

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

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CONTENTS

	PAGE
INTRODUCTORY SECTION	
Schedule of City Council Members and Officials	
INDEPENDENT AUDITOR'S REPORT	
REQUIRED SUPPLEMENTAL INFORMATION	
Management's Discussion and Analysis	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
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
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of City's Share of Net Pension (Asset)/Liability and City's Contributions for Defined Benefit Pension Plan	37
Schedule of Changes in Net Pension (Asset)/Liability and Related Ratio For Defined Benefit Pension Plan	38
Schedule of Fire Relief Association Contributions for Defined Benefit Pension Plan	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	40
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street Improvement Fund	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –Fire Department Fund	43

CONTENTS

PAGE

REQUIRED SUPPLEMENTARY INFORMATION (Cont'd)

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Park Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – SCDP Fund	45
Notes to the Required Supplementary Information	46

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – City Rehab Fund	49
Schedule of Revenues, Expenses and Changes in Net Position – Water Fund	50
Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund	51
Schedule of Revenues, Expenses and Changes in Net Position – Garbage Fund	52

OTHER REQUIRED REPORTS AND SCHEDULES

Schedule of Findings on Internal Control Structure and Compliance	53
Schedule of Findings on Internal Control Structure and Compliance Corrective Action Plan	55
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>	57
Independent Auditor's Report on Minnesota Legal Compliance	59

MANAGEMENT LETTER	60
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INTRODUCTORY SECTION

**CITY OF WOOD LAKE, MINNESOTA
SCHEDULE OF CITY COUNCIL MEMBERS AND OFFICIALS
DECEMBER 31, 2019**

CITY COUNCIL MEMBERS

<u>Member</u>	<u>Position</u>	<u>Term Expires</u>
David Stelter	Mayor	12-31-20
Sean Brovold	Councilperson	12-31-20
Tammi Mueller	Councilperson	12-31-20
Darin Himley	Councilperson	12-31-22
Brad Timm	Councilperson	12-31-22

ADMINISTRATION

Brenda Drager	Clerk – Treasurer	Appointed
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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, 2019, 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.

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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, 2019, 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.

Change in Accounting Principle

As described in Note 4 to the financial statements, in 2019, the City adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 2018 financial statements and our report, dated June 21, 2019 expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, 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 29, 2020

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WOOD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019 year include the following:

- Net position in the Statement of Net Position increased \$82,316 from the prior year to \$1,614,214. This increase is mainly due to an increase in capital assets due to engineering on a planned infrastructure project, offset by fixed asset disposals, combined with an increase in the net pension asset for the statewide volunteer firefighters pension plan.
- The General Fund fund balance increased \$20,996 to \$304,334. This increase is mainly due to a decrease in capital outlay expenditures due to the completion of the City Shop in 2018. The unassigned fund balance increased \$20,950 from \$265,435 to \$286,385. The unassigned fund balance amounts to 122.7% 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.
- In 2019 the City issued the General Obligation Utility Revenue Note, Series 2019A for \$192,000 to finance a portion of the utility infrastructure improvement project costs. The City also issued the Temporary General Obligation Utility Revenue Note, Series 2019B for \$995,000 to finance a portion of the utility infrastructure improvement project costs and to refund the General Obligation Water Revenue Note, Series 2016B and the General Obligation Utility Revenue Note, Series 2019A.

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, 2019**

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, 2019**

**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 \$1,614,214 at the close of the most recent fiscal year. The largest portion of the City's net position (\$1,059,568 or 65.6 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, 2019 and 2018 is as follows:

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 622,611	\$ 553,750	\$ 893,792	\$ 126,134	\$ 1,516,403	\$ 679,884
Capital Assets	<u>851,692</u>	<u>878,654</u>	<u>1,129,503</u>	<u>1,075,298</u>	<u>1,981,195</u>	<u>1,953,952</u>
Total Assets	<u>1,474,303</u>	<u>1,432,404</u>	<u>2,023,295</u>	<u>1,201,432</u>	<u>3,497,598</u>	<u>2,633,836</u>
Related to Pensions	<u>4,707</u>	<u>34,507</u>	<u>3,510</u>	<u>7,674</u>	<u>8,217</u>	<u>42,181</u>
Total Deferred Outflows of Resources	<u>4,707</u>	<u>34,507</u>	<u>3,510</u>	<u>7,674</u>	<u>8,217</u>	<u>42,181</u>
Current Liabilities	11,686	20,522	145,720	143,554	157,406	164,076
Noncurrent Liabilities	<u>47,005</u>	<u>47,163</u>	<u>1,624,340</u>	<u>863,408</u>	<u>1,671,345</u>	<u>910,571</u>
Total Liabilities	<u>58,691</u>	<u>67,685</u>	<u>1,770,060</u>	<u>1,006,962</u>	<u>1,828,751</u>	<u>1,074,647</u>
Related to Pensions	<u>55,676</u>	<u>58,258</u>	<u>7,174</u>	<u>11,214</u>	<u>62,850</u>	<u>69,472</u>
Total Deferred Inflows of Resources	<u>55,676</u>	<u>58,258</u>	<u>7,174</u>	<u>11,214</u>	<u>62,850</u>	<u>69,472</u>
Net Investment in Capital Assets	851,692	878,654	207,876	220,097	1,059,568	1,098,751
Restricted	10,006	10,006	18,024	15,964	28,030	25,970
Unrestricted	<u>502,945</u>	<u>452,308</u>	<u>23,671</u>	<u>(45,131)</u>	<u>526,616</u>	<u>407,177</u>
Total Net Position	<u>\$ 1,364,643</u>	<u>\$ 1,340,968</u>	<u>\$ 249,571</u>	<u>\$ 190,930</u>	<u>\$ 1,614,214</u>	<u>\$ 1,531,898</u>

An additional portion of the City's net position (\$28,030 or 1.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$526,616 or 32.7 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 in 2018, and a positive balance in 2019.

**CITY OF WOOD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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 revenues being greater than its expenses for the year ended December 31, 2019.

A summary of the City's change in net position for the years ended December 31, 2019 and 2018 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues						
Charges for Service	\$ 51,881	\$ 41,913	\$ 300,882	\$ 247,054	\$ 352,763	\$ 288,967
Operating Grants and Contributions	22,658	8,917	-	-	22,658	8,917
Capital Grants and Contributions	-	38,160	-	-	-	38,160
General Revenues						
Property Taxes – General	175,195	168,385	-	-	175,195	168,385
Unallocated Federal and State Aid	136,488	137,849	46	162	136,534	138,011
Other	24,370	65,726	225	68	24,595	65,794
Total Revenues	410,592	460,950	301,153	247,284	711,745	708,234
Expenses						
General Government	67,055	59,579	-	-	67,055	59,579
Public Safety	97,579	71,592	-	-	97,579	71,592
Public Works	132,269	112,767	-	-	132,269	112,767
Culture and Recreation	54,049	52,846	-	-	54,049	52,846
Economic Development	60	-	-	-	60	-
Miscellaneous	35,905	35,865	-	-	35,905	35,865
Water	-	-	101,489	92,212	101,489	92,212
Sewer	-	-	107,589	90,680	107,589	90,680
Garbage	-	-	33,434	31,854	33,434	31,854
Total Expenses	386,917	332,649	242,512	214,746	629,429	547,395
Increase (Decrease) in Net Position before Transfers	23,675	128,301	58,641	32,538	82,316	160,839
Operating Transfers	-	(5,000)	-	5,000	-	-
Change in Net Position	23,675	123,301	58,641	37,538	82,316	160,839
Net Position – Beginning	1,340,968	1,217,667	190,930	153,392	1,531,898	1,371,059
Net Position – Ending	\$ 1,364,643	\$ 1,340,968	\$ 249,571	\$ 190,930	\$ 1,614,214	\$ 1,531,898

Governmental Activities

The City's total revenues consisted of program revenues of \$74,539, property taxes of \$175,195, unallocated federal and state aids of \$136,488, and an amount from miscellaneous other sources. Expenses totaling \$386,917 consisted of general government costs of \$67,055, public safety of \$97,579, public works of \$132,269, culture and recreation of \$54,049, and minor other amounts.

