

**CITY OF WOOD LAKE  
WOOD LAKE, MINNESOTA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

## **C O N T E N T S**

	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Schedule of City Council Members and Officials	
<b>INDEPENDENT AUDITOR'S REPORT</b>	
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Management's Discussion and Analysis	1
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	8
Statement of Activities	9
<b>Fund Financial Statements</b>	
Balance Sheet –Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Notes to Financial Statements	17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedules of City's Share of Net Pension (Asset)/Liability and City's Contributions for Defined Benefit Pension Plan	35
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratio For Defined Benefit Pension Plan	36
Schedule of Fire Relief Association Contributions for Defined Benefit Pension Plan	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	38
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street Improvement Fund	40
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –Fire Department Fund	41

## **C O N T E N T S**

## **PAGE**

### **REQUIRED SUPPLEMENTARY INFORMATION (Cont'd)**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Park Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – SCDP Fund	43
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – City Rehab Fund	44
Notes to the Required Supplementary Information	45

### **OTHER SUPPLEMENTARY INFORMATION**

Schedule of Revenues, Expenses and Changes in Net Position – Water Fund	46
Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund	47
Schedule of Revenues, Expenses and Changes in Net Position – Garbage Fund	48

### **OTHER REQUIRED REPORTS AND SCHEDULES**

Schedule of Findings on Internal Control Structure and Compliance	49
Schedule of Findings on Internal Control Structure and Compliance Corrective Action Plan	52
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 <i>Government Auditing Standards</i>	54
Independent Auditor's Report on Minnesota Legal Compliance	56

<b>MANAGEMENT LETTER</b>	<b>57</b>
--------------------------	-----------

## INTRODUCTORY SECTION



**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF CITY COUNCIL MEMBERS AND OFFICIALS  
DECEMBER 31, 2017**

**CITY COUNCIL MEMBERS**

<b><u>Member</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
David Stelter	Mayor	12-31-18
Sean Brovold	Councilperson	12-31-20
Tammi Mueller	Councilperson	12-31-20
Kory Kotek	Councilperson	12-31-18
Korey Herrick	Councilperson	12-31-18

**ADMINISTRATION**

Brenda Drager	Clerk – Treasurer	Appointed
---------------	-------------------	-----------



PLLP

---

## CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Wood Lake, Minnesota

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Wood Lake, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Wood Lake, Minnesota's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Wood Lake, Minnesota, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

903 East College Drive  
P.O. Box 548  
Marshall, MN 56258  
[www.hoffmanbrobst.com](http://www.hoffmanbrobst.com)  
507 532 5735  
Fax 537 0696

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 inquiries 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Wood Lake, Minnesota's basic financial statements. The introductory section and other supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Report on Summarized Comparative Information***

We have previously audited the City's 2016 financial statements and our report, dated June 9, 2017 expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018, on our consideration of City of Wood Lake, 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 City of Wood Lake, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wood Lake, Minnesota's internal control over financial reporting and compliance.

*Hoffman + Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

June 6, 2018

## **REQUIRED SUPPLEMENTAL INFORMATION**



**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

As management of City of Wood Lake, Minnesota, we offer readers of City of Wood Lake, Minnesota's financial statements this narrative overview and analysis of the financial activities of City of Wood Lake, Minnesota for the fiscal year ended December 31, 2017.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017 year include the following:

- Net position in the Statement of Net Position increased \$50,740 from the prior year to \$1,371,059. This increase is mainly due to an increase in capital assets due to construction in progress for the City shop and future infrastructure project combined with a decrease in long term debt due to principal payments and the decrease in the pension liability due to a decrease in the proportionate share.
- The General Fund fund balance decreased \$47,007 to \$268,406. This decrease is mainly due to a decrease in the levy and an increase in capital outlay expenditures for the construction of the City shop. The unassigned fund balance increased \$27,349 from \$194,099 to \$221,448. The unassigned fund balance amounts to 74.3% of annual General Fund expenditures and exceeds the City's fund balance goal of a minimum of six months of the next year's annual budget.
- The City is in the process of constructing a City shop. The cost of the project is anticipated to be approximately \$123,000. As of December 31, 2017, the City has incurred costs of \$106,087, which are recorded as construction in progress on the Statement of Net Position. The remaining costs will be paid from the General Fund. The City shop is expected to be completed and placed in service during 2018.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section),
- Basic financial statements, notes to financial statements, and
- Other supplementary information and other required reports and information.

The basic financial statements include two kinds of statements that present different views of the City:

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as general government, street maintenance and debt service were financed in the short term as well as what remains for future spending. The proprietary fund statements provide information about the financial services in which the City charges a fee for services.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements:

- **Statement of Net Position** - The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **Statement of Activities** - The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the City include water and sewer utilities, and garbage collection operations.

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or “major” funds – rather than the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The City has two kinds of funds:

- **Governmental funds** – The City's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary funds** – Services for which the City charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as government-wide statements, only in more detail. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer utilities, and garbage collection operations.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)  
NET POSITION**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of City of Wood Lake, Minnesota, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, by \$1,371,059 at the close of the most recent fiscal year. By far the largest portion of the City's net position (\$1,003,257 or 73.2 percent) reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A summary of the City's net position as of December 31, 2017 and 2016 is as follows:

	<b>Governmental Activities</b>		<b>NET POSITION Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Current and Other Assets	\$ 496,016	\$ 490,432	\$ 80,222	\$ 94,663	\$ 576,238	\$ 585,095
Capital Assets	<u>809,811</u>	<u>750,524</u>	<u>1,045,993</u>	<u>1,041,583</u>	<u>1,855,804</u>	<u>1,792,107</u>
<b>Total Assets</b>	<b><u>1,305,827</u></b>	<b><u>1,240,956</u></b>	<b><u>1,126,215</u></b>	<b><u>1,136,246</u></b>	<b><u>2,432,042</u></b>	<b><u>2,377,202</u></b>
Related to Pensions	<u>47,240</u>	<u>70,067</u>	<u>11,680</u>	<u>21,112</u>	<u>58,920</u>	<u>91,179</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>47,240</u></b>	<b><u>70,067</u></b>	<b><u>11,680</u></b>	<b><u>21,112</u></b>	<b><u>58,920</u></b>	<b><u>91,179</u></b>
Current Liabilities	35,166	8,119	70,269	79,169	105,435	87,288
Noncurrent Liabilities	<u>49,705</u>	<u>89,450</u>	<u>899,518</u>	<u>954,462</u>	<u>949,223</u>	<u>1,043,912</u>
<b>Total Liabilities</b>	<b><u>84,871</u></b>	<b><u>97,569</u></b>	<b><u>969,787</u></b>	<b><u>1,033,631</u></b>	<b><u>1,054,658</u></b>	<b><u>1,131,200</u></b>
Related to Pensions	<u>50,529</u>	<u>13,036</u>	<u>14,716</u>	<u>3,826</u>	<u>65,245</u>	<u>16,862</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>50,529</u></b>	<b><u>13,036</u></b>	<b><u>14,716</u></b>	<b><u>3,826</u></b>	<b><u>65,245</u></b>	<b><u>16,862</u></b>
Net Investment in Capital Assets	809,811	750,524	193,446	194,173	1,003,257	944,697
Restricted	15,014	-	3,772	-	18,786	-
Unrestricted	<u>392,842</u>	<u>449,894</u>	<u>(43,826)</u>	<u>(74,272)</u>	<u>349,016</u>	<u>375,622</u>
<b>Total Net Position</b>	<b><u>\$ 1,217,667</u></b>	<b><u>\$ 1,200,418</u></b>	<b><u>\$ 153,392</u></b>	<b><u>\$ 119,901</u></b>	<b><u>\$ 1,371,059</u></b>	<b><u>\$ 1,320,319</u></b>

An additional portion of the City's net position (\$18,786 or 1.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$349,016 or 25.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of both fiscal years, the City is able to report positive balances in all three categories of net position, for the government as a whole, as well as for its governmental activities. Business-type activities reported a negative balance in the unrestricted category of net position.



**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)  
CHANGE IN NET POSITION**

The change in net position occurs as a result of the City's expenses being greater than its revenues for the year ended December 31, 2017.

A summary of the City's change in net position for the years ended December 31, 2017 and 2016 is as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$ 39,640	\$ 46,942	\$ 250,514	\$ 220,723	\$ 290,154	\$ 267,665
Operating Grants and Contributions	11,628	5,163	-	-	11,628	5,163
Capital Grants and Contributions	12,500	11,622	-	-	12,500	11,622
General Revenues						
Property Taxes – General	131,323	135,775	-	-	131,323	135,775
Unallocated Federal and State Aid	138,193	134,958	8	170	138,201	135,128
Other	17,480	32,774	59	54	17,539	32,828
<b>Total Revenues</b>	<b>350,764</b>	<b>367,234</b>	<b>250,581</b>	<b>220,947</b>	<b>601,345</b>	<b>588,181</b>
<b>Expenses</b>						
General Government	60,136	60,919	-	-	60,136	60,919
Public Safety	82,964	74,044	-	-	82,964	74,044
Public Works	103,017	145,874	-	-	103,017	145,874
Culture and Recreation	51,669	49,244	-	-	51,669	49,244
Economic Development	90	187	-	-	90	187
Miscellaneous	28,432	33,182	-	-	28,432	33,182
Loss on Disposal of Assets	7,207	-	-	-	7,207	-
Water	-	-	93,855	128,566	93,855	128,566
Sewer	-	-	91,107	125,459	91,107	125,459
Garbage	-	-	32,128	32,416	32,128	32,416
<b>Total Expenses</b>	<b>333,515</b>	<b>363,450</b>	<b>217,090</b>	<b>286,441</b>	<b>550,605</b>	<b>649,891</b>
<b>Increase (Decrease) in Net Position</b>	<b>17,249</b>	<b>3,784</b>	<b>33,491</b>	<b>(65,494)</b>	<b>50,740</b>	<b>(61,710)</b>
<b>Net Position – Beginning</b>	<b>1,200,418</b>	<b>1,196,634</b>	<b>119,901</b>	<b>185,395</b>	<b>1,320,319</b>	<b>1,382,029</b>
<b>Net Position – Ending</b>	<b>\$ 1,217,667</b>	<b>\$ 1,200,418</b>	<b>\$ 153,392</b>	<b>\$ 119,901</b>	<b>\$ 1,371,059</b>	<b>\$ 1,320,319</b>

**Governmental Activities**

The City's total revenues consisted of program revenues of \$63,738, property taxes of \$131,323, unallocated federal and state aids of \$138,193, and an amount from miscellaneous other sources. Expenses totaling \$333,515 consisted of general government costs of \$60,136, public safety of \$82,964, public works of \$103,017, culture and recreation of \$51,669, and minor other amounts.

**Business-Type Activities**

The City's total revenues consisted of program revenues of \$250,514 and a small amount from miscellaneous other sources. Expenses totaling \$217,090 consisted of water costs \$93,855, sewer costs of \$91,107 and garbage costs of \$32,128.

The cost of all governmental activities this year was \$550,605.

- The users of the City's programs paid for 52.7%, or \$290,154, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$24,128, or 4.4% of the total costs.
- The remaining portion of the City's net cost of services (\$236,323), was paid for by City taxpayers.



**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (FUND FINANCIAL STATEMENTS)**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**GOVERNMENTAL FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$396,118, a decrease of \$36,644, in comparison with the prior year. Of this balance, \$221,448 is unassigned, which indicates that it is available for spending. The remaining balance is restricted or committed for specific purpose according to the City's fund balance policy.

The General Fund is the chief operating fund of the City. After deducting accounting standards restrictions and fund balance policy commitments and assignments, the unassigned fund balance increased \$27,349 from \$194,099 to \$221,448 at December 31, 2017. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 74.3 percent of total General Fund expenditures.

The overall fund balance of the City's General Fund decreased by \$47,007 during the current fiscal year. This year's decrease was due to a negative budget variance for capital outlay, mainly relating to the construction of the City shop and replacing the shingles on the Community Center roof, and higher than anticipated revenue from state aid and miscellaneous income.

The Street Improvement Fund has a total fund balance of \$45,378, which is an increase of \$11,459 over the prior year. The increase in fund balance is due to lower than expected repairs and maintenance expenditures.

The Fire Department Fund has a total fund balance of \$52,681, which is an increase of \$5,862 over the prior year. The increase was primarily due to lower than expected capital outlay expenditures offset by higher than expected donations and first responder calls.

The Community Park Fund has a total fund balance of \$13,193, which is a decrease of \$14,269 from the prior year. This decrease was due to higher than expected expenditures related to capital outlay.

