

**CITY OF WYKOFF, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**



**CITY OF WYKOFF, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2022**

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**CITY OF WYKOFF, MINNESOTA**

**INTRODUCTORY SECTION**

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**CITY OF WYKOFF, MINNESOTA**

**CITY OFFICIALS**

**DECEMBER 31, 2022**

Ryan Breckenridge	Mayor
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Barb Fate	Council Member & Mayor Pro-Tem
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Lyle Morey	Council Member
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Kaleb Himli	Council Member
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Mary Sackett	Council Member
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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, 2022, 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, 2022, and the respective changes in financial position, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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.

### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***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, 2021, from which such partial information was derived.

We have previously audited the City's 2021 financial statements and our report dated February 3, 2022, 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, 2021, 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 2, 2023, 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, 2022**

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

December 31, 2022

*With Comparative Totals for December 31, 2021*

	Governmental Activities	Business-Type Activities	Totals	
			2022	2021
<b>Assets</b>				
Cash and cash equivalents	\$ 799,002	\$ 237,592	\$ 1,036,594	\$ 1,257,622
Restricted cash and cash equivalents		31,593	31,593	34,607
Receivables	86,103	24,112	110,215	126,631
Due from other governments	13,234		13,234	16,678
Net pension asset	217,378		217,378	126,465
Capital assets:				
Nondepreciable	114,085	19,708	133,793	114,085
Depreciable, net	1,752,654	3,019,215	4,771,869	4,754,185
<b>Total Assets</b>	<b>2,982,456</b>	<b>3,332,220</b>	<b>6,314,676</b>	<b>6,430,273</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity	10,154	833	10,987	14,429
<b>Liabilities</b>				
Accounts payable	16,391	3,933	20,324	40,252
Due to other governments	12,000		12,000	6,000
Accrued interest payable	7,138	712	7,850	9,077
Customer deposits		16,761	16,761	15,813
Accrued compensated absences	2,848		2,848	1,569
Unearned revenue				24,228
Noncurrent liabilities:				
Due within one year	55,000	67,000	122,000	138,000
Due in more than one year	656,000	1,156,000	1,812,000	1,952,000
Net pension liability	29,611	2,069	31,680	17,082
<b>Total Liabilities</b>	<b>778,988</b>	<b>1,246,475</b>	<b>2,025,463</b>	<b>2,204,021</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pension activity	3,314	189	3,503	22,854
<b>Net Position</b>				
Net investment in capital assets	1,155,739	1,815,923	2,971,662	2,778,270
Restricted:				
Debt service	155,944		155,944	211,757
Replacement reserves		31,593	31,593	34,607
Unrestricted	898,625	238,873	1,137,498	1,193,193
<b>Total Net Position</b>	<b>\$ 2,210,308</b>	<b>\$ 2,086,389</b>	<b>\$ 4,296,697</b>	<b>\$ 4,217,827</b>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2022  
*With Comparative Totals for December 31, 2021*

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 124,156	\$ 7,652	\$ 9,551	\$
Public safety	42,318	6,175	45,598	60,000
Public works	136,682			42,044
Parks, museum and recreation	37,641	13,355	33	
Interest on long-term debt	17,431			
Total governmental activities	358,228	27,182	55,182	102,044
Business-Type activities:				
Water	85,871	103,619		
Sewer	324,594	183,154		105
Storm sewer		4,623		
Total business-type activities	410,465	286,773		105
Total	\$ 768,693	\$ 313,955	\$ 55,182	\$ 102,149

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

**See Notes to the Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2022	2021
\$ (106,953)	\$	\$ (106,953)	\$ (81,693)
69,455		69,455	61,526
(94,638)		(94,638)	(83,588)
(24,253)		(24,253)	(11,309)
(17,431)		(17,431)	(20,002)
(173,820)		(173,820)	(135,066)
	17,748	17,748	(16,458)
	(141,335)	(141,335)	(110,396)
	4,623	4,623	
	(118,964)	(118,964)	(126,854)
(173,820)	(118,964)	(292,784)	(261,920)
207,294		207,294	196,715
136,831		136,831	136,652
302		302	296
736	70	806	1,252
7,555		7,555	8,043
16,262	2,604	18,866	4,406
(30,199)	30,199		
338,781	32,873	371,654	347,364
164,961	(86,091)	78,870	85,444
2,045,347	2,172,480	4,217,827	4,132,383
\$ 2,210,308	\$ 2,086,389	\$ 4,296,697	\$ 4,217,827

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**CITY OF WYKOFF, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**CITY OF WYKOFF, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2022  
*With Comparative Totals for December 31, 2021*

		Special Revenue Funds			
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan	260 Historical
<b>ASSETS</b>					
Cash and cash equivalents	\$ 427,655	\$ 16,813	\$ 16,877	\$ 40,787	\$ 796
Loans receivable				17,923	
Taxes receivable, delinquent	6,819	234			
Special assessments receivable:					
Delinquent	88				
Deferred	1,921				
Due from other funds					
Due from other governmental units	12,772	12			
<b>TOTAL ASSETS</b>	<u>\$ 449,255</u>	<u>\$ 17,059</u>	<u>\$ 16,877</u>	<u>\$ 58,710</u>	<u>\$ 796</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts payable	\$ 15,877	\$	\$ 428	\$	\$ 86
Due to other funds					
Due to other governmental units	12,000				
Unearned revenue					
<b>Total Liabilities</b>	<u>27,877</u>		<u>428</u>		<u>86</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue:					
Property taxes	6,819	234			
Special assessments	2,009				
Loans receivable				17,923	
<b>Total Deferred Inflows of Resources</b>	<u>8,828</u>	<u>234</u>		<u>17,923</u>	
<b>Fund Balance</b>					
Restricted:					
Debt service					
Committed:					
By Council action		16,825	16,449	40,787	
Assigned					710
Unassigned	412,550				
<b>Total Fund Balance</b>	<u>412,550</u>	<u>16,825</u>	<u>16,449</u>	<u>40,787</u>	<u>710</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 449,255</u>	<u>\$ 17,059</u>	<u>\$ 16,877</u>	<u>\$ 58,710</u>	<u>\$ 796</u>