Business-Type Activities

The City's total revenues consisted of program revenues of \$300,882 and a small amount from miscellaneous other sources. Expenses totaling \$242,512 consisted of water costs \$101,489, sewer costs of \$107,589 and garbage costs of \$33,434.

The cost of all governmental activities this year was \$629,429.

- The users of the City's programs paid for 56.0%, or \$352,763, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$22,658, or 3.6% of the total costs.
- The remaining portion of the City's net cost of services (\$254,008), was paid for by City taxpayers and state and local government aid.

**CITY OF WOOD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 \$457,441, an increase of \$36,351, in comparison with the prior year. Of this balance, \$286,385 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 \$20,950 from \$265,435 to \$286,385 at December 31, 2019. 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 122.7 percent of total General Fund expenditures.

The overall fund balance of the City's General Fund increased by \$20,996 during the current fiscal year. This year's increase was due to general spending being less than budgeted in all departments.

The Street Improvement Fund has a total fund balance of \$67,711, which is an increase of \$8,705 over the prior year. The increase in fund balance is due to the tax levy being greater than current year repairs.

The Fire Department Fund has a total fund balance of \$46,864, which is an increase of \$2,828 over the prior year. The increase was primarily due to miscellaneous income and changes for fire and first responder calls exceeding expectations.

The Community Park Fund has a total fund balance of \$9,940, which is a decrease of \$1,535 from the prior year. This decrease was due to salary and benefit expenditures exceeding expectations.

The SCDP Fund has a total fund balance of \$28,592, which is an increase of \$5,357 over the prior year. This increase is due to receiving payments on outstanding loans in excess of expenditures. There were no new loans issued in 2019.

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 \$249,571. The proprietary funds had an increase of \$58,641 in total net position for the year. This increase was mainly due to utility charges exceeding operating expenses.

**CITY OF WOOD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved the 2019 General Fund budget anticipating an increase in General Fund reserves of \$2,299. The City did not amend its budget during the current fiscal year.

The actual results for the year showed an increase of \$20,996.

- Actual revenues were \$11,603, or 4.4%, less than budget, due primarily to lower than expected state fire aid revenue.
- Actual expenditures were \$30,300 or 11.5%, less than budget. This overall favorable variance was mainly due to spending less than anticipated on capital outlay, community center maintenance, and public safety expenditures.

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, 2019 amounts to \$1,981,195 (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 \$27,243 or 1.4 percent due to capital additions exceeding disposals and 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 36,089	\$ 36,089	\$ 8,930	\$ 8,930	\$ 45,019	\$ 45,019
Construction in Progress	-	-	237,033	138,431	237,033	138,431
Buildings	416,866	435,591	89	172	416,955	435,763
Improvements Other than Buildings	3,736	6,338	646,474	680,979	650,210	687,317
Machinery and Equipment	380,650	383,553	236,977	246,786	617,627	630,339
Infrastructure	14,351	17,083	-	-	14,351	17,083
Total	<u>\$ 851,692</u>	<u>\$ 878,654</u>	<u>\$ 1,129,503</u>	<u>\$ 1,075,298</u>	<u>\$ 1,981,195</u>	<u>\$ 1,953,952</u>

DEBT ADMINISTRATION

At year-end, the City had \$1,645,000 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ -	\$ -	<u>\$1,645,000</u>	<u>\$ 879,000</u>	<u>\$ 1,645,000</u>	<u>\$ 879,000</u>

**CITY OF WOOD LAKE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 COVID-19 Pandemic has presented challenges for many local governments. The League of Minnesota Cities has warned there may be delay in property tax payments as a result of COVID-19. It is unknown what the total impact for the year may be at this time. The City will need to closely watch spending in the months ahead.

- 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 Proprietary Funds Statement of Net Position. The proposed total capital cost of the project is \$16,878,000. It is anticipated that the earliest a closing would occur on the Rural Development Funding is in 2022. The City has received a Letter of Conditions from the USDA indicating a 40-year term with a 2.125% interest rate for utility work. Ineligible street work will be covered by a USDA Community Facilities Loan with an anticipated 20-year term at 3.00%. In 2019, the City issued Temporary General Obligation Utility Revenue Note, Series 2019B for \$995,000 to finance a portion of the project costs in anticipation of approval. The balance of temporary construction funding will be borrowed when bids are received to fund the USDA eligible utility construction costs.