The SCDP Fund has a total fund balance of \$13,034, which is an increase of \$7,306 over the prior year. This increase is due to receiving payments on outstanding loans and incurring minimal professional fee expenditures.

The City Rehab Fund has a total fund balance of \$3,426 which is an increase of \$5 over the prior year.

**PROPRIETARY FUNDS**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The total net position in the proprietary funds is \$153,392. The proprietary funds had an increase of \$33,491 in total net position for the year. This increase was mainly due to an increase in utility charges revenue and a decrease in salaries and benefit expenses.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (FUND FINANCIAL STATEMENTS)  
(Cont'd)**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City approved the 2017 General Fund budget anticipating a decrease in General Fund reserves of \$15,229. The City did not amend its budget during the current fiscal year.

The actual results for the year showed a decrease of \$47,007.

- Actual revenues were \$22,276, or 9.7%, more than budget, due primarily to higher than expected rental income and miscellaneous revenue. The City also received small cities assistance that was not included in the budget.
- Actual expenditures were \$54,054 or 22.2%, more than budget. This overall unfavorable variance was mainly due to not including the full amount of the City shop construction and the Community Center roof shingles in the budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017 amounts to \$1,855,804 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$63,697 or 3.6 percent due to capital additions exceeding depreciation expense for the current year. More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

The City's business-type activities have a significant level of outstanding indebtedness for capital expenditures. This indebtedness is detailed in Note 4 to the financial statements.

**CAPITAL ASSETS – NET OF DEPRECIATION**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 36,089	\$ 36,089	\$ 8,930	\$ 8,930	\$ 45,019	\$ 45,019
Construction in Progress	106,087	8,507	55,731	-	161,818	8,507
Buildings	306,937	312,268	427	682	307,364	312,950
Improvements Other than Buildings	8,053	6,884	715,829	750,704	723,882	757,588
Machinery and Equipment	332,829	364,227	265,076	281,267	597,905	645,494
Infrastructure	19,816	22,549	-	-	19,816	22,549
<b>Total</b>	<b>\$ 809,811</b>	<b>\$ 750,524</b>	<b>\$ 1,045,993</b>	<b>\$ 1,041,583</b>	<b>\$ 1,855,804</b>	<b>\$ 1,792,107</b>

**DEBT ADMINISTRATION**

At year-end, the City had \$914,000 in total outstanding debt which was backed by the full faith and credit of the government. The City also had various other long-term liabilities as detailed in Note 4 to the financial statements.

**OUTSTANDING DEBT**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ -	\$ -	\$ 914,000	\$ 949,000	\$ 914,000	\$ 949,000

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**FACTORS BEARING ON THE CITY'S FUTURE**

- The City's financial well being is contingent on potential funding decisions proposed by the State of Minnesota. While personnel costs and infrastructure maintenance costs continue to rise, the City's revenue sources will have difficulty funding these increasing costs.
- The City hired Bollig, Inc. to prepare an Environmental Report to be used with a Rural Development funding application for capping wells, reconstructing water and sewer mains, replacing lift stations and forcemains, and rehabilitating a portion of the wastewater treatment pond facility. The report and application have been submitted with a proposed total capital cost of \$16,878,000. At this time, the application has not been approved and no funding has been received.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the City Clerk, City of Wood Lake, P.O. Box 115, Wood Lake, MN 56297 or call (507) 485-3476.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**  
(with Partial Comparative Information as of December 31, 2016)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 420,762	\$ 12,107	\$ 432,869	\$ 453,853
Restricted Cash	-	44,944	44,944	47,771
Property Taxes Receivable	2,753	-	2,753	3,530
Accounts and Interest Receivable	3,030	23,171	26,201	25,637
Loans Receivable	4,897	-	4,897	7,832
<b>Total Current Assets</b>	<u>431,442</u>	<u>80,222</u>	<u>511,664</u>	<u>538,623</u>
<b>Noncurrent Assets:</b>				
Investments	4,525	-	4,525	4,480
Loans Receivable	13,670	-	13,670	17,807
Capital Assets, Net of Depreciation:				
Land	36,089	8,930	45,019	45,019
Construction in Progress	106,087	55,731	161,818	8,507
Buildings	306,937	427	307,364	312,950
Improvements Other than Buildings	8,053	715,829	723,882	757,588
Machinery and Equipment	332,829	265,076	597,905	645,494
Infrastructure	19,816	-	19,816	22,549
Net Pension Asset	46,379	-	46,379	24,185
<b>Total Noncurrent Assets</b>	<u>874,385</u>	<u>1,045,993</u>	<u>1,920,378</u>	<u>1,838,579</u>
<b>TOTAL ASSETS</b>	<u>1,305,827</u>	<u>1,126,215</u>	<u>2,432,042</u>	<u>2,377,202</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to Pensions	<u>47,240</u>	<u>11,680</u>	<u>58,920</u>	<u>91,179</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	27,862	11,144	39,006	27,008
Accrued Interest	-	1,883	1,883	411
Interest Payable from Restricted Cash	-	9,944	9,944	12,771
Taxes Payable	-	885	885	858
Utility Deposits	-	11,306	11,306	10,876
Current Bonds Payable from Restricted Cash	-	35,000	35,000	35,000
Current Portion of Long-Term Liabilities	214	107	321	364
<b>Total Current Liabilities</b>	<u>35,166</u>	<u>70,269</u>	<u>105,435</u>	<u>87,288</u>
<b>Noncurrent Liabilities:</b>				
Noncurrent Portion of Long-Term Liabilities	-	879,000	879,000	914,000
Net Pension Liability	49,705	20,518	70,223	129,912
<b>Total Noncurrent Liabilities</b>	<u>49,705</u>	<u>899,518</u>	<u>949,223</u>	<u>1,043,912</u>
<b>TOTAL LIABILITIES</b>	<u>84,871</u>	<u>969,787</u>	<u>1,054,658</u>	<u>1,131,200</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to Pensions	<u>50,529</u>	<u>14,716</u>	<u>65,245</u>	<u>16,862</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	809,811	193,446	1,003,257	944,697
Restricted For:				
Debt Service	-	3,772	3,772	-
Other Activities	15,014	-	15,014	-
Unrestricted	392,842	(43,826)	349,016	375,622
<b>TOTAL NET POSITION</b>	<u>\$ 1,217,667</u>	<u>\$ 153,392</u>	<u>\$ 1,371,059</u>	<u>\$ 1,320,319</u>

The accompanying notes are an integral part of these statements.

CITY OF WOOD LAKE, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with Partial Comparative Information for the Year Ended December 31, 2016)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>GOVERNMENTAL ACTIVITIES:</b>						
General Government	\$ 60,136	\$	1,800	6,500	(51,836)	\$
Public Safety	82,964	37,250	2,340	6,000	(37,374)	(51,836)
Public Works	103,017	2,390	7,239	-	(93,388)	(37,374)
Culture and Recreation	51,669	-	249	-	(51,420)	(93,388)
Economic Development	90	-	-	-	(90)	(51,420)
Miscellaneous	28,432	-	-	-	(28,432)	(90)
Loss on Disposal of Assets	7,207	-	-	-	(7,207)	(187)
<b>Total Governmental Activities</b>	<b>333,515</b>	<b>39,640</b>	<b>11,628</b>	<b>12,500</b>	<b>(269,747)</b>	<b>(269,747)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Water	93,855	100,609	-	-	-	6,754
Sewer	91,107	119,295	-	-	-	28,188
Garbage	32,128	30,610	-	-	-	(1,518)
<b>Total Business-Type Activities</b>	<b>217,090</b>	<b>250,514</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,424</b>
<b>TOTAL GOVERNMENT</b>	<b>550,605</b>	<b>290,154</b>	<b>11,628</b>	<b>12,500</b>	<b>(269,747)</b>	<b>(236,323)</b>
<b>GENERAL REVENUES:</b>						
Property Taxes - General					131,323	-
Unallocated Federal and State Aid					138,193	8
Earnings on Investments					1,532	59
Gain on Disposal of Assets					-	-
Miscellaneous Revenues					15,948	-
<b>Total General Revenues</b>					<b>286,996</b>	<b>67</b>
<b>Change in Net Position</b>					<b>17,249</b>	<b>33,491</b>
<b>Net Position - Beginning of Year</b>					<b>1,200,418</b>	<b>119,901</b>
<b>Net Position - Ending</b>					<b>\$ 1,217,667</b>	<b>\$ 153,392</b>
					<b>\$ 1,371,059</b>	<b>\$ 1,320,319</b>

The accompanying notes are an integral part of these statements.

CITY OF WOOD LAKE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017  
(with Partial Comparative Information as of December 31, 2016)

	General Fund	Street Improvement Fund	Fire Department Fund	Community Park Fund	SCDP Fund	City Rehab Fund	Total Governmental Funds	
							2017	2016
<b>ASSETS</b>								
Cash and Investments	\$ 297,493	\$ 44,635	\$ 52,951	\$ 13,748	\$ 13,034	\$ 3,426	\$ 425,287	\$ 429,452
Taxes Receivable	1,656	743	-	354	-	-	2,753	3,530
Accounts Receivable	2,530	-	500	-	-	-	3,030	5,650
Loans Receivable	-	-	-	-	18,567	-	18,567	25,639
Due From Other Funds	-	-	-	-	-	-	-	1,976
<b>TOTAL ASSETS</b>	<b>\$ 301,679</b>	<b>\$ 45,378</b>	<b>\$ 53,451</b>	<b>\$ 14,102</b>	<b>\$ 31,601</b>	<b>\$ 3,426</b>	<b>\$ 449,637</b>	<b>\$ 466,247</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 26,183	\$ -	\$ 770	\$ 909	\$ -	\$ -	\$ 27,862	\$ 7,846
Payroll Liabilities	7,090	-	-	-	-	-	7,090	-
<b>TOTAL LIABILITIES</b>	<b>\$ 33,273</b>	<b>\$ -</b>	<b>\$ 770</b>	<b>\$ 909</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,952</b>	<b>\$ 7,846</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue - Loans	-	-	-	-	18,567	-	18,567	25,639
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,567</b>	<b>-</b>	<b>18,567</b>	<b>25,639</b>
<b>FUND BALANCES</b>								
Restricted Fund Balances	9,014	-	6,000	-	-	-	15,014	-
Committed Fund Balances	37,944	45,378	46,681	13,193	13,034	3,426	159,656	235,134
Assigned Fund Balances	-	-	-	-	-	-	-	3,529
Unassigned Fund Balances	221,448	-	-	-	-	-	221,448	194,099
<b>TOTAL FUND BALANCES</b>	<b>\$ 268,406</b>	<b>\$ 45,378</b>	<b>\$ 52,681</b>	<b>\$ 13,193</b>	<b>\$ 13,034</b>	<b>\$ 3,426</b>	<b>\$ 396,118</b>	<b>\$ 432,762</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 301,679</b>	<b>\$ 45,378</b>	<b>\$ 53,451</b>	<b>\$ 14,102</b>	<b>\$ 31,601</b>	<b>\$ 3,426</b>	<b>\$ 449,637</b>	<b>\$ 466,247</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**  
**(with Partial Comparative Information as of December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 396,118</b>	<b>\$ 432,762</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:		
Land	36,089	36,089
Construction in Progress	106,087	8,507
Other Capital Assets, Net of \$1,003,005 of Accumulated Depreciation	667,635	705,928
Long-term assets are not available to pay current-period expenditures and, therefore are reported as unavailable revenue or are not reported in the funds.		
Loans Receivable	18,567	25,639
Net Pension Asset	46,379	24,185
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	47,240	70,067
Deferred Inflows of Resources Related to Pensions	(50,529)	(13,036)
Long-term liabilities, including bonds payable, capital leases, mortgages, and accrued vacation and sick leave, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Accrued Vacation and Sick Leave	(214)	(273)
Net Pension Liability	<u>(49,705)</u>	<u>(89,450)</u>
<b>Total Net Position of Governmental Activities</b>	<b>\$ <u>1,217,667</u></b>	<b>\$ <u>1,200,418</u></b>

The accompanying notes are an integral part of these statements.