**See Notes to the Financial Statements**

Capital Projects Fund	Debt Service Funds			Total Governmental Funds	
	304	305	307	2022	2021
	2012A Imp Refunding Bond	2018A Improvement Bond	2020A Improvement Bond		
406 Capital Improvement					
\$ 192,560	\$	\$ 49,998	\$ 53,516	\$ 799,002	\$ 912,463
				17,923	20,294
		1,054	1,385	9,492	7,522
			1,631	1,719	2,163
		19,087	35,961	56,969	72,556
					5,443
		52	398	13,234	16,678
<u>\$ 192,560</u>	<u>\$</u>	<u>\$ 70,191</u>	<u>\$ 92,891</u>	<u>\$ 898,339</u>	<u>\$ 1,037,119</u>
\$	\$	\$	\$	\$ 16,391	\$ 17,699
					5,443
				12,000	6,000
					24,228
				28,391	53,370
		1,054	1,385	9,492	7,522
		19,087	37,592	58,688	74,719
				17,923	20,294
		20,141	38,977	86,103	102,535
		50,050	53,914	103,964	142,548
192,560				266,621	328,042
				710	
				412,550	410,624
<u>192,560</u>		<u>50,050</u>	<u>53,914</u>	<u>783,845</u>	<u>881,214</u>
<u>\$ 192,560</u>	<u>\$</u>	<u>\$ 70,191</u>	<u>\$ 92,891</u>	<u>\$ 898,339</u>	<u>\$ 1,037,119</u>

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

For the Year Ended December 31, 2022  
*With Comparative Totals for December 31, 2021*

		Special Revenue Funds			
	101 General	230 First Responders	240 Rural Fire	250 Revolving Loan	260 Historical
<b>REVENUES</b>					
Property taxes	\$ 126,232	\$ 5,486	\$	\$	\$
Special assessments					
Licenses and permits	2,147				
Intergovernmental revenues	198,002	5,588	25,065		
Charges for services	5,505		5,305		13,355
Fines and forfeits	90				
Interest income	125	4	4	523	
Miscellaneous revenues	38,520	2,300	249	2,706	2,022
Total Revenues	370,621	13,378	30,623	3,229	15,377
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	109,422				
Public safety	65,223	13,091	16,017		
Public works	31,383				
Parks, museum and recreation	22,294				11,973
Capital outlay	134,924		54,902		
Debt service					
Total Expenditures	363,246	13,091	70,919		11,973
Excess (deficiency) of revenues over (under) expenditures	7,375	287	(40,296)	3,229	3,404
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recovery	7,555				
Transfers in					3,000
Transfers out	(18,698)				
Total Other Financing Sources (Uses)	(11,143)				3,000
Net change in fund balance	(3,768)	287	(40,296)	3,229	6,404
<b>FUND BALANCES, BEGINNING</b>	416,318	16,538	56,745	37,558	(5,694)
<b>FUND BALANCES, ENDING</b>	\$ 412,550	\$ 16,825	\$ 16,449	\$ 40,787	\$ 710

**See Notes to the Financial Statements**



Capital Projects Fund	Debt Service Funds			Total Governmental Funds	
406 Capital Improvement	304 2012A Imp Refunding Bond	305 2018A Improvement Bond	307 2020A Improvement Bond	2022	2021
\$	\$ 15,401	\$ 23,536	\$ 34,669	\$ 205,324	\$ 199,497
	4,248	2,524	3,579	10,351	8,936
				2,147	1,659
				228,655	212,139
				24,165	26,125
				90	42
53		13	14	736	1,027
45,000				90,797	92,941
45,053	19,649	26,073	38,262	562,265	542,366
				109,422	88,986
				94,331	87,104
				31,383	48,239
				34,267	29,493
70,392	35,438	30,624	41,307	260,218	101,208
				107,369	62,774
70,392	35,438	30,624	41,307	636,990	417,804
(25,339)	(15,789)	(4,551)	(3,045)	(74,725)	124,562
698	(15,199)			7,555	23,898
				3,698	(33,898)
698	(15,199)			(33,897)	(10,000)
(24,641)	(30,988)	(4,551)	(3,045)	(22,644)	114,562
217,201	30,988	54,601	56,959	(97,369)	766,652
\$ 192,560	\$	\$ 50,050	\$ 53,914	881,214	881,214
				783,845	

**CITY OF WYKOFF, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS  
December 31, 2022**

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

Total governmental fund balances (page 7 and 8)		\$ 783,845
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 5,049,309	
Less: Accumulated depreciation	<u>(3,182,570)</u>	
		1,866,739
Some receivables are not available soon enough to pay for current period expenditures and therefore are unavailable in the funds.		
Delinquent property taxes	\$ 9,492	
Special assessments	58,688	
Loans receivable	<u>17,923</u>	
		86,103
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	\$ (711,000)	
Net pension liability	(22,771)	
Net pension asset	217,378	
Accrued compensated absences	(2,848)	
Accrued interest	<u>(7,138)</u>	
		<u>(526,379)</u>
Net position of governmental activities (page 4)		<u><u>\$ 2,210,308</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, 2022**

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)	\$	(97,369)
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Governmental funds reported capital outlays as expenditures.

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

Capital outlay	\$ 259,468		
Depreciation expense	(161,593)		
			97,875

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

Property taxes	\$ 1,970		
Special assessments	(16,031)		
Loans receivable	(2,371)		
			(16,432)

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

Change in accrued interest	\$ 938		
Principal retirement on long-term debt	89,000		
			89,938

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

Change in accrued compensated absences	\$ (1,279)		
Change in net pension liability	1,315		
Change in net pension asset	90,913		
			90,949

Change in net position of governmental activities (pages 5 and 6)	\$	164,961
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**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2022  
*With Comparative Totals for December 31, 2021*

