25% to 5.35%. 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 in Years
Buildings	10 - 40
Infrastructure	15 - 50
Other Improvements	5 - 40
Machinery and Equipment	2 - 20

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

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, 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, Deferred Outflows of Resources, 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. 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 2020 financial statement have been reclassified to conform to the 2021 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, 2021, 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>1,292,129</u>
Total Cash and Cash Equivalents			<u>\$ 1,292,229</u>
Cash and Cash Equivalents - Statement of Net Position			\$ 1,257,622
Restricted Cash and Cash Equivalents - Statement of Net Position			<u>34,607</u>
Total Cash and Cash Equivalents			<u>\$ 1,292,229</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: Observable market-based inputs or unobservable inputs that are corroborated by market data. 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, 2021 or 2020.

3. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2021 are as follows:

<u>Fund</u>	<u>Fillmore County</u>	<u>State of Minnesota</u>	<u>Total</u>
General	\$ 2,548	\$ 12,288	\$ 14,836
First Responders	97		97
Debt Service	1,745		1,745
	<u>\$ 4,390</u>	<u>\$ 12,288</u>	<u>\$ 16,678</u>

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	\$ 109,014	\$	\$	\$ 109,014
Construction in progress		5,071		5,071
Total capital assets, not being depreciated	<u>109,014</u>	<u>5,071</u>		<u>114,085</u>
Capital assets, being depreciated:				
Buildings	465,798	6,060		471,858
Improvements	3,166,024			3,166,024
Machinery and equipment	1,031,260	87,099		1,118,359
Total capital assets, being depreciated	<u>4,663,082</u>	<u>93,159</u>		<u>4,756,241</u>
Less accumulated depreciation for:				
Buildings	310,494	12,470		322,964
Improvements	1,930,647	87,208		2,017,855
Machinery and equipment	709,942	50,701		760,643
Total accumulated depreciation	<u>2,951,083</u>	<u>150,379</u>		<u>3,101,462</u>
Total capital assets, being depreciated, net	<u>1,711,999</u>	<u>(57,220)</u>		<u>1,654,779</u>
Governmental activities capital assets, net	<u>\$ 1,821,013</u>	<u>\$ (52,149)</u>	<u>\$</u>	<u>\$ 1,768,864</u>

Governmental Activities:

General government	\$ 11,608
Public safety	34,980
Public works	101,269
Parks, museum and recreation	<u>2,522</u>

Total depreciation expense - governmental activities \$ 150,379

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, being depreciated:				
Buildings and improvements	\$ 4,610,475	\$ 3,413	\$	\$ 4,613,888
Machinery and equipment	80,047	4,021		84,068
Total capital assets, being depreciated	<u>4,690,522</u>	<u>7,434</u>		<u>4,697,956</u>
Less accumulated depreciation for:				
Buildings and improvements	1,437,997	96,969		1,534,966
Machinery and equipment	60,681	2,903		63,584
Total accumulated depreciation	<u>1,498,678</u>	<u>99,872</u>		<u>1,598,550</u>
Total capital assets, being depreciated, net	<u>3,191,844</u>	<u>(92,438)</u>		<u>3,099,406</u>
Business type activities capital assets, net	<u><u>\$ 3,191,844</u></u>	<u><u>\$ (92,438)</u></u>	<u><u>\$</u></u>	<u><u>\$ 3,099,406</u></u>
 Business Type Activities:				
Water			\$ 26,993	
Sewer			<u>72,879</u>	
Total depreciation expense - business type activities			<u><u>\$ 99,872</u></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, 2021 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2021
Governmental Activities			
General Obligation Improvement Bond:			
2012A Refunding Improvement Note	2.20%	2/1/2023	\$ 35,000
2018A Improvement Note	3.90%	2/1/2029	207,000
2020A Improvement Note	1.90%	2/1/2036	558,000
Compensated Absences			1,569
Business-Type Activities			
General Obligation Revenue Bonds:			
2007 Drinking Water Revenue Bond	1.40%	8/20/2026	138,000
2004 Drinking Water Revenue Bond	2.34%	8/20/2023	36,000
2015A Sewer Revenue Bond	2.625%	1/1/2055	500,000
2015B Sewer Revenue Bond	2.625%	1/1/2055	616,000
Total Long Term Debt			<u>\$ 2,091,569</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
2012A Improvement Refunding Note	\$ 53,000	\$	\$ 18,000	\$ 35,000	\$ 17,000
2018A Improvement Note	229,000		22,000	207,000	23,000
2020A Improvement Note	558,000			558,000	31,000
Compensated Absences	1,959	1,503	1,893	1,569	1,569
Governmental Activities					
Long-term Liabilities	<u>841,959</u>	<u>1,503</u>	<u>41,893</u>	<u>801,569</u>	<u>72,569</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
2007 Drinking Water Revenue Bond	164,000		26,000	138,000	27,000
2004 Drinking Water Revenue Bond	53,000		17,000	36,000	18,000
2015A Sewer Revenue Bond	509,000		9,000	500,000	10,000
2015B Sewer Revenue Bond	628,000		12,000	616,000	12,000
Business-type Activities					
Long-term Liabilities	<u>1,354,000</u>		<u>64,000</u>	<u>1,290,000</u>	<u>67,000</u>
Total	<u>\$ 2,195,959</u>	<u>\$ 1,503</u>	<u>\$ 105,893</u>	<u>\$ 2,091,569</u>	<u>\$ 139,569</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, 2021, are summarized below:

Years	General Obligation Improvement Bonds		General Obligation Utility Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2022	\$ 71,000	\$ 18,515	\$	\$	\$ 89,515
2023	73,000	16,635			89,635
2024	58,000	14,884			72,884
2025	58,000	13,281			71,281
2026	61,000	11,631			72,631
2027-2031	269,000	33,920			302,920
2032-2036	210,000	10,165			220,165
	<u>\$ 800,000</u>	<u>\$ 119,029</u>	<u>\$</u>	<u>\$</u>	<u>\$ 919,029</u>
<u>Business-Type Activities</u>					
2022			\$ 67,000	\$ 32,070	\$ 99,070
2023			67,000	30,692	97,692
2024			51,000	29,394	80,394
2025			51,000	28,320	79,320
2026			52,000	27,325	79,325
2027-2031			130,000	124,916	254,916
2032-2036			148,000	107,006	255,006
2037-2041			169,000	86,433	255,433
2042-2046			192,000	63,061	255,061
2047-2051			218,000	36,509	254,509
2052-2054			145,000	7,676	152,676
			<u>\$ 1,290,000</u>	<u>\$ 573,402</u>	<u>\$ 1,863,402</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	\$	\$ 33,898
Capital Improvement	23,898	
Sewer	10,000	
	<u>\$ 33,898</u>	<u>\$ 33,898</u>

The amounts due to and due from other funds at December 31, 2021, at the individual fund level are summarized below:

<u>Funds</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
General	\$	\$ 5,443
Historical	5,443	
	<u>\$ 5,443</u>	<u>\$ 5,443</u>

The City utilizes due to and from other funds for cash flow purposes.

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

Rural Fire Fund	\$ 524
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As of December 31, 2021 the following fund had deficit fund balance:

Historical Fund	\$ 5,694
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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. The following is a summary of committed fund balances as of December 31, 2021 with comparative totals for December 31, 2020:

	<u>First Responders</u>	<u>Rural Fire</u>	<u>Revolving Loan</u>	<u>Capital Improvement</u>	<u>2021 Total</u>	<u>2020 Total</u>
Street improvements	\$	\$	\$	\$	\$	\$ 17,205
Equipment		56,745			56,745	44,806
First responders activities	16,538				16,538	15,600
Economic development			37,558		37,558	34,962
Fire				207,304	207,304	134,789
Street lights						4,664
Emergency disaster				9,897	9,897	9,897
Total	<u>\$ 16,538</u>	<u>\$ 56,745</u>	<u>\$ 37,558</u>	<u>\$ 217,201</u>	<u>\$ 328,042</u>	<u>\$ 261,923</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 Plan - 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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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 Plan - 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 2021 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, 2021, were \$2,424. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2021, the City reported a liability of \$17,082 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. 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 \$633.

The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0004 percent at the end of the measurement period and 0.0005 percent for the beginning of the period.

City's proportionate share of net pension liability	\$	17,082
State of Minnesota's proportionate share of the net pension liability associated with the City	\$	633

For the year ended December 31, 2021, the City recognized pension expense of (\$13,100) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$51 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 Plan - Statewide (Continued)

Pension Costs (Continued)

At December 31, 2021, 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	\$ 104	\$ 537
Changes in actuarial assumptions	10,429	443
Net collective difference between projected and actual investment earnings		14,591
Changes in proportion	2,765	7,283
Contributions paid to PERA subsequent to the measurement date	1,131	
Total	<u>\$ 14,429</u>	<u>\$ 22,854</u>

The \$1,131 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, 2022. 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
2022	\$ (3,766)
2023	(266)
2024	(1,489)
2025	(4,035)

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plan - Statewide (Continued)

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plan - Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions used in the June 30, 2021 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. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

There following changes in actuarial assumptions and plan provisions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 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 Statutes. 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.

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	5.50%	\$	34,838
Current Discount Rate	6.50%	\$	17,082
1% Higher	7.50%	\$	2,512

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.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plan - Volunteer Fire Relief Association

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

Plan Description

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

Volunteer firefighters of the City are members of the Wykoff Volunteer Fire Department Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,500 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 2021, at the Association direction, the City did not levy any property taxes to be paid to the Association.

Related Party Investments

During 2021 and as of December 31, 2021, the Association held no securities issued by the City.