**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Partial Comparative Information for the Year Ended December 31, 2016)

	General Fund	Street Improvement Fund	Fire Department Fund	Community Park Fund	SCDP Fund	City Rehab Fund	Total Governmental Funds	
							2017	2016
<b>REVENUES</b>								
Taxes	\$ 80,296	\$ 34,835	\$ -	\$ 16,877	\$ -	\$ -	\$ 132,008	\$ 136,459
Licenses and Permits	2,710	-	-	-	-	-	2,710	2,845
Intergovernmental	143,456	-	\$ 600	-	-	-	144,056	134,544
Fines and Forfeits	533	-	-	-	-	-	533	1,287
Charges for Services	2,390	-	37,250	-	-	-	39,640	46,942
Miscellaneous	21,462	144	8,331	260	7,396	5	37,598	42,751
<b>Total Revenues</b>	<b>250,847</b>	<b>34,979</b>	<b>46,181</b>	<b>17,137</b>	<b>7,396</b>	<b>5</b>	<b>356,545</b>	<b>364,828</b>
<b>EXPENDITURES</b>								
Current								
General Government	57,437	-	900	-	-	-	58,337	57,374
Public Safety	26,090	-	37,110	-	-	-	63,200	58,130
Public Works	58,296	23,520	-	-	-	-	81,816	119,709
Culture and Recreation	17,262	-	-	19,205	-	-	36,467	30,710
Economic Development	-	-	-	-	90	-	90	187
Miscellaneous	28,432	-	-	-	-	-	28,432	33,182
Capital Outlay	110,337	-	2,309	12,201	-	-	124,847	38,967
<b>Total Expenditures</b>	<b>297,854</b>	<b>23,520</b>	<b>40,319</b>	<b>31,406</b>	<b>90</b>	<b>-</b>	<b>393,189</b>	<b>338,259</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(47,007)</b>	<b>11,459</b>	<b>5,862</b>	<b>(14,269)</b>	<b>7,306</b>	<b>5</b>	<b>(36,644)</b>	<b>26,569</b>
<b>OTHER FINANCING SOURCES</b>								
Transfers In	-	-	-	-	-	-	-	455
Transfers Out	-	-	-	-	-	-	-	(455)
	-	-	-	-	-	-	-	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(47,007)</b>	<b>11,459</b>	<b>5,862</b>	<b>(14,269)</b>	<b>7,306</b>	<b>5</b>	<b>(36,644)</b>	<b>26,569</b>
<b>FUND BALANCE - BEGINNING</b>	<b>315,413</b>	<b>33,919</b>	<b>46,819</b>	<b>27,462</b>	<b>5,728</b>	<b>3,421</b>	<b>432,762</b>	<b>406,193</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 268,406</b>	<b>\$ 45,378</b>	<b>\$ 52,681</b>	<b>\$ 13,193</b>	<b>\$ 13,034</b>	<b>\$ 3,426</b>	<b>\$ 396,118</b>	<b>\$ 432,762</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(with Partial Comparative Information as of December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (36,644)</b>	<b>\$ 26,569</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital Outlays	151,240	171,067
Depreciation Expense	(58,353)	(59,851)
Proceeds from the sale/trade of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.		
	(33,600)	(123,753)
In the Statement of Activities, accrued vacation and sick leave benefits 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 paid).		
	59	2,344
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Loan Repayments	(7,072)	(8,371)
In the Statement of Activities, pension benefits 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 paid).		
	<u>1,619</u>	<u>(4,221)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>17,249</u></b>	<b>\$ <u>3,784</u></b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**  
(with Partial Comparative Information as of December 31, 2016)

	Business-Type Activities				
	Water Fund	Sewer Fund	Garbage Fund	2017	2016
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Investments		\$ 49,025	\$ 7,072	\$ 56,097	\$ 64,377
Restricted Cash	\$ 15,390	29,554	-	44,944	47,771
Accounts Receivable	9,225	10,884	3,062	23,171	19,987
<b>Total Current Assets</b>	<b>24,615</b>	<b>89,463</b>	<b>10,134</b>	<b>124,212</b>	<b>132,135</b>
<b>Capital Assets:</b>					
Land	-	8,630	300	8,930	8,930
Construction in Progress	19,000	36,731	-	55,731	-
Buildings	3,984	-	-	3,984	3,984
Improvements Other than Buildings	599,817	809,905	-	1,409,722	1,409,722
Equipment	401,098	333,003	-	734,101	731,927
<b>Total Capital Assets</b>	<b>1,023,899</b>	<b>1,188,269</b>	<b>300</b>	<b>2,212,468</b>	<b>2,154,563</b>
Less: Accumulated Depreciation	(576,753)	(589,722)	-	(1,166,475)	(1,112,980)
<b>Net Capital Assets</b>	<b>447,146</b>	<b>598,547</b>	<b>300</b>	<b>1,045,993</b>	<b>1,041,583</b>
<b>TOTAL ASSETS</b>	<b>471,761</b>	<b>688,010</b>	<b>10,434</b>	<b>1,170,205</b>	<b>1,173,718</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to Pensions	5,840	5,840	-	11,680	21,112
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Checks Issued in Excess of Bank Balance	43,990	-	-	43,990	35,496
Accounts Payable	5,866	2,854	2,424	11,144	19,162
Due To Other Funds	-	-	-	-	1,976
Accrued Interest	1,883	-	-	1,883	411
Interest Payable from Restricted Cash	390	9,554	-	9,944	12,771
Taxes Payable	140	-	745	885	858
Utility Deposits	11,306	-	-	11,306	10,876
Accrued Vacation and Sick Leave (current portion)	54	53	-	107	91
Current Bonds Payable from Restricted Cash	15,000	20,000	-	35,000	35,000
<b>Total Current Liabilities</b>	<b>78,629</b>	<b>32,461</b>	<b>3,169</b>	<b>114,259</b>	<b>116,641</b>
<b>Noncurrent Liabilities:</b>					
Noncurrent Portion of Long-Term Liabilities	239,000	640,000	-	879,000	914,000
Net Pension Liability	10,259	10,259	-	20,518	40,462
<b>Total Noncurrent Liabilities</b>	<b>249,259</b>	<b>650,259</b>	<b>-</b>	<b>899,518</b>	<b>954,462</b>
<b>TOTAL LIABILITIES</b>	<b>327,888</b>	<b>682,720</b>	<b>3,169</b>	<b>1,013,777</b>	<b>1,071,103</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to Pensions	7,358	7,358	-	14,716	3,826
<b>NET POSITION</b>					
Net Investment in Capital Assets	193,146	-	300	193,446	194,173
Restricted for Debt Service	-	3,772	-	3,772	-
Unrestricted	(50,791)	-	6,965	(43,826)	(74,272)
<b>TOTAL NET POSITION</b>	<b>\$ 142,355</b>	<b>\$ 3,772</b>	<b>\$ 7,265</b>	<b>\$ 153,392</b>	<b>\$ 119,901</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Partial Comparative Information for the Year Ended December 31, 2016)

	Business-Type Activities				
	Water Fund	Sewer Fund	Garbage Fund	2017	2016
<b>OPERATING REVENUES</b>					
Utility Charges	\$ 89,873	\$ 119,181	\$ 30,610	\$ 239,664	\$ 210,608
Other Operating Revenues	10,736	114	-	10,850	10,115
<b>Total Operating Revenues</b>	<b>100,609</b>	<b>119,295</b>	<b>30,610</b>	<b>250,514</b>	<b>220,723</b>
<b>OPERATING EXPENSES</b>					
Salaries	12,196	12,196	-	24,392	32,100
Payroll Taxes and Employee Benefits	3,945	3,944	-	7,889	11,633
Contractual Services	1,543	-	31,338	32,881	43,951
Light and Power	4,512	2,933	-	7,445	7,466
Telephone	541	-	-	541	511
Heat	2,080	-	-	2,080	1,509
Operating Supplies	15,442	13,249	-	28,691	19,030
Repairs and Maintenance	7,937	9,630	-	17,567	41,043
Insurance	1,354	800	-	2,154	1,747
Professional Fees	2,285	2,285	-	4,570	4,050
Licenses and Testing	2,763	635	-	3,398	2,327
Office Expense	2,023	2,023	790	4,836	3,428
Miscellaneous	1,985	343	-	2,328	3,970
Depreciation	29,727	23,768	-	53,495	49,589
<b>Total Operating Expenses</b>	<b>88,333</b>	<b>71,806</b>	<b>32,128</b>	<b>192,267</b>	<b>222,354</b>
<b>OPERATING INCOME (LOSS)</b>	<b>12,276</b>	<b>47,489</b>	<b>(1,518)</b>	<b>58,247</b>	<b>(1,631)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	46	13	-	59	54
Nonoperating Grant Revenue	4	4	-	8	170
Bond Issuance Costs	-	-	-	-	(33,409)
Interest Expense	(5,329)	(19,108)	-	(24,437)	(25,710)
Nonoperating Pension Expense	(193)	(193)	-	(386)	(4,968)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(5,472)</b>	<b>(19,284)</b>	<b>-</b>	<b>(24,756)</b>	<b>(63,863)</b>
<b>CHANGE IN NET POSITION</b>	<b>6,804</b>	<b>28,205</b>	<b>(1,518)</b>	<b>33,491</b>	<b>(65,494)</b>
<b>NET POSITION - BEGINNING</b>	<b>135,551</b>	<b>(24,433)</b>	<b>8,783</b>	<b>119,901</b>	<b>185,395</b>
<b>NET POSITION - ENDING</b>	<b>\$ 142,355</b>	<b>\$ 3,772</b>	<b>\$ 7,265</b>	<b>\$ 153,392</b>	<b>\$ 119,901</b>

The accompanying notes are an integral part of these statements.



**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Partial Comparative Information for the Year Ended December 31, 2016)

	Business-Type Activities				
	Water Fund	Sewer Fund	Garbage Fund	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers	\$ 98,999	\$ 117,690	\$ 30,641	\$ 247,330	\$ 235,657
Cash Paid to Suppliers	(45,055)	(30,272)	(32,207)	(107,534)	(117,731)
Cash Paid for Payroll	(16,133)	(16,132)	-	(32,265)	(44,912)
Net Cash Flows Provided by (Used in) Operating Activities	<u>37,811</u>	<u>71,286</u>	<u>(1,566)</u>	<u>107,531</u>	<u>73,014</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash Received from Issuance of Bonds	-	-	-	-	923,155
Cash Paid for Bond Issuance Costs	-	-	-	-	(7,564)
Cash Paid to Fiscal Agent for Debt Retirement	(15,000)	(20,000)	-	(35,000)	(35,000)
Cash Paid to Fiscal Agent for Interest	(390)	(9,554)	-	(9,944)	(12,771)
Cash Paid for Acquisition of Capital Assets	(19,000)	(38,905)	-	(57,905)	(170,175)
Cash Paid for Interest	(3,467)	(9,554)	-	(13,021)	(46,346)
Cash Paid for Principal on Debt	-	-	-	-	(733,000)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	<u>(37,857)</u>	<u>(78,013)</u>	<u>-</u>	<u>(115,870)</u>	<u>(81,701)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash Received from Interest on Investments	46	13	-	59	54
Net Cash Flows Provided by (Used in) Investing Activities	<u>46</u>	<u>13</u>	<u>-</u>	<u>59</u>	<u>54</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-	(6,714)	(1,566)	(8,280)	(8,633)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	-	55,739	8,638	64,377	73,010
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ -</u>	<u>\$ 49,025</u>	<u>\$ 7,072</u>	<u>\$ 56,097</u>	<u>\$ 64,377</u>
<b>SCHEDULE RECONCILING OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 12,276	\$ 47,489	\$ (1,518)	\$ 58,247	\$ (1,631)
Non-Cash Items Included in Net Income (Loss):					
Depreciation	29,727	23,768	-	53,495	49,589
(Increase) Decrease in:					
Accounts Receivable	(1,610)	(1,605)	31	(3,184)	14,934
Increase (Decrease) in:					
Accounts Payable and Deposits	(11,084)	1,626	(79)	(9,537)	(7,499)
Checks Issued in Excess of Bank Balance	8,494	-	-	8,494	18,800
Accrued Vacation and Leave	8	8	-	16	(1,179)
Net Cash Flows Provided by (Used In) Operating Activities	<u>\$ 37,811</u>	<u>\$ 71,286</u>	<u>\$ (1,566)</u>	<u>\$ 107,531</u>	<u>\$ 73,014</u>
<b>SCHEDULE OF NONCASH ACTIVITIES</b>					
<b>FINANCING</b>					
Bond Issuance Costs Deducted from Bond Proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,845</u>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The financial statements of City of Wood Lake, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

**B. FINANCIAL REPORTING ENTITY**

City of Wood Lake, Minnesota (the City) is a municipal corporation formed under state statute and operates under a Council-Manager form of government. The four-member council and Mayor are elected on rotating terms in each even-numbered year. The Clerk-Treasurer is appointed by the Council and is responsible for administrative control of the City.