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
<b>REVENUES</b>	Original	Final			
<b>Local Taxes</b>					
General tax levy	\$ 126,163	\$ 126,163	\$ 126,232	\$ 69	\$ 119,858
<b>Licenses and Permits</b>					
Business	1,325	1,325	1,300	(25)	1,300
Nonbusiness	350	350	847	497	359
Total Licenses and Permits	1,675	1,675	2,147	472	1,659
<b>Intergovernmental Revenues</b>					
Local government aid	136,831	136,831	136,831		136,652
Fire relief aid	2,000	2,000	12,460	10,460	12,288
Other state aid	5,000	5,000	987	(4,013)	20,492
Federal aid	22,751	22,751	47,724	24,973	3,665
Total Intergovernmental Revenues	166,582	166,582	198,002	31,420	173,097
<b>Charges for Services</b>					
City Hall rent	5,000	5,000	5,505	505	5,275
<b>Fines and Forfeits</b>					
Court fines	600	600	90	(510)	42
<b>Interest Income</b>	1,500	1,500	125	(1,375)	279
<b>Miscellaneous Revenues</b>					
Contributions	10,500	10,500	24,589	14,089	24,327
Refunds and reimbursements			1,496	1,496	259
Other	750	750	12,435	11,685	2,000
Total Miscellaneous Revenues	11,250	11,250	38,520	27,270	26,586
<b>TOTAL REVENUES</b>	<b>\$ 312,770</b>	<b>\$ 312,770</b>	<b>\$ 370,621</b>	<b>\$ 57,851</b>	<b>\$ 326,796</b>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2022  
*With Comparative Totals for December 31, 2021*

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries and benefits	\$ 4,950	\$ 4,950	\$ 6,247	\$ (1,297)	\$ 5,203
Dues	650	650	706	(56)	655
Miscellaneous			431	(431)	45
Total Mayor and Council	<u>5,600</u>	<u>5,600</u>	<u>7,384</u>	<u>(1,784)</u>	<u>5,903</u>
<b>Elections and Voter Registration</b>					
Salaries and benefits	750	750	2,914	(2,164)	20
General supplies			281	(281)	
Printing and publishing	50	50	137	(87)	
Miscellaneous			350	(350)	
Total Elections and Voter Registration	<u>800</u>	<u>800</u>	<u>3,682</u>	<u>(2,882)</u>	<u>20</u>
<b>City Clerk</b>					
Salaries and benefits	20,190	20,190	17,460	2,730	18,189
General supplies	2,000	2,000	3,059	(1,059)	1,622
Repair and maintenance	500	500	6,410	(5,910)	
Utilities	2,300	2,300	2,234	66	1,903
Printing, publishing, and dues	500	500	428	72	121
Insurance	4,500	4,500	4,804	(304)	4,544
Miscellaneous	1,775	1,775	4,432	(2,657)	3,971
Total City Clerk	<u>31,765</u>	<u>31,765</u>	<u>38,827</u>	<u>(7,062)</u>	<u>30,350</u>
<b>Professional Services</b>					
Legal and audit	27,800	27,800	16,138	11,662	13,623
Assessor	1,450	1,450	1,509	(59)	1,435
Other contracted services	2,000	2,000	1,983	17	1,924
Total Professional Services	<u>31,250</u>	<u>31,250</u>	<u>19,630</u>	<u>11,620</u>	<u>16,982</u>
<b>Municipal Buildings</b>					
Salaries and benefits	4,540	4,540	5,233	(693)	3,717
General supplies	650	650	1,172	(522)	812
Repair and maintenance	18,900	18,900	5,962	12,938	8,035
Utilities	10,100	10,100	12,660	(2,560)	11,363
Insurance	5,300	5,300	7,827	(2,527)	5,132
Miscellaneous	1,805	1,805	1,367	438	1,791
Capital outlay	20,000	20,000	2,816	17,184	3,390
Total Municipal Buildings	<u>61,295</u>	<u>61,295</u>	<u>37,037</u>	<u>24,258</u>	<u>34,240</u>
<b>Other General Government</b>					
City promotion	1,450	1,450	5,678	(4,228)	4,881
Total General Government	<u>\$ 132,160</u>	<u>\$ 132,160</u>	<u>\$ 112,238</u>	<u>\$ 19,922</u>	<u>\$ 92,376</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, 2022  
*With Comparative Totals for December 31, 2021*

<b>EXPENDITURES</b>	<b>Budgeted Amounts</b>		<b>2022 Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>	<b>2021 Actual Amounts</b>
	<b>Original</b>	<b>Final</b>			
<b>Public Safety</b>					
<b>Law Enforcement</b>					
Contractual services	\$ 24,000	\$ 24,000	\$ 24,000	\$	\$ 24,000
<b>Fire Protection</b>					
Salaries and benefits	7,200	7,200	9,533	(2,333)	7,788
City fire relief contribution	1,350	1,350	1,350		1,350
Fire relief aid			12,460	(12,460)	12,288
Motor fuel	400	400	621	(221)	468
Repair and maintenance	7,400	7,400	5,974	1,426	6,630
Professional services	300	300	157	143	895
Utilities	1,500	1,500	2,707	(1,207)	1,698
Insurance	2,300	2,300	3,217	(917)	2,259
Travel and education	2,000	2,000	2,976	(976)	1,742
Capital outlay	17,000	17,000	4,903	12,097	7,652
Miscellaneous	650	650	1,571	(921)	734
Total Fire Protection	40,100	40,100	45,469	(5,369)	43,504
<b>Civil Defense</b>					
Utilities	125	125	116	9	116
Insurance			314	(314)	
Miscellaneous			227	(227)	228
Total Civil Defense	125	125	657	(532)	344
Total Public Safety	64,225	64,225	70,126	(5,901)	67,848
<b>Public Works</b>					
<b>Streets and Highways</b>					
Salaries and benefits	14,435	14,435	13,130	1,305	9,900
Motor fuels	1,250	1,250	1,328	(78)	926
Repair and maintenance	12,100	12,100	7,854	4,246	26,064
Utilities	5,000	5,000	7,816	(2,816)	7,862
Insurance	800	800	466	334	798
Miscellaneous	1,050	1,050	789	261	2,689
Capital outlay	55,000	55,000	111,098	(56,098)	40,009
Total Public Works	\$ 89,635	\$ 89,635	\$ 142,481	\$ (52,846)	\$ 88,248