Funding Status and Progress

At December 31, 2020 the Association funding status is as follows:

Total plan assets	\$	408,593
Total accrued liability		<u>(282,128)</u>
Excess of Plan Assets over Accrued Liability	\$	<u>126,465</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. The funding strategy should provide sufficient resources to pay relief association benefits on a timely basis. The City was not obligated to make a contribution in 2021, but did make a voluntary contribution of \$2,700.

The computation of the pension contribution requirements for 2021 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.

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 2021. 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 2021. 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, 2021

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	2,804	2,804		37,387	7.50%
2021	2,424	2,424		32,320	7.50%
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	0.0005%	29,977	897	30,874	34,153	90.4%	79.06%
2021	0.0004%	17,082	633	17,715	34,853	50.8%	87.00%
2022							
2023							

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CITY OF WYKOFF, MINNESOTA
SUPPLEMENTARY INFORMATION
December 31, 2021

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS
As of December 31, 2021

General Obligation Drinking Water Revenue
Bonds of 2004

Payment Year	Principal	Interest	Rate	Total
2022	\$ 18,000	\$ 843	2.34%	\$ 18,843
2023	18,000	421	2.34%	18,421
	<u>\$ 36,000</u>	<u>\$ 1,264</u>		<u>\$ 37,264</u>

General Obligation Drinking Water Revenue
Bonds of 2007

Payment Year	Principal	Interest	Rate	Total
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	28,000	784	1.40%	28,784
2026	28,000	392	1.40%	28,392
	<u>\$ 138,000</u>	<u>\$ 5,838</u>		<u>\$ 143,838</u>

General Obligation Improvement Refunding
Bonds of 2012A

Payment Year	Principal	Interest	Rate	Total
2022	\$ 17,000	\$ 583	2.20%	\$ 17,583
2023	18,000	198	2.20%	18,198
	<u>\$ 35,000</u>	<u>\$ 781</u>		<u>\$ 35,781</u>

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS
As of December 31, 2021

General Obligation Sewer Revenue
Bonds of 2015A

Payment Year	Principal	Interest	Rate	Total
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	10,000	12,337	2.625%	22,337
2026	11,000	12,075	2.625%	23,075
2027-2031	58,000	55,997	2.625%	113,997
2032-2036	67,000	47,932	2.625%	114,932
2037-2041	75,000	38,712	2.625%	113,712
2042-2046	86,000	28,313	2.625%	114,313
2047-2051	98,000	16,390	2.625%	114,390
2052-2054	65,000	3,444	2.625%	68,444
	<u>\$ 500,000</u>	<u>\$ 253,822</u>		<u>\$ 753,822</u>

General Obligation Sewer Revenue
Bonds of 2015B

Payment Year	Principal	Interest	Rate	Total
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
2025	13,000	15,199	2.625%	28,199
2026	13,000	14,858	2.625%	27,858
2027-2031	72,000	68,919	2.625%	140,919
2032-2036	81,000	59,074	2.625%	140,074
2037-2041	94,000	47,721	2.625%	141,721
2042-2046	106,000	34,748	2.625%	140,748
2047-2051	120,000	20,119	2.625%	140,119
2052-2054	80,000	4,232	2.625%	84,232
	<u>\$ 616,000</u>	<u>\$ 312,478</u>		<u>\$ 928,478</u>

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS
As of December 31, 2021

General Obligation Improvement Note
Bonds of 2018A

Payment Year	Principal	Interest	Rate	Total
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	25,000	4,817	3.900%	29,817
2026	27,000	3,803	3.900%	30,803
2027-2029	84,000	4,992	3.900%	88,992
	<u>\$ 207,000</u>	<u>\$ 33,755</u>		<u>\$ 240,755</u>

General Obligation Improvement Note
Bonds of 2020A

Payment Year	Principal	Interest	Rate	Total
2022	\$ 31,000	\$ 10,307	1.900%	\$ 41,307
2023	32,000	9,709	1.900%	41,709
2024	33,000	9,092	1.900%	42,092
2025	33,000	8,464	1.900%	41,464
2026	34,000	7,828	1.900%	41,828
2027-2031	185,000	28,928	1.900%	213,928
2032-2036	210,000	10,165	1.900%	220,165
	<u>\$ 558,000</u>	<u>\$ 84,493</u>		<u>\$ 642,493</u>

CITY OF WYKOFF, MINNESOTA
COMPLIANCE AND INTERNAL CONTROL REPORTS
DECEMBER 31, 2021

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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, 2021, 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 3, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wykoff, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wykoff, Minnesota's internal control.

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

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

The City of Wykoff, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The 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 3, 2022

CITY OF WYKOFF, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

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 2021.

FINDING – 2020-001: COMPLIANCE

In accordance with the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Cities*, the City did not have a timely remittance of state aid to the fire relief association.

RECOMMENDATION:

We recommend that the City adopt a policy to comply with the *Minnesota Legal Compliance Audit Guide for Cities* and perform internal review to ensure compliance is monitored and changes are made as necessary.

CURRENT STATUS:

The finding did not recur in 2021.

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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, 2021.

The finding from the schedule of prior year 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:

Ryan Breckenridge, 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.