**Component Units**

U.S. Generally Accepted Accounting Principles (GAAP) require that the City's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the City. In addition, the City's financial statements are to include all component units – entities for which the City is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the City. There are no other entities for which the City is financially accountable.

**Related Organizations**

A related organization is included in the financial reporting entity in accordance with GASB Statement No. 68. The City's accountability does not extend beyond the Mayor, Clerk-Treasurer and Fire Chief being ex officio members of the board. The related organization is described as follows:

Wood Lake Volunteer Fire Relief Association – The Association is organized as a non-profit organization by its members to provide pension and other benefits to such members in accordance with Minnesota statutes. The Association's Board of Directors consists of six members elected by the membership of the Association and three ex officio members, the Mayor, Clerk-Treasurer and Fire Chief. All funding is obtained in accordance with Minnesota statutes whereby state aids and tax levies, which are determined by the Association, flow through the City to the Association. The Association pays benefits directly to its members.

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial 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 segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 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.



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)**

Fund 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.

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting. 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 generally recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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 revenue of the City's enterprise funds are charges to customers for services. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**E. FUND TYPES AND MAJOR FUNDS**

A description of the major governmental funds included in this report is as follows:

General

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

Special Revenue

The Street Improvement Fund accounts for resources and payments related to the maintenance and improvement to the City's streets.

The Fire Department Fund accounts for resources and payments related to the volunteer fire department.

The Community Park Fund accounts for the resources and payments related to the City's parks.

The SCDP Fund accounts for resources and payments related to the City's rehabilitation program shared with the City of St. Leo. The City is the host for the program.

The City Rehab Fund accounts for resources and payments related to the City's rehabilitation program hosted by the City of Cottonwood.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**E. FUND TYPES AND MAJOR FUNDS (Cont'd)**

A description of the major proprietary funds included in this report is as follows:

Enterprise

The Water Fund accounts for the activities related to the operation of the water distribution system.

The Sewer Fund accounts for the activities related to the operation of the sanitary collection and treatment system.

The Garbage Fund accounts for the activities related to the operation of the garbage collection system.

GASB Statement No. 34 specifies that the accounts and activities of each of the City's most significant funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the General Fund, Fire Department Fund, Water Fund, Sewer Fund, and Garbage Fund are major funds by definition, the City has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

GASB Statement No. 34 also requires that budget vs. actual information be presented for the General Fund and all major special revenue funds.

**F. BUDGETING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds classified as the General Fund and the following special revenue funds: Street Improvement Fund, Fire Department Fund, Community Park Fund, SCDP Fund, and City Rehab Fund. All annual appropriations lapse at fiscal year-end.

Before September 15, a proposed budget is prepared and approved by the City Council. By September 15, the proposed budget and tax levy must be submitted to the county auditor. The Council holds public hearings and a final budget and tax levy must be prepared, adopted and submitted to the county auditor, no later than December 28. The budgets were not amended during the fiscal year.

The City does not employ encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable fund balance.

**G. CASH AND INVESTMENTS**

Cash balances are invested to the extent available in demand deposit accounts, money market accounts, and certificates of deposit. Earnings from investments are recorded in the respective funds. For purposes of the Statement of Cash Flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

The City has formal policies in place as of December 31, 2017 to address custodial credit risk for deposits. The City does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk for investments.

**H. RESTRICTED CASH/CASH HELD WITH FISCAL AGENT**

Certain resources set aside for bond payments are classified as restricted cash on the Statement of Net Position or cash held with fiscal agent on the balance sheet because their use is limited to payment on bond principal and interest.



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**I. RECEIVABLES**

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".

Significant receivables include amounts due from customers for utility services. Delinquent accounts are reviewed monthly. No allowance for uncollectible accounts is deemed necessary.

Loans receivable include amounts receivable from the citizens under the Small Cities Development Program and Rehab Program. The loans bear interest and are set up on a payment schedule under various terms with the individuals. No allowance for uncollectible amounts is deemed necessary.

Property taxes are collected and remitted to the City by Yellow Medicine County. The County spreads all levies over taxable property. Property taxes are generally paid by taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements to cities three times a year. Generally, the settlements are received in January, July and December.

In the governmental fund financial statements, taxes, which remain unpaid at December 31, are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance current expenditures.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collectible.

**J. UTILITY RECEIVABLES**

The City extends credit, in the normal course of business, to utility customers. The City generally extends credit on an unsecured basis. An account is considered impaired when, based on current information and events, it is probable that the City will be unable to collect the balance due. The City does not have any material accounts receivable balances that are considered collectible that are greater than 90 days past due.

Delinquent accounts are reviewed monthly. No allowance for bad debts is computed because it is reasonably expected that all accounts receivable will be collectible. In the event that the receivable becomes uncollectible as determined by management, it is the City's policy to use the direct write-off method to record the bad debt.

**K. INVENTORIES**

Since the City does not operate a central store, supplies and other consumable items are expensed in the respective funds when they are purchased.

**L. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has adopted the prospective approach to reporting infrastructure assets in the governmental activities. Under this approach, old infrastructure assets are not recorded. The City started capturing infrastructure assets with the implementation of GASB Statement No. 34.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**L. CAPITAL ASSETS (Cont'd)**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The City maintains a threshold level of \$500 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purpose by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 40 years for land improvements and buildings, and 5 to 25 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any.

**M. LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type Statement of Net Position. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts will be deferred and amortized over the life of the bonds using the straight-line method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments are reported as debt service expenditures.

**N. DEFERRED OUTFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**O. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, the Statement of Net Position and the governmental funds Balance Sheet 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**P. DEFINED BENEFIT PENSION PLANS**

**Public Employees Retirement Association**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Wood Lake Volunteer Fire Relief Association**

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wood Lake Volunteer Fire Relief Association (VFRA) and additions to/deductions from the VFRA's fiduciary net position have been determined on the same basis as they are reported by the VFRA. Investments are reported at fair value.



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Q. COMPENSATED ABSENCES**

Eligible employees of the City earn vacation time at various rates based on years of service. Vacation leave earned cannot be accrued beyond 15 days. Employees leaving in good standing will be compensated for vacation leave earned but not used.

**R. FUND BALANCE**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

*Nonspendable* – consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributions; or constraints imposed by state statutory provisions.

*Committed* – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit these amounts.

*Assigned* – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the City Council delegates the authority. Pursuant to the City Council resolution, the City Clerk-Treasurer is authorized to establish assignments of fund balance.

*Unassigned* – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the City Council.

To ensure the financial strength and stability of the City, the City Council will strive to maintain a minimum unassigned General Fund fund balance of six months of the next year's annual budget.

**S. 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; natural disasters and workers compensation. The City purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**T. NET POSITION**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or other governments. All other net position items that do not meet the definition of "net investment in capital assets" or "restricted" are reported as unrestricted.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**U. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**V. RECLASSIFICATIONS**

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The total amount of the City's prior year fund balance did not change due to these reclassifications.

**2. DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by a bank guaranty bond or 110 percent of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Guaranty bond and collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates an authorized depository institution. As of December 31, 2017, the City's deposits were not exposed to custodial risk because they were insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

**B. INVESTMENTS**

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investments were not exposed to interest rate risk at December 31, 2017.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investments were not exposed to credit risk at December 31, 2017.

**Concentration of Credit Risk:** Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has no formal investment policy that places limits on the amount the City may invest in any one issuer. More than 5% of the City's investments are in Negotiable Certificates of Deposit.

**Custodial Credit Risk:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments were not exposed to custodial credit risk at December 31, 2017.

The following table presents the City's cash and investment balances at December 31, 2017:

**CITY OF WOOD LAKE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**2. DEPOSITS AND INVESTMENTS (Cont'd)**  
**B. INVESTMENTS (Cont'd)**

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	
<b>Cash and Investments:</b>				
Negotiable Certificates of Deposit	N/A	2.70 months	35.2%	\$ 169,786
Checking Accounts	N/A	N/A	8.4%	40,477
Savings Accounts	N/A	N/A	47.1%	227,081
Petty Cash Account	N/A	N/A	0.0%	50
Cash Held with Fiscal Agent	N/A	N/A	9.3%	44,944
<b>Total Cash and Investments</b>			<b>100.0%</b>	<b><u>\$ 482,338</u></b>

Cash and Investments are presented in the December 31, 2017 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments	\$ 432,869
Restricted Cash	<u>44,944</u>
	<b>477,813</b>

Noncurrent Assets:

Investments	<u>4,525</u>
<b>Total</b>	<b><u>\$ 482,338</u></b>

**C. FAIR VALUE MEASUREMENT**

The City's cash and investments consist of certificates of deposit, checking accounts, savings accounts, petty cash, and cash held with fiscal agent, none of which is subject to fair value measurement under GASB Statement No. 72.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 36,089	\$ -	\$ -	\$ 36,089
Construction in Progress	<u>8,507</u>	<u>97,580</u>	<u>-</u>	<u>106,087</u>
Total Capital Assets, Not Being Depreciated	<u>44,596</u>	<u>97,580</u>	<u>-</u>	<u>142,176</u>
Capital Assets, Being Depreciated				
Buildings	585,727	9,479	-	595,206
Improvements	65,162	3,141	-	68,303
Machinery and Equipment	947,441	41,040	36,000	952,481
Infrastructure	<u>54,650</u>	<u>-</u>	<u>-</u>	<u>54,650</u>
Total Capital Assets, Being Depreciated	<u>1,652,980</u>	<u>53,660</u>	<u>36,000</u>	<u>1,670,640</u>
Accumulated Depreciation for:				
Buildings	273,459	14,810	-	288,269
Improvements	58,278	1,972	-	60,250
Machinery and Equipment	583,214	38,838	2,400	619,652
Infrastructure	<u>32,101</u>	<u>2,733</u>	<u>-</u>	<u>34,834</u>
Total Accumulated Depreciation	<u>947,052</u>	<u>58,353</u>	<u>2,400</u>	<u>1,003,005</u>
Total Capital Assets, Being Depreciated, Net	<u>705,928</u>	<u>(4,693)</u>	<u>33,600</u>	<u>667,635</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 750,524</u></b>	<b><u>\$ 92,887</u></b>	<b><u>\$ 33,600</u></b>	<b><u>\$ 809,811</u></b>



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**3. CAPITAL ASSETS (Cont'd)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 8,930	\$ -	\$ -	\$ 8,930
Construction in Progress	-	55,731	-	55,731
Total Capital Assets, Not Being Depreciated	<u>8,930</u>	<u>55,731</u>	<u>-</u>	<u>64,661</u>
Capital Assets, Being Depreciated				
Buildings	3,984	-	-	3,984
Improvements	1,409,722	-	-	1,409,722
Machinery and Equipment	731,927	2,174	-	734,101
Total Capital Assets, Being Depreciated	<u>2,145,633</u>	<u>2,174</u>	<u>-</u>	<u>2,147,807</u>
Accumulated Depreciation for:				
Buildings	3,302	255	-	3,557
Improvements	659,018	34,875	-	693,893
Machinery and Equipment	450,660	18,365	-	469,025
Total Accumulated Depreciation	<u>1,112,980</u>	<u>53,495</u>	<u>-</u>	<u>1,166,475</u>
Total Capital Assets, Being Depreciated, Net	<u>1,032,653</u>	<u>(51,321)</u>	<u>-</u>	<u>981,332</u>
<b>Business-Type Activities Capital Assets, Net</b>	<b><u>\$ 1,041,583</u></b>	<b><u>\$ 4,410</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,045,993</u></b>

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental Activities:**

General Government	\$ 1,595
Public Safety	20,867
Public Works	21,822
Culture and Recreation	14,069
Total Depreciation Expense – Governmental Activities	<u>\$ 58,353</u>

**Business-Type Activities:**

Water	\$ 29,727
Sewer	23,768
Total Depreciation Expense – Business-Type Activities	<u>\$ 53,495</u>

**4. LONG-TERM LIABILITIES**

**A. DESCRIPTION OF LONG-TERM DEBT**

Long-term debt is comprised of the following individual issues as of December 31, 2017:

<u>Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
<b>Business-Type Activities</b>				
GO Water Revenue Refunding Bonds, of 2016A	1.30%	\$ 70,000	01/01/21	\$ 60,000
GO Sewer Revenue Refunding Bonds, of 2016A	1.30-3.70%	\$ 685,000	01/01/40	660,000
GO Water Revenue Note, Series 2016B	2.35%	\$ 194,000	02/01/23	194,000
<b>Total Business-Type Activities</b>				<u>914,000</u>
<b>Total Outstanding Long-Term Debt</b>				<b><u>\$ 914,000</u></b>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**4. LONG-TERM LIABILITIES (Cont'd)**

**A. DESCRIPTION OF LONG-TERM DEBT (Cont'd)**

**General Obligation Bonds**

The General Obligation Water and Sewer Revenue Refunding Bonds of 2016A were issued to refinance the General Obligation Water Revenue Bonds of 1992 and the General Obligation Sewer Revenue Bonds of 2004. The refunding was undertaken to reduce the City's future debt service payments by \$140,000, resulting in a present value savings of \$79,942. These bonds will be repaid with the revenues in the Water Fund and Sewer Fund. Interest paid in 2017 was \$22,714.