**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, 2022  
*With Comparative Totals for December 31, 2021*

EXPENDITURES	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget - Positive (Negative)	2021 Actual Amounts
	Original	Final			
<b>Park and Recreation</b>					
<b>Recreation</b>					
Sports, athletics, and miscellaneous	\$ 1,000	\$ 1,000	\$ 554	\$ 446	\$ 403
Insurance			222	(222)	
Capital outlay			2,137	(2,137)	
Total Recreation	<u>1,000</u>	<u>1,000</u>	<u>2,913</u>	<u>(1,913)</u>	<u>403</u>
<b>Park</b>					
Salaries and benefits	5,000	5,000	8,683	(3,683)	6,700
Motor fuel	650	650	932	(282)	907
Repair and maintenance	3,500	3,500	4,587	(1,087)	1,100
Insurance	1,100	1,100	412	688	1,013
Utilities			579	(579)	391
Professional services			525	(525)	160
Tree removal	500	500	5,650	(5,150)	984
Capital outlay			13,970	(13,970)	
Miscellaneous			150	(150)	1,716
Total Park	<u>10,750</u>	<u>10,750</u>	<u>35,488</u>	<u>(24,738)</u>	<u>12,971</u>
Total Park and Recreation	<u>11,750</u>	<u>11,750</u>	<u>38,401</u>	<u>(26,651)</u>	<u>13,374</u>
<b>TOTAL EXPENDITURES</b>	<u>297,770</u>	<u>297,770</u>	<u>363,246</u>	<u>(65,476)</u>	<u>261,846</u>
<b>EXCESS REVENUE OVER EXPENDITURES</b>	<u>15,000</u>	<u>15,000</u>	<u>7,375</u>	<u>(7,625)</u>	<u>64,950</u>
<b>Other Financing Sources (Uses)</b>					
Insurance recovery			7,555	7,555	
Transfers out	(15,000)	(15,000)	(18,698)	(3,698)	(33,898)
<b>Total Other Financing Sources (Uses)</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(11,143)</u>	<u>3,857</u>	<u>(33,898)</u>
<b>Net change in fund balance</b>			(3,768)	(3,768)	31,052
<b>FUND BALANCE - Beginning</b>	<u>416,318</u>	<u>416,318</u>	<u>416,318</u>		<u>385,266</u>
<b>FUND BALANCE - Ending</b>	<u>\$ 416,318</u>	<u>\$ 416,318</u>	<u>\$ 412,550</u>	<u>\$ (3,768)</u>	<u>\$ 416,318</u>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**FIRST RESPONDERS FUND**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2022  
*With Comparative Totals for December 31, 2021*

REVENUES	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget Positive (Negative)	2021 Actual Amounts
	Original	Final			
<b>Property taxes</b>	\$ 5,550	\$ 5,550	\$ 5,486	\$ (64)	\$ 5,015
<b>Interest Income</b>			4	4	10
<b>Intergovernmental Revenue</b>					
First responders contracts	4,700	4,700	5,588	888	4,667
<b>Miscellaneous Revenues</b>					
Contributions			1,800	1,800	475
Refunds and reimbursements			500	500	
Total Miscellaneous Revenues			2,300	2,300	475
<b>TOTAL REVENUES</b>	10,250	10,250	13,378	3,128	10,167
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and benefits	2,500	2,500	1,475	1,025	2,086
Insurance	550	550	722	(172)	528
General supplies	350	350	343	7	10
Repair and maintenance			335	(335)	
Fuels and lubricants	100	100	164	(64)	115
Travel, schools, conferences	500	500	2,858	(2,358)	50
Professional services	6,150	6,150	7,155	(1,005)	5,440
Miscellaneous	100	100	39	61	
Capital outlay					1,000
<b>TOTAL EXPENDITURES</b>	10,250	10,250	13,091	(2,841)	9,229
<b>NET CHANGE IN FUND BALANCE</b>			287	287	938
<b>FUND BALANCES, BEGINNING</b>	16,538	16,538	16,538		15,600
<b>FUND BALANCES, ENDING</b>	\$ 16,538	\$ 16,538	\$ 16,825	\$ 287	\$ 16,538

**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, 2022  
*With Comparative Totals for December 31, 2021*

REVENUES	Budgeted Amounts		2022	Variance with	2021
	Original	Final	Actual	Final Budget Positive (Negative)	Actual
<b>Charges for Services</b>					
Fire calls	\$ 2,000	\$ 2,000	\$ 5,305	\$ 3,305	\$ 7,056
<b>Intergovernmental Revenue</b>					
Fire contracts	23,000	23,000	24,380	1,380	23,000
Other state aid			685	685	2,835
Federal aid					3,665
Total Intergovernmental Revenue	23,000	23,000	25,065	2,065	29,500
<b>Interest Income</b>	25	25	4	(21)	32
<b>Miscellaneous Revenues</b>					
Contributions			249	249	
<b>TOTAL REVENUES</b>	25,025	25,025	30,623	5,598	36,588
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and benefits	7,200	7,200	872	6,328	1,922
City fire relief aid	1,350	1,350	1,350		1,350
Insurance	2,300	2,300	2,717	(417)	2,259
Communication	2,000	2,000		2,000	1,088
Repair and maintenance	4,500	4,500	3,222	1,278	6,620
Utilities	1,500	1,500	2,303	(803)	1,698
Fuels and lubricants	400	400	623	(223)	496
Travel, schools, conferences	2,000	2,000	3,276	(1,276)	903
Professional services	300	300	1,157	(857)	1,495
Miscellaneous	1,050	1,050	497	553	848
Capital outlay	15,000	15,000	54,902	(39,902)	5,970
<b>TOTAL EXPENDITURES</b>	37,600	37,600	70,919	(33,319)	24,649
<b>NET CHANGE IN FUND BALANCE</b>	(12,575)	(12,575)	(40,296)	(27,721)	11,939
<b>FUND BALANCES, BEGINNING</b>	56,745	56,745	56,745		44,806
<b>FUND BALANCES, ENDING</b>	\$ 44,170	\$ 44,170	\$ 16,449	\$ (27,721)	\$ 56,745

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
For the Year Ended December 31, 2022  
*With Comparative Totals for December 31, 2021*

	Enterprise Funds				
	Water	Sewer	Storm Sewer	Totals	
	Fund	Fund	Fund	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 164,192	\$ 69,241	\$ 4,159	\$ 237,592	\$ 345,159
Restricted cash and cash equivalents		31,593		31,593	34,607
Accounts receivable	8,148	15,500	464	24,112	24,096
Total Current Assets	<u>172,340</u>	<u>116,334</u>	<u>4,623</u>	<u>293,297</u>	<u>403,862</u>
<b>Capital Assets</b>					
Construction in progress		19,708		19,708	
Building	17,876	2,876,387		2,894,263	3,038,963
Improvements	1,369,757	170,178		1,539,935	1,574,925
Machinery and equipment	28,226	34,486		62,712	84,068
Total	<u>1,415,859</u>	<u>3,100,759</u>		<u>4,516,618</u>	<u>4,697,956</u>
Less: Accumulated depreciation	<u>755,033</u>	<u>722,662</u>		<u>1,477,695</u>	<u>1,598,550</u>
Capital Assets, Net	<u>660,826</u>	<u>2,378,097</u>		<u>3,038,923</u>	<u>3,099,406</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows from pension activity	<u>718</u>	<u>115</u>		<u>833</u>	<u>849</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 833,884</u>	<u>\$ 2,494,546</u>	<u>\$ 4,623</u>	<u>\$ 3,333,053</u>	<u>\$ 3,504,117</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 1,165	\$ 2,768	\$	\$ 3,933	\$ 22,553
Accrued interest payable	712			712	1,001
Customer deposits	16,761			16,761	15,813
Bonds payable - current	<u>45,000</u>	<u>22,000</u>		<u>67,000</u>	<u>67,000</u>
Total Current Liabilities	<u>63,638</u>	<u>24,768</u>		<u>88,406</u>	<u>106,367</u>
<b>Long-Term Liabilities</b>					
Net pension liability	1,594	475		2,069	898
Bonds payable - noncurrent	<u>84,000</u>	<u>1,072,000</u>		<u>1,156,000</u>	<u>1,223,000</u>
Total Noncurrent Liabilities	<u>85,594</u>	<u>1,072,475</u>		<u>1,158,069</u>	<u>1,223,898</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows from pension activity	<u>105</u>	<u>84</u>		<u>189</u>	<u>1,372</u>
<b>Net Position</b>					
Net investment in capital assets	531,826	1,284,097		1,815,923	1,809,406
Restricted		31,593		31,593	34,607
Unrestricted	<u>152,721</u>	<u>81,529</u>	<u>4,623</u>	<u>238,873</u>	<u>328,467</u>
Total Net Position	<u>684,547</u>	<u>1,397,219</u>	<u>4,623</u>	<u>2,086,389</u>	<u>2,172,480</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 833,884</u>	<u>\$ 2,494,546</u>	<u>\$ 4,623</u>	<u>\$ 3,333,053</u>	<u>\$ 3,504,117</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, 2022  
*With Comparative Totals for December 31, 2021*

	Enterprise Funds				
	Water	Sewer	Storm Sewer	Totals	
	Fund	Fund	Fund	2022	2021
<b>Operating Revenues</b>					
Charges for services	\$ 103,619	\$ 183,154	\$ 4,623	\$ 291,396	\$ 291,379
<b>Operating Expenses</b>					
Salaries and benefits	10,305	8,046		18,351	14,668
Contractual services	19,277	73,406		92,683	88,180
Chemicals	640	38,113		38,753	923
General supplies	1,503	1,433		2,936	2,622
Repairs and maintenance	17,085	23,868		40,953	101,988
Utilities	4,861	71,281		76,142	67,586
Insurance	1,190	3,548		4,738	4,222
Depreciation	28,405	74,618		103,023	99,872
Miscellaneous	120	986		1,106	6,310
Total Operating Expenses	83,386	295,299		378,685	386,371
<b>OPERATING INCOME (LOSS)</b>	20,233	(112,145)	4,623	(87,289)	(94,992)
<b>Nonoperating Revenues (Expenses)</b>					
Special assessments		105		105	1,246
Interest income	43	27		70	225
Bond interest and charges	(2,485)	(29,295)		(31,780)	(33,108)
Insurance reimbursement					8,043
Miscellaneous	694	1,910		2,604	3,360
Total Nonoperating Revenues					
(Expenses)	(1,748)	(27,253)		(29,001)	(20,234)
<b>Net Income (Loss) Before Transfers</b>	18,485	(139,398)	4,623	(116,290)	(115,226)
Transfers in		30,199		30,199	10,000
<b>CHANGE IN NET POSITION</b>	18,485	(109,199)	4,623	(86,091)	(105,226)
<b>NET POSITION, BEGINNING</b>	666,062	1,506,418		2,172,480	2,277,706
<b>NET POSITION, ENDING</b>	\$ 684,547	\$ 1,397,219	\$ 4,623	\$ 2,086,389	\$ 2,172,480

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2022  
With Comparative Totals for December 31, 2021

	Water Fund	Sewer Fund	Enterprise Funds Storm Sewer Fund	Totals	
				2022	2021
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 103,899	\$ 183,322	\$ 4,159	\$ 291,380	\$ 285,987
Cash paid to suppliers	(44,748)	(231,700)		(276,448)	(258,055)
Cash paid to employees	(9,207)	(7,675)		(16,882)	(14,642)
Net Cash Provided By (Used In) Operating Activities	49,944	(56,053)	4,159	(1,950)	13,290
<b>Cash Flows From Capital and Related Financing Activities</b>					
Principal paid on bonds	(45,000)	(22,000)		(67,000)	(64,000)
Interest paid on bonds	(2,774)	(29,295)		(32,069)	(33,382)
Cash received from other sources	694	2,015		2,709	12,649
Transfers in (out) from other funds		30,199		30,199	10,000
Additions to capital assets	(6,812)	(35,728)		(42,540)	(7,434)
Net Cash Used In Capital and Related Financing Activities	(53,892)	(54,809)		(108,701)	(82,167)
<b>Cash Flows From Investing Activities</b>					
Interest earnings on temporary investments	43	27		70	225
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(3,905)	(110,835)	4,159	(110,581)	(68,652)
<b>Cash and Cash Equivalents, Beginning of Year</b>	168,097	211,669		379,766	448,418
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 164,192</u>	<u>\$ 100,834</u>	<u>\$ 4,159</u>	<u>\$ 269,185</u>	<u>\$ 379,766</u>
Classified as:					
Cash and cash equivalents	\$ 164,192	\$ 69,241	\$ 4,159	\$ 237,592	\$ 345,159
Restricted cash and cash equivalents		31,593		31,593	34,607
Total Cash and Cash Equivalents, End of Year	<u>\$ 164,192</u>	<u>\$ 100,834</u>	<u>\$ 4,159</u>	<u>\$ 269,185</u>	<u>\$ 379,766</u>