The General Obligation Water Revenue Note of 2016B was issued to finance the cost of capital improvements to the water system. This note will be repaid with water charges received specifically for the purpose of paying the debt. Interest paid in 2017 was \$3,077.

**B. MINIMUM DEBT PAYMENTS**

Minimum annual principal and interest payments to retire general obligation bonds are as follows:

<b>Year Ending December 31</b>	<b>General Obligation Bonds/Notes Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 35,000	\$ 24,219
2019	35,000	23,764
2020	87,000	22,724
2021	83,000	21,121
2022	74,000	19,472
2023 – 2027	175,000	80,662
2028 – 2032	145,000	61,565
2033 – 2037	165,000	36,283
2038 – 2040	115,000	6,567
	<b>\$ 914,000</b>	<b>\$ 296,377</b>

**C. CHANGES IN LONG-TERM LIABILITIES**

Long-term liability balances and activity for the year ended December 31, 2017 were as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental Activities</b>					
Accrued Vacation and Sick Leave	\$ 273	\$ 214	\$ 273	\$ 214	\$ 214
<b>Total Governmental Activities</b>	<b>273</b>	<b>214</b>	<b>273</b>	<b>214</b>	<b>214</b>
<b>Business-Type Activities</b>					
GO Refunding Bonds of 2016A	755,000	-	35,000	720,000	35,000
GO Revenue Note of 2016B	194,000	-	-	194,000	-
Accrued Vacation and Sick Leave	91	107	91	107	107
<b>Total Business-Type Activities</b>	<b>949,091</b>	<b>107</b>	<b>35,091</b>	<b>914,107</b>	<b>35,107</b>
	<b>\$ 949,364</b>	<b>\$ 321</b>	<b>\$ 35,364</b>	<b>\$ 914,321</b>	<b>\$ 35,321</b>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**5. FUND BALANCE CLASSIFICATION**

At December 31, 2017, a summary of the governmental fund balance classifications is as follows:

	<u>General Fund</u>	<u>Street Improvement Fund</u>	<u>Fire Department Fund</u>	<u>Community Park Fund</u>	<u>SCDP Fund</u>	<u>City Rehab Fund</u>	<u>Total</u>
<b>Restricted for:</b>							
Christmas Decorations \$	1,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,775
Small Cities Assistance	7,239	-	-	-	-	-	7,239
Capital Outlay	-	-	6,000	-	-	-	6,000
	<u>9,014</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,014</u>
<b>Committed for:</b>							
City Shop	30,092	-	-	-	-	-	30,092
Small Business Startup	4,525	-	-	-	-	-	4,525
Community Center	3,327	-	-	-	-	-	3,327
Street Improvements	-	45,378	-	-	-	-	45,378
Fire Services	-	-	46,681	-	-	-	46,681
Community Park	-	-	-	13,193	-	-	13,193
SCDP	-	-	-	-	13,034	-	13,034
City Rehabilitation	-	-	-	-	-	3,426	3,426
	<u>37,944</u>	<u>45,378</u>	<u>46,681</u>	<u>13,193</u>	<u>13,034</u>	<u>3,426</u>	<u>159,656</u>
<b>Unassigned:</b>	<u>221,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,448</u>
<b>Total Fund Balance:</b>	<u>\$ 268,406</u>	<u>\$ 45,378</u>	<u>\$ 52,681</u>	<u>\$ 13,193</u>	<u>\$ 13,034</u>	<u>\$ 3,426</u>	<u>\$ 396,118</u>

**6. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND BALANCES**

At December 31, 2017, the City had no funds with negative balances.

**7. COMMITMENTS**

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for 2017 and prior years have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

The City has \$185,532 in deferred loans that are not recorded on the City's financial statements. These loans will not be repaid if the borrower resides in their residence for at least 10 years. If the borrower moves from the residence before the loan maturity date, they will be required to repay a portion of the loan, depending on the number of years remaining. The repayments will be remitted to the City and the City will need to spend the money according to the grant agreements.

The City is in the process of finalizing the construction of the City Shop. The remaining cost of the project is anticipated to be approximately \$16,945, which will be paid from the General Fund. The City Shop is expected to be completed and placed in service during 2018.

The City has applied for Rural Development funding for capping the wells, reconstructing water and sewer mains, replacing lift stations, replacing forcemains, and rehabilitating a portion of the wastewater treatment pond facility. Engineering and sewer mapping costs incurred relating to the project are recorded as construction in progress on the Propriety Funds Statement of Net Position. The proposed total capital cost of the project is \$16,878,000 but at this time, the application has not been approved and no funding has been received.



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS**

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**1. Plan Description**

The City 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 (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**2. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.50% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1.0% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.20% of average salary for each of the first ten years of service and 2.70% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.20% of average salary for each of the first ten years and 1.70% for each remaining year. Under Method 2, the annuity accrual rate is 2.70% of average salary for Basic Plan members and 1.70% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**3. Contributions**

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

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 were \$5,471. The City's contributions were equal to the required contributions as set by state statute.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS (Cont'd)**

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**4. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$70,223 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$904. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion share was 0.0011% which was a decrease of 0.0005% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$1,161 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$26 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 2,314	\$ 6,310
Change in actuarial assumptions	16,958	7,040
Difference between projected and actual investment earnings	5,344	-
Change in proportion	7,774	31,623
Contributions paid to PERA subsequent to the measurement date	<u>2,713</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 35,103</u></b>	<b><u>\$ 44,973</u></b>

\$2,713 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2018	\$ (949)
2019	\$ 1,360
2020	\$ (10,014)
2021	\$ (2,980)
2022	\$ -
Thereafter	\$ -

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS (Cont'd)**

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**5. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1.00% per year for the General Employees Plan through 2044 and then 2.50% thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.80 % for active members and 60.00% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability and 3.00% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	39.00%	5.10%
International Stocks	19.00%	5.30%
Bonds	20.00%	0.75%
Alternative Assets	20.00%	5.90%
Cash	2.00%	0.00%
<b>Total</b>	<b><u>100.00%</u></b>	

**6. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from the 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.



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS (Cont'd)**

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)**

**7. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for the General Employees Fund, 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:

City proportionate share of General Employees Fund NPL		
1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
\$108,922	\$70,223	\$38,542

**8. Pension Plan Fiduciary Net Position**

Detailed information about each 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).

**B. VOLUNTEER FIRE RELIEF ASSOCIATION**

**1. Plan Description**

The Wood Lake Volunteer Fire Relief Association (VFRA) is the administrator of a single-employer defined benefit pension plan available to firefighters, retired and active, of the City. As of December 31, 2016, the plan covered 21 active firefighters and five vested terminated firefighters whose pension benefits are deferred. The plan operates under the provisions of Minnesota Statutes 69.80, 424A, and the Association's by-laws.

**2. Benefits Provided**

The VFRA provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on years of service multiplied by the benefit level per year of service approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age or after completion of 20 years of service. Plan provisions include a pro-rated vesting that if a member is both age 50 and has completed ten years of service, but not 20 years of service, the lump sum pension will be reduced by four percent for each year of service less than 20 years.

**3. Contributions**

The VFRA is funded by fire state aid, investment earnings, local county levy and, if necessary, City contributions. The State of Minnesota contributed \$14,659 in fire state aid to the plan and the VFRA received \$946 of the local county levy, for the year ended December 31, 2016, which was recorded as revenue. The City's statutory-required contributions to the VFRA for the year ended December 31, 2016, were \$0-, which were equal to the required contributions as set by state statute.

**4. Pension Costs**

At December 31, 2017, the City reported a net pension asset of \$46,379 for the VFRA plan. The net pension asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension assets in accordance with GASB Statement No. 68 was determined by Van Iwaarden Associates applying an actuarial formula to specified census data certified by the fire department as of December 31, 2016. The following table presents the changes in net pension (asset)/liability during the year:



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS (Cont'd)**

**B. VOLUNTEER FIRE RELIEF ASSOCIATION (Cont'd)**

**4. Pension Costs (Cont'd)**

	(a) Total Pension <u>Liability</u>	(b) Plan Fiduciary <u>Net Position</u>	(a)-(b) Net Pension (Asset)/ <u>Liability</u>
Beginning Balance	\$ 172,645	\$ 196,830	\$ (24,185)
Changes for the Year			
Service Cost	7,457	-	7,457
Interest on Pension Liability	8,791	-	8,791
Difference Between Expected and Actual Economic Experience	(3,457)	-	(3,457)
Changes in Assumptions	(14,472)	-	(14,472)
Contributions State and Local	-	15,605	(15,605)
Net Investment Income	-	6,483	(6,483)
Benefit Payments	(40,520)	(40,520)	-
Administrative Expenses	<u>-</u>	<u>(1,575)</u>	<u>1,575</u>
Balance End of Year 12/31/17	<b><u>\$ 130,444</u></b>	<b><u>\$ 176,823</u></b>	<b><u>\$ (46,379)</u></b>

For the year ended December 31, 2017, the City recognized pension expense of \$13,229.

At December 31, 2017, the City reported deferred inflows of resources and deferred outflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 3,151
Change of assumptions	-	17,121
Difference between projected and actual investment earnings	11,770	-
Contributions paid subsequent to the measurement date	<u>12,047</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 23,817</u></b>	<b><u>\$ 20,272</u></b>

Deferred outflows of resources totaling \$12,047 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2018	\$ 1,655
2019	\$ 1,657
2020	\$ 1,377
2021	\$ (1,475)
2022	\$ (2,139)
Thereafter	\$ (9,577)

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS (Cont'd)**

**B. VOLUNTEER FIRE RELIEF ASSOCIATION (Cont'd)**

**5. Actuarial Assumptions**

The total pension liability at December 31, 2016, was determined using the entry age normal actuarial cost method and the following actuarial assumptions, as provided by the VFRA's actuary, Van Iwaarden Associates:

Retirement Eligibility	The later of age 50 or 20 years of service
Investment Rate of return	5.50% per year
Inflation Rate	2.75%

The expected investment return and discount rate stayed consistent at 5.50%.

**6. Discount Rate**

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that contributions to the Association's plan will be made as specified in the statute. Based on that assumption and considering the funded ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive 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.

**7. Pension Liability Sensitivity**

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

City proportionate share of VFRA Net Pension Asset		
1 percent decrease	Current	1 percent increase
(4.50%)	(5.50%)	(6.50%)
\$ (40,758)	\$ (46,379)	\$ (51,794)

**8. Asset Allocation**

The 5.50% long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return
Domestic Stocks	33.81%	5.39%
International Stocks	11.53%	5.20%
Fixed Income	27.67%	1.98%
Alternative Assets	.77%	4.25%
Cash and Equivalents	26.22%	0.79%
<b>Total</b>	<b><u>100.00%</u></b>	

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**8. PENSION PLANS (Cont'd)**

**B. VOLUNTEER FIRE RELIEF ASSOCIATION (Cont'd)**

**9. Pension Plan Fiduciary Net Position**

Detailed information about the VFRA plan's fiduciary net position as of December 31, 2016, is available in a separately-issued actuarial report provided by Van Iwaarden Associates. That report may be obtained by contacting the City Clerk, City of Wood Lake, P.O. Box 115, Wood Lake, MN 56297 or call (507) 485-3476.

**C. FINANCIAL STATEMENT PRESENTATION**

Deferred Inflows/Outflows of Resources related to pension plans are presented in the December 31, 2017 basic financial statements as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities</b>		
PERA	\$ 23,423	\$ 30,257
VFRA	<u>23,817</u>	<u>20,272</u>
<b>Total Governmental Activities</b>	<u>47,240</u>	<u>50,529</u>
<b>Business-Type Activities</b>		
Water Fund - PERA	5,840	7,358
Sewer Fund - PERA	<u>5,840</u>	<u>7,358</u>
<b>Total Business-Type Activities</b>	<u>11,680</u>	<u>14,716</u>
<b>Total</b>	<u>\$ 58,920</u>	<u>\$ 65,245</u>

**9. OTHER POST EMPLOYMENT BENEFITS**

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* requires cities that provide health insurance benefits for retired employees to record a liability for the City's net OPEB obligation. Since the City does not offer health insurance to its employees after retirement, this Standard is not applicable to the City, and no liability is recorded.