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

	Water Fund	Sewer Fund	Enterprise Funds Storm Sewer Fund	Totals	
				2022	2021
<b>Operating Income (Loss)</b>	\$ 20,233	\$ (112,145)	\$ 4,623	\$ (87,289)	\$ (94,992)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	28,405	74,618		103,023	99,872
Change in net pension liability	259	(255)		4	(1,213)
(Increase) Decrease In:					
Accounts receivable	280	168	(464)	(16)	(5,392)
Increase (Decrease) In:					
Accounts payable	(181)	(18,439)		(18,620)	13,939
Customer deposits	948			948	1,076
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 49,944</u>	<u>\$ (56,053)</u>	<u>\$ 4,159</u>	<u>\$ (1,950)</u>	<u>\$ 13,290</u>

**See Notes to the Financial Statements**

**CITY OF WYKOFF, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Summary of Significant Accounting Policies

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

##### Reporting Entity

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

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

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

##### Government-Wide and Fund Financial Statements

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

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

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

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

The City reports the following major governmental funds:

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

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

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

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

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The *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.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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



## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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##### 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 restricted 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
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)

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

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

###### Leases

For leases with a term exceeding 12 months, the District recognizes a lease liability and a right to use lease asset in the government-wide financial statements.

The right to use lease asset is calculated at the initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus certain initial direct costs incurred, minus any lease incentives received. Subsequently, the right to use lease asset is amortized on a straight-line basis over its useful life. The District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. Remeasurement of the right to use lease asset and lease liability occurs when certain changes occur that are likely to have a significant impact on the lease liability.

Right to use lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

###### 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

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

##### Net Position / Fund Balance (continued)

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: clerk-treasurer.

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.

##### 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.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

##### Compensated Absences

Vacation is accrued when earned in the government-wide financial statements. Qualified employees accrue vacation at varying rates, which portions may be carried over to future years. The City compensates employees upon termination for a maximum of 120 hours of unused vacation time.

##### 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 2021 financial statement have been reclassified to conform to the 2022 presentation.

##### Implementation of New Accounting Principles

During the year, the City implemented *GASB Statement No. 87, Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 2. Cash and Cash Equivalents

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##### Summary of Cash and Cash Equivalents

As of December 31, 2022, the City's cash and cash equivalents consisted of the following items, all of which are held in an internal investment pool:

<u>Cash and Cash Equivalents</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 100
Deposits	None	N/A	1,068,087
Total Cash and Cash Equivalents			<u>\$ 1,068,187</u>
Cash and Cash Equivalents - Statement of Net Position			\$ 1,036,594
Restricted Cash and Cash Equivalents - Statement of Net Position			<u>31,593</u>
Total Cash and Cash Equivalents			<u>\$ 1,068,187</u>

##### Investments Authorized by Minnesota Statutes

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

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

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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##### Collateralization of Cash Deposits

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

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

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

##### Interest Rate Risk

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

##### Credit Risk

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

##### Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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##### Fair Value Measurement

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

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: 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, 2022 or 2021.

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#### 3. Due From Other Governmental Units

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Amounts due from other governmental units at December 31, 2022 are as follows:

Fund	Fillmore County	State of Minnesota	Total
General	\$ 312	\$ 12,460	\$ 12,772
First Responders	12		12
Debt Service	450		450
	<u>\$ 774</u>	<u>\$ 12,460</u>	<u>\$ 13,234</u>



**CITY OF WYKOFF, MINNESOTA**

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

**4. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 109,014	\$	\$	\$ 109,014
Construction in progress	5,071			5,071
Total capital assets, not being depreciated	<u>114,085</u>			<u>114,085</u>
Capital assets, being depreciated:				
Buildings	471,858	2,816	4,815	469,859
Improvements	3,166,024	96,360	4,796	3,257,588
Machinery and equipment	1,118,359	160,292	70,874	1,207,777
Total capital assets, being depreciated	<u>4,756,241</u>	<u>259,468</u>	<u>80,485</u>	<u>4,935,224</u>
Less accumulated depreciation for:				
Buildings	322,964	14,437	4,815	332,586
Improvements	2,017,855	86,378	4,796	2,099,437
Machinery and equipment	760,643	60,778	70,874	750,547
Total accumulated depreciation	<u>3,101,462</u>	<u>161,593</u>	<u>80,485</u>	<u>3,182,570</u>
Total capital assets, being depreciated, net	<u>1,654,779</u>	<u>97,875</u>		<u>1,752,654</u>
Governmental activities capital assets, net	<u>\$ 1,768,864</u>	<u>\$ 97,875</u>	<u>\$</u>	<u>\$ 1,866,739</u>

**Governmental Activities:**

General government	\$ 12,208
Public safety	40,600
Public works	105,553
Parks, museum and recreation	<u>3,232</u>
Total depreciation expense - governmental activities	<u>\$ 161,593</u>

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business Type Activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 19,708	\$	\$ 19,708
Total capital assets, not being depreciated		19,708		19,708
Capital assets, being depreciated:				
Buildings	3,038,963		144,700	2,894,263
Improvements	1,574,925	1,610	36,600	1,539,935
Machinery and equipment	84,068	21,222	42,578	62,712
Total capital assets, being depreciated	4,697,956	22,832	223,878	4,496,910
Less accumulated depreciation for:				
Buildings	641,019	71,377	144,700	567,696
Improvements	893,947	26,855	36,600	884,202
Machinery and equipment	63,584	4,791	42,578	25,797
Total accumulated depreciation	1,598,550	103,023	223,878	1,477,695
Total capital assets, being depreciated, net	3,099,406	(80,191)		3,019,215
Business type activities capital assets, net	\$ 3,099,406	\$ (60,483)	\$	\$ 3,038,923
<b>Business Type Activities:</b>				
Water			\$ 28,405	
Sewer			74,618	
Total depreciation expense - business type activities			\$ 103,023	

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 5. Long-Term Debt

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

##### General Obligation Improvement Bonds:

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

##### General Obligation Revenue Bonds:

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

A summary of interest rates, maturities and December 31, 2022 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2022
<b>Governmental Activities</b>			
General Obligation Improvement Bond:			
2018A Improvement Note	3.90%	2/1/2029	\$ 184,000
2020A Improvement Note	1.90%	2/1/2036	527,000
Compensated Absences			2,848
<b>Business-Type Activities</b>			
General Obligation Revenue Bonds:			
2007 Drinking Water Revenue Bond	1.40%	8/20/2026	111,000
2004 Drinking Water Revenue Bond	2.34%	8/20/2023	18,000
2015A Sewer Revenue Bond	2.625%	1/1/2055	490,000
2015B Sewer Revenue Bond	2.625%	1/1/2055	604,000
Total Long Term Debt			<u>\$ 1,936,848</u>

For governmental activities, compensated absences have generally been liquidated by the general fund.

**CITY OF WYKOFF, MINNESOTA**

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

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Improvement Bonds:					
2012A Improvement Refunding Note	\$ 35,000	\$	\$ 35,000	\$	\$
2018A Improvement Note	207,000		23,000	184,000	23,000
2020A Improvement Note	558,000		31,000	527,000	32,000
Compensated Absences	1,569	3,678	2,399	2,848	2,848
Governmental Activities					
Long-term Liabilities	801,569	3,678	91,399	713,848	57,848
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Revenue Bonds:					
2007 Drinking Water Revenue Bond	138,000		27,000	111,000	27,000
2004 Drinking Water Revenue Bond	36,000		18,000	18,000	18,000
2015A Sewer Revenue Bond	500,000		10,000	490,000	10,000
2015B Sewer Revenue Bond	616,000		12,000	604,000	12,000
Business-type Activities					
Long-term Liabilities	1,290,000		67,000	1,223,000	67,000
Total	<u>\$ 2,091,569</u>	<u>\$ 3,678</u>	<u>\$ 158,399</u>	<u>\$ 1,936,848</u>	<u>\$ 124,848</u>

**CITY OF WYKOFF, MINNESOTA**

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

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

The annual requirements to amortize long-term debt obligations outstanding as of December 31, 2022, excluding accrued compensated absences over the life of the debt, are summarized below:

	General Obligation Improvement Bonds		General Obligation Utility Revenue Bonds		
Years	Principal	Interest	Principal	Interest	Total
Governmental Activities					
2023	\$ 55,000	\$ 16,437	\$	\$	\$ 71,437
2024	58,000	14,884			72,884
2025	58,000	13,281			71,281
2026	61,000	11,631			72,631
2027	62,000	9,923			71,923
2028-2032	247,000	27,608			274,608
2033-2036	170,000	6,555			176,555
	<u>\$ 711,000</u>	<u>\$ 100,316</u>	<u>\$</u>	<u>\$</u>	<u>\$ 811,316</u>
Business-Type Activities					
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			25,000	26,302	51,302
2028-2032			133,000	121,567	254,567
2033-2037			152,000	103,058	255,058
2038-2042			173,000	81,996	254,996
2043-2047			198,000	58,022	256,022
2048-2052			223,000	30,797	253,797
2053-2054			98,000	3,859	101,859
	<u>\$</u>	<u>\$</u>	<u>\$ 1,223,000</u>	<u>\$ 541,332</u>	<u>\$ 1,764,332</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	\$	\$ 18,698
2012A Imp Refunding Bond		15,199
Capital Improvement	698	
Historical	3,000	
Sewer	30,199	
	<u>\$ 33,897</u>	<u>\$ 33,897</u>

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

General	\$ 65,476
First Responders	2,841
Rural Fire	33,319

**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, 2022 with comparative totals for December 31, 2021:

	<u>First Responders</u>	<u>Rural Fire</u>	<u>Revolving Loan</u>	<u>Capital Improvement</u>	<u>2022 Total</u>	<u>2021 Total</u>
Equipment	\$	\$ 16,449	\$	\$	\$ 16,449	\$ 56,745
First responders activities	16,825				16,825	16,538
Economic development			40,787		40,787	37,558
Fire				189,251	189,251	207,304
Emergency disaster				3,309	3,309	9,897
Total	<u>\$ 16,825</u>	<u>\$ 16,449</u>	<u>\$ 40,787</u>	<u>\$ 192,560</u>	<u>\$ 266,621</u>	<u>\$ 328,042</u>

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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#### 8. Commitments and Contingencies

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

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

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##### Plan Description

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

##### General Employees Retirement Plan

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

##### Benefits Provided

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.

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plan - Statewide (Continued)

Benefits Provided (Continued)

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.

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 2022 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, 2022, were \$2,357. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2022, the City reported a liability of \$31,680 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 \$902.

The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, 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 0.0004 percent for the beginning of the period.

City's proportionate share of net pension liability	\$ 31,680
State of Minnesota's proportionate share of the net pension liability associated with the City	902
Total	<u>\$ 32,582</u>



## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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##### Pension Costs (Continued)

For the year ended December 31, 2022, the City recognized pension expense of (\$1,311) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$135 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, 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	\$ 265	\$ 344
Changes in actuarial assumptions	7,170	161
Net collective difference between projected and actual investment earnings	837	
Changes in proportion	1,383	2,998
Contributions paid to PERA subsequent to the measurement date	1,332	
Total	<u>\$ 10,987</u>	<u>\$ 3,503</u>

The \$1,332 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 in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31:</u>	<u>Pension Expense Amount</u>
2023	\$ 2,760
2024	1,537
2025	(1,009)
2026	2,864

## CITY OF WYKOFF, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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##### 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, 2022, 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 27 years of service.