**10. JOINT POWERS AGREEMENT**

The City is involved in a joint powers agreement with the Township of Wood Lake and Posen Township to provide fire and safety protection to the citizens of the community and respective townships. Per this agreement each entity owns an undivided one-third interest in fire and first responder trucks and vehicles, and fire fighting and first responder equipment. The City shall maintain exclusive ownership of the Fire Hall-First Responder Hall located in Wood Lake. Each entity shall share liability equally with the other entities.

**11. SUBSEQUENT EVENTS**

The City hired Bollig, Inc. to prepare an Environmental Report to be used with the Rural Development funding application. The report and application have been submitted with a proposed total capital cost of \$16,878,000 which includes capping the associated wells, reconstructing water and sewer mains, replacing lift stations, replacing forcemains, and rehabilitating a portion of the wastewater treatment pond facility. At this time, the application has not been approved and no funding has been received.

The City purchased a new payloader in April of 2018. The value of the new payloader was \$137,023 and the trade in value received on the previous payloader was \$128,023 for a cash balance due of \$9,000.

The City has ordered turnout gear for the Fire Department. The total cost of the turnout gear is approximately \$45,900.

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF WOOD LAKE, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CITY'S SHARE OF NET PENSION (ASSET)/LIABILITY AND  
CITY'S CONTRIBUTIONS  
FOR DEFINED BENEFIT PENSION PLAN  
DECEMBER 31, 2017**

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**SCHEDULE OF CITY'S PROPORTIONATE  
SHARE OF NET PENSION LIABILITY (\*)  
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*\*)**

Fiscal Year Ending	City's Proportion (Percentage) of the Net Pension Liability (Asset)	City'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)	City'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)	City's Covered Payroll** (c)	City'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
12/31/17	0.0011%	\$ 70,223	\$ 904	\$ 71,127	\$ 76,689	92.74%	75.9%
12/31/16	0.0016	129,912	1,675	131,587	97,294	135.25	68.9
12/31/15	0.0013	67,373	-	67,373	77,162	87.31	78.2

\* This schedule is for former MERF Division Employers to present their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

\*\*Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**SCHEDULE OF CITY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/17	\$ 5,471	\$ 5,471	\$ -	\$ 76,689	7.1%
12/31/16	7,297	7,297	-	97,294	7.5
12/31/15	5,787	5,787	-	77,162	7.5

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

**CITY OF WOOD LAKE, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION (ASSET)/LIABILITY AND RELATED RATIO**  
**FOR DEFINED BENEFIT PENSION PLAN**  
**DECEMBER 31, 2017**

**VOLUNTEER FIRE RELIEF ASSOCIATION**

<b>Fiscal Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total Pension Liability</b>			
Service Cost	\$ 6,716	\$ 6,901	\$ 7,457
Interest on the Total Pension Liability	6,419	7,018	8,791
Difference between expected and actual experience	-	-	(3,457)
Changes in Assumptions	-	(5,033)	(14,472)
Changes of Benefit Terms	-	14,696	-
Benefit Payments	-	-	(40,520)
<b>Net change in total pension liability</b>	<b>13,135</b>	<b>23,582</b>	<b>(42,201)</b>
<b>Total Pension Liability - Beginning</b>	<b>135,928</b>	<b>149,063</b>	<b>172,645</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 149,063</b>	<b>\$ 172,645</b>	<b>\$ 130,444</b>
<b>Plan Fiduciary Net Position</b>			
Contributions State	\$ 11,315	\$ 11,901	\$ 14,659
Contributions Local	633	343	946
Net Investment Income	6,620	(5,598)	6,483
Benefit Payments	-	-	(40,520)
Pension Plan Administrative Expense	(300)	(300)	(1,575)
<b>Net Change in Total Pension Liability</b>	<b>18,268</b>	<b>6,346</b>	<b>(20,007)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>172,216</b>	<b>190,484</b>	<b>196,830</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 190,484</b>	<b>\$ 196,830</b>	<b>\$ 176,823</b>
<b>Net Pension (Asset)/Liability - Ending (a) - (b)</b>	<b>\$ (41,421)</b>	<b>\$ (24,185)</b>	<b>\$ (46,379)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>127.79%</b>	<b>114.01%</b>	<b>135.55%</b>
Covered employee payroll	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a	n/a

**Note:**

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

**CITY OF WOOD LAKE, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FIRE RELIEF ASSOCIATION CONTRIBUTIONS  
FOR DEFINED BENEFIT PENSION PLAN  
DECEMBER 31, 2016**

**VOLUNTEER FIRE RELIEF ASSOCIATION**

**SCHEDULE OF CITY'S CONTRIBUTIONS  
VOLUNTEER FIRE RELIEF ASSOCIATION  
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the		Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
		Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
12/31/17	\$ 13,647	\$ 14,332	\$ (685)	N/A	N/A
12/31/16	11,859	12,543	(684)	N/A	N/A
12/31/15	11,901	12,506	(605)	N/A	N/A
12/31/14	11,315	11,918	(603)	N/A	N/A

\* Option to provide RSI for ten years at transition or to provide RSI prospectively.

**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	<u>2017 Budgeted Amounts</u>		<u>2017</u>		<u>2016</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>REVENUES</b>					
<b>Taxes:</b>					
Property Taxes	\$ 79,000	\$ 79,000	\$ 80,296	\$ 1,296	\$ 90,983
<b>Licenses and Permits:</b>					
Business and Nonbusiness	2,750	2,750	2,710	(40)	2,845
<b>Intergovernmental:</b>					
State					
Local Government Aid	121,742	121,742	121,742	-	121,543
Small Cities Assistance	-	-	7,239	7,239	-
State Market Value Credit	-	-	149	149	163
PERA Rate Increase Aid	679	679	679	-	679
State Fire Relief Aid	11,000	11,000	13,647	2,647	11,859
	<u>133,421</u>	<u>133,421</u>	<u>143,456</u>	<u>10,035</u>	<u>134,244</u>
<b>Fines and Forfeits:</b>					
County Court Fines	500	500	533	33	1,287
<b>Charges for Services:</b>					
Mowing, Snow Removal, Etc.	1,500	1,500	2,390	890	7,192
<b>Miscellaneous:</b>					
Rental Income	9,000	9,000	10,634	1,634	10,484
Interest Income	600	600	1,038	438	864
Dividend Income	600	600	1,026	426	3,482
Miscellaneous	1,200	1,200	8,764	7,564	4,880
	<u>11,400</u>	<u>11,400</u>	<u>21,462</u>	<u>10,062</u>	<u>19,710</u>
<b>TOTAL REVENUES</b>	<u>228,571</u>	<u>228,571</u>	<u>250,847</u>	<u>22,276</u>	<u>256,261</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General Government:</b>					
Council and Mayor:					
Salaries	9,000	9,000	8,867	133	7,000
Other	400	400	95	305	125
Election and Voter Registration:					
Election Expense	-	-	-	-	1,365
Financial Administration:					
Salaries	25,000	25,000	24,828	172	23,973
Professional Dues	2,200	2,200	1,641	559	2,380
Office Supplies	2,000	2,000	2,431	(431)	1,855
Telephone	2,000	2,000	1,955	45	2,023
Other	3,950	3,950	2,242	1,708	3,785
Assessor Fees	3,500	3,500	4,888	(1,388)	3,512
Legal Fees	3,000	3,000	2,735	265	4,246
Accounting and Auditing Fees	6,500	6,500	7,755	(1,255)	6,210
	<u>57,550</u>	<u>57,550</u>	<u>57,437</u>	<u>113</u>	<u>56,474</u>
<b>Public Safety:</b>					
Fire Contracted Services	11,000	11,000	11,000	-	11,000
Other	700	700	757	(57)	574
Remittance of Fire Aid/Supplemental Benefits	11,000	11,000	14,333	(3,333)	12,543
	<u>22,700</u>	<u>22,700</u>	<u>26,090</u>	<u>(3,390)</u>	<u>24,117</u>
<b>Public Works:</b>					
Streets and Alleys:					
Salaries	15,500	15,500	14,289	1,211	31,229
Blade and Repair Streets	14,500	14,500	16,661	(2,161)	19,070
Motor and Fuel Lubricants	8,000	8,000	3,651	4,349	6,413
Maintenance Garage:					
Supplies	3,950	3,950	2,310	1,640	3,565
Fuel	2,500	2,500	1,689	811	1,391
Electricity and Telephone	3,300	3,300	3,588	(288)	3,578
Repairs and Maintenance	11,000	11,000	6,827	4,173	15,689
Street Lighting:					
Electricity	10,000	10,000	9,281	719	9,935
	<u>68,750</u>	<u>68,750</u>	<u>58,296</u>	<u>10,454</u>	<u>90,870</u>



**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	<u>2017 Budgeted Amounts</u>		<u>2017</u>		<u>2016</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>EXPENDITURES (Cont'd)</b>					
<b>Current (Cont'd):</b>					
<b>Culture and Recreation:</b>					
Community Center:					
Salaries	\$ 7,200	\$ 7,200	\$ 7,520	\$ (320)	\$ 7,118
Supplies	1,500	1,500	2,333	(833)	1,285
Fuel	2,000	2,000	2,276	(276)	1,606
Electricity and Telephone	3,400	3,400	3,725	(325)	4,215
Repairs and Maintenance	1,500	1,500	956	544	524
Other	1,600	1,600	452	1,148	55
	<u>17,200</u>	<u>17,200</u>	<u>17,262</u>	<u>(62)</u>	<u>14,803</u>
<b>Miscellaneous:</b>					
Printing and Publishing	200	200	304	(104)	255
General Insurance	9,000	9,000	8,635	365	8,858
Payroll Taxes and Employee Benefits	27,500	27,500	19,124	8,376	22,129
Other	1,400	1,400	369	1,031	1,940
	<u>38,100</u>	<u>38,100</u>	<u>28,432</u>	<u>9,668</u>	<u>33,182</u>
<b>Capital Outlay:</b>					
General Government:					
Equipment	1,500	1,500	718	782	-
Public Works:					
Buildings	17,500	17,500	97,580	(80,080)	8,507
Equipment	17,500	17,500	3,500	14,000	13,643
Culture and Recreation:					
Community Center Building	2,500	2,500	8,539	(6,039)	1,739
Community Center Equipment	500	500	-	500	661
	<u>39,500</u>	<u>39,500</u>	<u>110,337</u>	<u>(70,837)</u>	<u>24,550</u>
<b>TOTAL EXPENDITURES</b>	<u>243,800</u>	<u>243,800</u>	<u>297,854</u>	<u>(54,054)</u>	<u>243,996</u>
<b>EXCESS OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<u>(15,229)</u>	<u>(15,229)</u>	<u>(47,007)</u>	<u>(31,778)</u>	<u>12,265</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	-	-	-	-	(455)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(455)</u>
<b>EXCESS OF REVENUES AND OTHER</b>					
<b>SOURCES OVER (UNDER)</b>					
<b>EXPENDITURES AND OTHER USES</b>	<u>(15,229)</u>	<u>(15,229)</u>	<u>(47,007)</u>	<u>(31,778)</u>	<u>11,810</u>
<b>FUND BALANCE - BEGINNING</b>	<u>315,413</u>	<u>315,413</u>	<u>315,413</u>	<u>-</u>	<u>276,536</u>
<b>RESIDUAL EQUITY TRANSFER</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,067</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 300,184</u>	<u>\$ 300,184</u>	<u>\$ 268,406</u>	<u>\$ (31,778)</u>	<u>\$ 315,413</u>
<b>FUND BALANCE ANALYSIS</b>					
<b>RESTRICTED FUND BALANCE</b>					
Christmas Decorations			\$ 1,775		\$ -
Small Cities Assistance			7,239		-
<b>TOTAL RESTRICTED FUND BALANCE</b>			<u>9,014</u>		<u>-</u>
<b>COMMITTED FUND BALANCE</b>					
City Shop			30,092		109,743
Small Business Startup			4,525		4,480
Community Center			3,327		3,562
<b>TOTAL COMMITTED FUND BALANCES</b>			<u>37,944</u>		<u>117,785</u>
<b>ASSIGNED FUND BALANCE</b>			<u>-</u>		<u>3,529</u>
<b>UNASSIGNED FUND BALANCE</b>			<u>221,448</u>		<u>194,099</u>
<b>TOTAL FUND BALANCE</b>			<u>\$ 268,406</u>		<u>\$ 315,413</u>