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)

There following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

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

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5 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			
Net Pension Liability at Different Discount Rates			
	General Employees Fund		
1% Lower	5.50%	\$	50,040
Current Discount Rate	6.50%	\$	31,680
1% Higher	7.50%	\$	16,622

Pension Plan Fiduciary Net Position

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

CITY OF WYKOFF, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plan - Volunteer Fire Relief Association

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

Plan Description

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

Volunteer firefighters of the City are members of the Wykoff Volunteer Fire Department Relief Association. Association members are eligible to receive a lump sum pension benefit of \$1,500 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 2022, at the Association direction, the City did not levy any property taxes to be paid to the Association.

Related Party Investments

During 2022 and as of December 31, 2022, the Association held no securities issued by the City.

Funding Status and Progress

At December 31, 2021 the Association funding status is as follows:

Total plan assets	\$ 451,746
Total accrued liability	(234,368)
Excess of plan assets over accrued liability	<u>\$ 217,378</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 2022, but did make a voluntary contribution of \$2,700.

The computation of the pension contribution requirements for 2022 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 2022. 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 2022. 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, 2022**

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

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2014	\$ 4,165	\$ 4,165	\$	\$ 57,448	7.25%
2015	6,694	6,694		89,253	7.50%
2016	6,874	6,874		91,653	7.50%
2017	4,682	4,682		62,427	7.50%
2018	2,788	2,788		37,173	7.50%
2019	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	2,357	2,357		31,427	7.50%
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	0.0004%	31,680	902	32,582	31,873	102.2%	76.67%
2023							

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**CITY OF WYKOFF, MINNESOTA**  
**SUPPLEMENTARY INFORMATION**  
**December 31, 2022**

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2022**

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

Payment Year	Principal	Interest	Rate	Total
2023	\$ 18,000	\$ 421	2.34%	\$ 18,421
	<u>\$ 18,000</u>	<u>\$ 421</u>		<u>\$ 18,421</u>

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

Payment Year	Principal	Interest	Rate	Total
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>\$ 111,000</u>	<u>\$ 3,906</u>		<u>\$ 114,906</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2022**

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

Payment Year	Principal	Interest	Rate	Total
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	11,000	11,786	2.625%	22,786
2028-2032	60,000	54,503	2.625%	114,503
2033-2037	68,000	46,145	2.625%	114,145
2038-2042	77,000	36,743	2.625%	113,743
2043-2047	89,000	26,056	2.625%	115,056
2048-2052	100,000	13,822	2.625%	113,822
2053-2054	44,000	1,733	2.625%	45,733
	<u>\$ 490,000</u>	<u>\$ 240,697</u>		<u>\$ 730,697</u>

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

Payment Year	Principal	Interest	Rate	Total
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	14,000	14,516	2.625%	28,516
2028-2032	73,000	67,064	2.625%	140,064
2033-2037	84,000	56,913	2.625%	140,913
2038-2042	96,000	45,253	2.625%	141,253
2043-2047	109,000	31,966	2.625%	140,966
2048-2052	123,000	16,975	2.625%	139,975
2053-2054	54,000	2,126	2.625%	56,126
	<u>\$ 604,000</u>	<u>\$ 296,308</u>		<u>\$ 900,308</u>

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS**  
**As of December 31, 2022**

***General Obligation Improvement Note***  
***Bonds of 2018A***

Payment Year	Principal	Interest	Rate	Total
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	27,000	2,750	3.900%	29,750
2028-2029	57,000	2,243	3.900%	59,243
	<u>\$ 184,000</u>	<u>\$ 26,130</u>		<u>\$ 210,130</u>

***General Obligation Improvement Note***  
***Bonds of 2020A***

Payment Year	Principal	Interest	Rate	Total
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	35,000	7,173	1.900%	42,173
2028-2032	190,000	25,365	1.900%	215,365
2033-2036	170,000	6,555	1.900%	176,555
	<u>\$ 527,000</u>	<u>\$ 74,186</u>		<u>\$ 601,186</u>

**CITY OF WYKOFF, MINNESOTA**  
**COMPLIANCE AND INTERNAL CONTROL REPORTS**  
**DECEMBER 31, 2022**

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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, 2022, 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 2, 2023.

***Report on 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 that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of prior year findings and responses as finding 2008-001 that we consider to be a significant deficiency.

***Report on 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Wykoff, Minnesota's response to the finding identified in our audit and described in the accompanying schedule of prior year findings and responses. The City of Wykoff, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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, Schaff and Associates, Ltd.*

Rochester, Minnesota  
February 2, 2023

**CITY OF WYKOFF, MINNESOTA**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**YEAR ENDED DECEMBER 31, 2022**

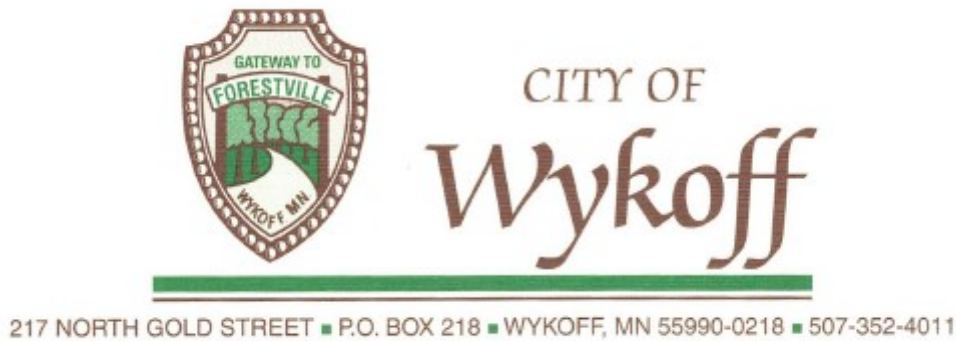
**FINDING – 2008-001     ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP) AND SEGREGATION OF DUTIES**

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. An important element of internal controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetuate and conceal errors or irregularities in the normal course of business.
Context:	Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties. 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:	There is a limited number of administrative staff. 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 segregate duties as best it can within the limits of what the City considers to be cost beneficial and 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 2022.

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

The City respectfully submits the following corrective action plan for the year ended December 31, 2022.

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. The City will continue to evaluate assignment of duties and implement segregation whenever it is practical.

#### **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.