CITY OF WOOD LAKE, MINNESOTA  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - STREET IMPROVEMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
Taxes:					
Property Taxes	\$ 35,000	\$ 35,000	\$ 34,835	\$ (165)	\$ 24,716
Miscellaneous:					
Interest Income	100	100	144	44	114
<b>TOTAL REVENUES</b>	<b>35,100</b>	<b>35,100</b>	<b>34,979</b>	<b>(121)</b>	<b>24,830</b>
<b>EXPENDITURES</b>					
Current:					
Public Works:					
Streets and Alleys:					
Repairs and Maintenance	35,000	35,000	23,520	11,480	28,839
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>100</b>	<b>100</b>	<b>11,459</b>	<b>11,359</b>	<b>(4,009)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>33,919</b>	<b>33,919</b>	<b>33,919</b>	<b>-</b>	<b>37,928</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 34,019</b>	<b>\$ 34,019</b>	<b>\$ 45,378</b>	<b>\$ 11,359</b>	<b>\$ 33,919</b>
<b>FUND BALANCE ANALYSIS</b>					
<b>COMMITTED FUND BALANCE</b>					
Street Improvements			\$ 45,378		\$ 33,919

**CITY OF WOOD LAKE, MINNESOTA**  
**SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - FIRE DEPARTMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
<b>Intergovernmental:</b>					
State					
Firefighter Training Grant	\$ -	\$ -	\$ 600	\$ 600	\$ 300
<b>Charges for Services:</b>					
Fire Protection Contracts	33,750	33,750	33,750	-	33,750
Fire and Responder Calls	-	-	3,500	3,500	6,000
	<u>33,750</u>	<u>33,750</u>	<u>37,250</u>	<u>3,500</u>	<u>39,750</u>
<b>Miscellaneous:</b>					
Interest Income	-	-	265	265	270
Dividend Income	-	-	326	326	1,464
Donations	-	-	7,740	7,740	11,622
	<u>-</u>	<u>-</u>	<u>8,331</u>	<u>8,331</u>	<u>13,356</u>
<b>TOTAL REVENUES</b>	<u>33,750</u>	<u>33,750</u>	<u>46,181</u>	<u>12,431</u>	<u>53,406</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General Government:</b>					
Audit and Legal Fees	1,500	1,500	900	600	900
<b>Public Safety:</b>					
Fire Protection Salaries	5,400	5,400	5,630	(230)	4,390
First Responder Salaries	7,100	7,100	12,150	(5,050)	6,110
Payroll Taxes and Employee Benefits	1,000	1,000	1,360	(360)	805
Motor Fuels and Lubricants	1,500	1,500	551	949	483
Repairs, Maintenance and Utilities	8,500	8,500	6,458	2,042	6,982
Supplies	3,000	3,000	4,260	(1,260)	4,803
Insurance	4,900	4,900	5,055	(155)	4,174
Training	2,500	2,500	770	1,730	3,741
Miscellaneous	4,800	4,800	876	3,924	2,525
	<u>38,700</u>	<u>38,700</u>	<u>37,110</u>	<u>1,590</u>	<u>34,013</u>
<b>Capital Outlay:</b>					
Public Safety					
Equipment	6,000	6,000	2,309	3,691	14,417
<b>TOTAL EXPENDITURES</b>	<u>46,200</u>	<u>46,200</u>	<u>40,319</u>	<u>5,881</u>	<u>49,330</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(12,450)	(12,450)	5,862	18,312	4,076
<b>FUND BALANCE - BEGINNING</b>	<u>46,819</u>	<u>46,819</u>	<u>46,819</u>	-	<u>42,743</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 34,369</u>	<u>\$ 34,369</u>	<u>\$ 52,681</u>	<u>\$ 18,312</u>	<u>\$ 46,819</u>
<b>FUND BALANCE ANALYSIS</b>					
<b>RESTRICTED FUND BALANCE</b>					
Capital Outlay			\$ 6,000		\$ -
<b>COMMITTED FUND BALANCE</b>					
Fire Services			<u>46,681</u>		<u>46,819</u>
<b>TOTAL FUND BALANCE</b>			<u>\$ 52,681</u>		<u>\$ 46,819</u>

CITY OF WOOD LAKE, MINNESOTA  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - COMMUNITY PARK FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
<b>Taxes:</b>					
Property Taxes	\$ 16,700	\$ 16,700	\$ 16,877	\$ 177	\$ 20,760
<b>Miscellaneous:</b>					
Interest Income	50	50	64	14	65
Dividend Income	-	-	196	196	760
	<u>50</u>	<u>50</u>	<u>260</u>	<u>210</u>	<u>825</u>
<b>TOTAL REVENUES</b>	<u>16,750</u>	<u>16,750</u>	<u>17,137</u>	<u>387</u>	<u>21,585</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Culture and Recreation:</b>					
Salaries	9,300	9,300	11,036	(1,736)	8,840
Payroll Taxes and Employee Benefits	3,000	3,000	2,736	264	2,496
Electricity and Telephone	1,000	1,000	849	151	857
Supplies	600	600	363	237	805
Repairs and Maintenance	1,500	1,500	1,972	(472)	1,067
Insurance	1,300	1,300	1,647	(347)	1,240
Other	-	-	602	(602)	602
	<u>16,700</u>	<u>16,700</u>	<u>19,205</u>	<u>(2,505)</u>	<u>15,907</u>
<b>Capital Outlay:</b>					
Culture and Recreation	-	-	12,201	(12,201)	-
Improvements and Equipment	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>16,700</u>	<u>16,700</u>	<u>31,406</u>	<u>(14,706)</u>	<u>15,907</u>
<b>EXCESS OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	50	50	(14,269)	(14,319)	5,678
<b>FUND BALANCE - BEGINNING</b>	<u>27,462</u>	<u>27,462</u>	<u>27,462</u>	<u>-</u>	<u>21,784</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 27,512</u>	<u>\$ 27,512</u>	<u>\$ 13,193</u>	<u>\$ (14,319)</u>	<u>\$ 27,462</u>
<b>FUND BALANCE ANALYSIS</b>					
<b>COMMITTED FUND BALANCE</b>					
Community Park			<u>\$ 13,193</u>		<u>\$ 27,462</u>



CITY OF WOOD LAKE, MINNESOTA  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SCDP FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
Miscellaneous:					
Interest Income	\$ 1	\$ 1	\$ 16	\$ 15	\$ 4
Miscellaneous	5,023	5,023	7,380	2,357	6,730
	<u>5,024</u>	<u>5,024</u>	<u>7,396</u>	<u>2,372</u>	<u>6,734</u>
<b>TOTAL REVENUES</b>	<u>5,024</u>	<u>5,024</u>	<u>7,396</u>	<u>2,372</u>	<u>6,734</u>
<b>EXPENDITURES</b>					
Current:					
General Government:					
Professional Fees	105	105	84	21	102
<b>TOTAL EXPENDITURES</b>	<u>105</u>	<u>105</u>	<u>90</u>	<u>15</u>	<u>102</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,919</u>	<u>4,919</u>	<u>7,306</u>	<u>2,387</u>	<u>6,632</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>4,919</u>	<u>4,919</u>	<u>7,306</u>	<u>2,387</u>	<u>6,632</u>
<b>FUND BALANCE - BEGINNING</b>	<u>5,728</u>	<u>5,728</u>	<u>5,728</u>	-	(904)
<b>FUND BALANCE - ENDING</b>	<u>\$ 10,647</u>	<u>\$ 10,647</u>	<u>\$ 13,034</u>	<u>\$ 2,387</u>	<u>\$ 5,728</u>
<b>FUND BALANCE ANALYSIS</b>					
COMMITTED FUND BALANCE					
SCDP			\$ <u>13,034</u>		\$ <u>5,728</u>

CITY OF WOOD LAKE, MINNESOTA  
SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - CITY REHAB FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(with Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017 Budgeted Amounts		2017		2016
	Original	Final	Actual	Variance	Actual
<b>REVENUES</b>					
Miscellaneous:					
Interest Income	\$ -	\$ -	\$ 5	\$ 5	\$ 2
Miscellaneous	-	-	-	-	2,010
	-	-	5	5	2,012
<b>TOTAL REVENUES</b>	-	-	5	5	2,012
<b>EXPENDITURES</b>					
Current:					
General Government:					
Professional Fees	-	-	-	-	85
<b>TOTAL EXPENDITURES</b>	-	-	-	-	85
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	5	5	1,927
<b>FUND BALANCE - BEGINNING</b>	3,421	3,421	3,421	-	1,494
<b>FUND BALANCE - ENDING</b>	\$ 3,421	\$ 3,421	\$ 3,426	\$ 5	\$ 3,421
<b>FUND BALANCE ANALYSIS</b>					
<b>COMMITTED FUND BALANCE</b>					
City Rehabilitation			\$ 3,426		\$ 3,421

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. DEFINED BENEFIT PENSION PLANS**

**Public Employees Retirement Association**

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.80 % for active members and 60.00% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability and 3.00% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

**Volunteer Fire Relief Association**

The expected investment return and discount rate stayed consistent at 5.50% to reflect updated capital market assumptions.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following major funds of the City had expenditures exceeding the budget during the year ended December 31, 2017:

	<b>Approved Budget</b>	<b>Actual Expenditures</b>	<b>Excess Expenditures</b>
General Fund	\$ 243,800	\$ 297,854	\$ 54,054
Community Park Fund	\$ 16,700	\$ 31,406	\$ 14,706

The above overages were considered by the City's management to be the result of necessary expenditures critical to operations and are approved by the Council upon acceptance of this report.

**B. DEFICIT SPENDING**

The City's 2017 budget projected deficit spending in the following major funds:

General Fund	\$ 15,229
Fire Department Fund	\$ 12,450

## OTHER SUPPLEMENTARY INFORMATION



**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Partial Comparative Information for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Utility Charges	\$ 89,873	\$ 74,407
Other Operating Revenues	<u>10,736</u>	<u>9,779</u>
<b>Total Operating Revenues</b>	<u><b>100,609</b></u>	<u><b>84,186</b></u>
<b>OPERATING EXPENSES</b>		
Salaries	12,196	16,050
Payroll Taxes and Employee Benefits	3,945	5,817
Contractual Services	1,543	5,510
Light and Power	4,512	5,519
Telephone	541	511
Heat	2,080	1,509
Operating Supplies	15,442	16,420
Repairs and Maintenance	7,937	26,355
Insurance	1,354	941
Professional Fees	2,285	2,030
Licenses and Testing	2,763	1,739
Office Expense	2,023	1,523
Miscellaneous	1,985	2,574
Depreciation	<u>29,727</u>	<u>25,948</u>
<b>Total Operating Expenses</b>	<u><b>88,333</b></u>	<u><b>112,446</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>12,276</b></u>	<u><b>(28,260)</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	46	15
Nonoperating Grant Revenue	4	85
Bond Issuance Costs	-	(11,202)
Interest Expense	(5,329)	(2,434)
Nonoperating Pension Expense	<u>(193)</u>	<u>(2,484)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u><b>(5,472)</b></u>	<u><b>(16,020)</b></u>
<b>CHANGE IN NET POSITION</b>	<u><b>6,804</b></u>	<u><b>(44,280)</b></u>
<b>NET POSITION - BEGINNING</b>	<u><b>135,551</b></u>	<u><b>179,831</b></u>
<b>NET POSITION - ENDING</b>	<u><u><b>\$ 142,355</b></u></u>	<u><u><b>\$ 135,551</b></u></u>

**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Partial Comparative Information for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Utility Charges	\$ 119,181	\$ 105,704
Other Operating Revenues	<u>114</u>	<u>336</u>
<b>Total Operating Revenues</b>	<u><b>119,295</b></u>	<u><b>106,040</b></u>
<b>OPERATING EXPENSES</b>		
Salaries	12,196	16,050
Payroll Taxes and Employee Benefits	3,944	5,816
Contractual Services	-	6,407
Light and Power	2,933	1,947
Operating Supplies	13,249	2,610
Repairs and Maintenance	9,630	14,688
Insurance	800	806
Professional Fees	2,285	2,020
Licenses and Testing	635	588
Office Expense	2,023	1,523
Miscellaneous	343	1,396
Depreciation	<u>23,768</u>	<u>23,641</u>
<b>Total Operating Expenses</b>	<u><b>71,806</b></u>	<u><b>77,492</b></u>
<b>OPERATING INCOME</b>	<u><b>47,489</b></u>	<u><b>28,548</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	13	39
Nonoperating Grant Revenue	4	85
Bond Issuance Costs	-	(22,207)
Interest Expense	(19,108)	(23,276)
Nonoperating Pension Expense	<u>(193)</u>	<u>(2,484)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u><b>(19,284)</b></u>	<u><b>(47,843)</b></u>
<b>CHANGE IN NET POSITION</b>	<u><b>28,205</b></u>	<u><b>(19,295)</b></u>
<b>NET POSITION - BEGINNING</b>	<u><b>(24,433)</b></u>	<u><b>(5,138)</b></u>
<b>NET POSITION - ENDING</b>	<u><u><b>\$ 3,772</b></u></u>	<u><u><b>\$ (24,433)</b></u></u>

**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**GARBAGE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(with Partial Comparative Information for the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Utility Charges	\$ 30,610	\$ 30,497
<b>Total Operating Revenues</b>	<u>30,610</u>	<u>30,497</u>
<b>OPERATING EXPENSES</b>		
Contractual Services	31,338	32,034
Office Expense	790	382
<b>Total Operating Expenses</b>	<u>32,128</u>	<u>32,416</u>
<b>CHANGE IN NET POSITION</b>	<u>(1,518)</u>	<u>(1,919)</u>
<b>NET POSITION - BEGINNING</b>	<u>8,783</u>	<u>10,702</u>
<b>NET POSITION - ENDING</b>	<u>\$ 7,265</u>	<u>\$ 8,783</u>

## **OTHER REQUIRED REPORTS AND SCHEDULES**



**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE**  
**DECEMBER 31, 2017**

**INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**2015-001 INTERNAL ACCOUNTING CONTROLS - SEGREGATION OF DUTIES**

Condition: Due to the limited number of accounting office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. The City does not segregate the duties of cash receipting and disbursing from one employee. Also, the same person maintains the general ledger and prepares the bank reconciliations. Management is aware of the risks associated with the lack of segregation of duties and has implemented limited oversight procedures involving members of the City Council. Complete segregation is not possible without the hiring of additional staff and current budgetary considerations do not allow for this.

Effect: This could affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The City has limited staff in the accounting department. The same employee is performing multiple accounting functions.

Criteria: One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and maintain responsibility for custody of the asset resulting from the transaction.

Recommendation: Since we acknowledge that it is not economically feasible for the City to hire additional staff, we recommend the Mayor and City Council continue to monitor financial activity, and review and approve invoices. As an added control we would also recommend the Mayor or designated City Council Member continue to monitor and approve bank reconciliations. This review and approval should be evidenced by a signature on the bank reconciliation.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and the auditor's recommendation will continue to be followed.

**2015-002 AUDIT ADJUSTMENTS**

Condition: During our audit, we proposed numerous adjustments that resulted in significant changes to the City's financial statements. The adjustments resulted from the general ledger being maintained on the cash basis of accounting rather than the accrual basis. Various accounts receivable and accounts payable were not properly reflected in the general ledger. Adjustments were also proposed for various revenue and expenditure reclassifications.

Effect: A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements not initially identified by the entity's internal controls. This could affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: As is the case with many small entities, the City has relied on its independent external auditors to assist in the preparation of the journal entries necessary to convert the general ledger to the accrual basis of accounting. Accordingly, the City's ability to produce an accrual basis general ledger is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the City's internal control. This condition was caused by the City's decision that it is more cost effective to have its auditors assist in preparing an accrual basis general ledger than to incur the time and expense or training required to maintain an accrual basis general ledger.

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
DECEMBER 31, 2017**

**INTERNAL CONTROL OVER FINANCIAL REPORTING (Cont'd)  
PREVIOUSLY REPORTED ITEMS NOT RESOLVED (Cont'd)**

**2015-002 AUDIT ADJUSTMENTS (Cont'd)**

Criteria: The City's accounting staff should prepare journal entries during the year, or at a minimum, at year end to convert the cash basis general ledger to a modified accrual basis general ledger. The external auditor's staff cannot be considered to be part of the City's internal control and should not be relied upon to propose a significant number of material audit adjustments.

Recommendation: If the City still intends to have the external auditor's staff assist in the preparation of accrual basis journal entries, then at a minimum, we recommend they continue to provide adequate training so the City Clerk can sufficiently review, understand and approve the journal entries.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and the auditor's recommendation will continue to be followed.

**ITEM ARISING IN THE CURRENT YEAR**

**2017-001 BUDGETS NOT PREPARED AND APPROVED FOR ALL MAJOR SPECIAL REVENUE FUNDS**

Condition: GASB Statement No. 34 requires that budgetary comparison information be presented for all major special revenue funds. The City did not approve a budget for the SCDP Fund or prepare and approve a budget for the City Rehab Fund.

Effect: The City is not in compliance with GASB Statement No. 34.

Cause: The City Clerk and City Council overlooked the requirement to prepare and approve a budget for all major special revenue funds.

Criteria: To be in compliance with GASB Statement No. 34, the City should approve a budget for the General Fund and all major special revenue funds.

Recommendation: We recommend that the City approve a budget for all appropriate funds for 2018.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and the auditor's recommendation will be followed.

**MINNESOTA LEGAL COMPLIANCE  
ITEM ARISING IN THE CURRENT YEAR**

**2017-002 ELECTRONIC FUNDS TRANSFER POLICY**

Condition: The City does not have a detailed policy in place for electronic funds transfers that contains all of the policy controls per Minnesota Statute §471.38, subd 3a. The City did not document in the minutes the annual delegation for the designated chief financial officer or officer's designee to authorize electronic funds transfers.

Effect: The City is not in compliance with Minnesota Statute §471.38, subd 3a.

Cause: As is the case with many small entities, the City has limited staff and no formal documented procedures on electronic funds transfers.

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE  
DECEMBER 31, 2017**

**MINNESOTA LEGAL COMPLIANCE (Cont'd)  
ITEM ARISING IN THE CURRENT YEAR (Cont'd)**

**2017-002 ELECTRONIC FUNDS TRANSFER POLICY (Cont'd)**

Criteria: Minnesota Statute §471.38, subd. 3a states that City personnel are only authorized to utilize electronic funds transfers when all of the following policy controls are enacted: 1) the City Council shall annually delegate the authority to make electronic funds transfers to a designated chief financial officer or officer's designee; 2) the disbursing bank shall keep on file a certified copy of the delegation of authority; 3) the initiator of the electronic transfer shall be identified; 4) the initiator shall document the request and obtain an approval from the designated chief financial officer or officer's designee before initiating the transfer; 5) a written confirmation of the transaction shall be made no later than one business day; and 6) a list of all transactions made by electronic funds transfer shall be submitted to the City Council at its next regular meeting after the transaction.

Recommendation: We recommend that the City Council develop a formal policy for electronic funds transfers by following Minnesota Statute §471.38, subd. 3a and document in the minutes the annual delegation for the designated chief financial officer or officer's designee to authorize electronic funds transfers.

Views of Responsible Officials and Planned Corrective Actions: The City agrees with the finding and the auditor's recommendations will be adopted.



**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE  
AND COMPLIANCE CORRECTIVE ACTION PLAN  
DECEMBER 31, 2017**

**2015-001 INTERNAL ACCOUNTING CONTROLS - SEGREGATION OF DUTIES**

**Auditor Recommendation**

Since we acknowledge that it is not economically feasible for the City to hire additional staff, we recommend the Mayor and City Council continue to monitor financial activity, and review and approve invoices. As an added control we would also recommend the Mayor or designated City Council Member continue to monitor and approve bank reconciliations. This review and approval should be evidenced by a signature on the bank reconciliation.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The City will respond to this by continuing to have the Mayor or a designated City Council Member review, approve and initial all invoices. The Mayor or a designated City Council Member will also continue to review the bank statements and the monthly bank reconciliations and initial that review process on the reconciliation.
3. Official Responsible for Insuring CAP  
The Mayor and the City Council are responsible for ensuring corrective action of this deficiency.
4. Planned Completion Date for CAP  
Alternate control procedures have been and will continue to be performed by the Mayor and the City Council. This plan will be reviewed on a continuing basis to ensure compliance.
5. Plan to Monitor Completion of CAP  
The Mayor and City Council will be monitoring this corrective action plan.

**2015-002 AUDIT ADJUSTMENTS**

**Auditor Recommendation**

If the City still intends to have the external auditor's staff assist in the preparation of accrual basis journal entries, then at a minimum, we recommend they continue to provide adequate training so the City Clerk can sufficiently review, understand and approve the journal entries.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The City will continue to rely on the external auditors to recommend adjustments. The City Clerk will review and approve any proposed audit adjustments.
3. Official Responsible for Insuring CAP  
The Mayor and City Council are the officials responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
This plan has been and will be continue to be implemented.
5. Plan to Monitor Completion of CAP  
The Mayor and City Council will be monitoring this plan.



**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE  
AND COMPLIANCE CORRECTIVE ACTION PLAN  
DECEMBER 31, 2017**

**2017- 001 BUDGETS NOT PREPARED AND APPROVED FOR ALL MAJOR SPECIAL REVENUE FUNDS**

**Auditor Recommendation**

We recommend that the City approve a budget for all appropriate funds for 2018.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The City Clerk will prepare and approve a budget for the SCDP Fund and City Rehab Fund for 2018 and submit the budget for approval to the City Council.
3. Official Responsible for Insuring CAP  
The Mayor and the City Council are responsible for ensuring correction action of this deficiency.
4. Planned Completion Date for CAP  
This plan will be implemented during 2018 and will be continued in future years.
5. Plan to Monitor Completion of CAP  
The Mayor and the City Council will be monitoring this corrective action plan.

**2017- 002 ELECTRONIC FUNDS TRANSFERS**

**Auditor Recommendation**

We recommend that the City Council develop a formal policy for electronic funds transfers by following Minnesota Statute §471.38, subd. 3a and document in the minutes the annual delegation for the designated chief financial officer or officer's designee to authorize electronic funds transfers.

**Corrective Action Plan (CAP)**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding  
The City will strive to develop a formal policy in compliance with Minnesota Statutes and document the annual delegation to authorize electronic funds transfers in the minutes.
3. Official Responsible for Insuring CAP  
The Mayor and City Council are the officials responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
This plan will be implemented during 2018 and will be continued in future years.
5. Plan to Monitor Completion of CAP  
The Mayor and City Council will be monitoring this plan.



PLLP

---

## CERTIFIED PUBLIC ACCOUNTANTS

### 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*

To the City Council  
City of Wood Lake, 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 City of Wood Lake, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Wood Lake, Minnesota's basic financial statements and have issued our report thereon dated June 6, 2018.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings on internal control structure and compliance, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the schedule of findings on internal control structure and compliance as items 2015-001 and 2015-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings on internal control structure and compliance as item 2017-001 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Wood Lake, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, we noted a certain matter of noncompliance that is required to be reported under Minnesota Statutes. This item of noncompliance is described in the accompanying schedule of findings on internal control structure and compliance as item 2017-002.

## City of Wood Lake, Minnesota's Response to Findings

City of Wood Lake, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings on internal control structure and compliance corrective action plan. City of Wood Lake, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

June 6, 2018





PLLP

---

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE

To the City Council  
City of Wood Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, and each major fund of City of Wood Lake, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Wood Lake, Minnesota's basic financial statements, and have issued our report thereon dated June 6, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories except that we did not test for compliance with the provisions for tax increment financing because this provision does not apply to City of Wood Lake, Minnesota.

In connection with our audit, nothing came to our attention that caused us to believe that City of Wood Lake, Minnesota, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings on internal control structure and compliance as item 2017-002. 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.

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

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

June 6, 2018





PLLP

CERTIFIED PUBLIC ACCOUNTANTS

### MANAGEMENT LETTER

To the City Council  
City of Wood Lake, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of City of Wood Lake, Minnesota for the year ended December 31, 2017, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunities for strengthening internal controls and operating efficiency. We previously reported on the City's internal control and any related significant deficiencies and material weaknesses in our report dated June 6, 2018. This letter does not affect that report or our report dated June 6, 2018, on the basic financial statements of City of Wood Lake, Minnesota.

- During the review of the loan receivable with residents, we noted that the City had not received all payments due on two of the loans during the year. We recommend that the City Clerk monitor the loans to ensure that they receive at least a minimal payment from all residents on a timely basis.
- During review of the bank confirmation, it was noted that the previous mayor is still listed as an authorized signer on the City Rehab Fund checking account. No disbursements were made out of the account this year. We recommend that the City update the list of authorized signers to remove the previous mayor and add the new mayor.

All other comments and suggestions are included in the schedule of findings on internal control structure and compliance on pages 49 through 51.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City Clerk, and we will be pleased to discuss them in further detail at your convenience.

Sincerely,

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

June 6, 2018