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, 2019
(with Partial Comparative Information as of December 31, 2018)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2019 Total</u>	<u>2018 Total</u>
ASSETS				
Current Assets:				
Cash and Investments	\$ 452,072	\$ 830,463	\$ 1,282,535	\$ 489,214
Restricted Cash	-	49,489	49,489	44,716
Property Taxes Receivable	2,580	-	2,580	5,588
Accounts and Interest Receivable	7,610	24,395	32,005	23,588
Interfund Accruals	10,555	(10,555)	-	-
Loans Receivable	9,449	-	9,449	5,474
Total Current Assets	<u>482,266</u>	<u>893,792</u>	<u>1,376,058</u>	<u>568,580</u>
Noncurrent Assets:				
Investments	-	-	-	4,571
Loans Receivable	15,230	-	15,230	24,134
Capital Assets, Net of Depreciation:				
Land	36,089	8,930	45,019	45,019
Construction in Progress	-	237,033	237,033	138,431
Buildings	416,866	89	416,955	435,763
Improvements Other than Buildings	3,736	646,474	650,210	687,317
Machinery and Equipment	380,650	236,977	617,627	630,339
Infrastructure	14,351	-	14,351	17,083
Net Pension Asset	125,115	-	125,115	82,599
Total Noncurrent Assets	<u>992,037</u>	<u>1,129,503</u>	<u>2,121,540</u>	<u>2,065,256</u>
TOTAL ASSETS	<u>1,474,303</u>	<u>2,023,295</u>	<u>3,497,598</u>	<u>2,633,836</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	<u>4,707</u>	<u>3,510</u>	<u>8,217</u>	<u>42,181</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	6,751	86,127	92,878	99,122
Accrued Interest	-	-	-	1,883
Payroll Liabilities	4,625	-	4,625	6,465
Interest Payable from Restricted Cash	-	9,489	9,489	9,716
Taxes Payable	-	939	939	920
Utility Deposits	-	9,010	9,010	10,878
Current Bonds Payable from Restricted Cash	-	40,000	40,000	35,000
Current Portion of Long-Term Liabilities	310	155	465	92
Total Current Liabilities	<u>11,686</u>	<u>145,720</u>	<u>157,406</u>	<u>164,076</u>
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Liabilities	-	1,605,000	1,605,000	844,000
Net Pension Liability	47,005	19,340	66,345	66,571
Total Noncurrent Liabilities	<u>47,005</u>	<u>1,624,340</u>	<u>1,671,345</u>	<u>910,571</u>
TOTAL LIABILITIES	<u>58,691</u>	<u>1,770,060</u>	<u>1,828,751</u>	<u>1,074,647</u>
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	<u>55,676</u>	<u>7,174</u>	<u>62,850</u>	<u>69,472</u>
NET POSITION				
Net Investment in Capital Assets	851,692	207,876	1,059,568	1,098,751
Restricted For:				
Debt Service	-	18,024	18,024	15,964
Other Activities	10,006	-	10,006	10,006
Unrestricted	502,945	23,671	526,616	407,177
TOTAL NET POSITION	<u>\$ 1,364,643</u>	<u>\$ 249,571</u>	<u>\$ 1,614,214</u>	<u>\$ 1,531,898</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, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2019 Total	2018 Total
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 67,055		\$ 102	\$ -	\$ (66,953)		\$ (66,953)	\$ (51,772)
Public Safety	97,579	\$ 50,000	22,356	-	(25,223)		(25,223)	6,848
Public Works	132,269	1,881	-	-	(130,388)		(130,388)	(110,104)
Culture and Recreation	54,049	-	200	-	(53,849)		(53,849)	(52,766)
Economic Development	60	-	-	-	(60)		(60)	-
Miscellaneous	35,905	-	-	-	(35,905)		(35,905)	(35,865)
Total Governmental Activities	386,917	51,881	22,658	-	(312,378)	\$ -	(312,378)	(243,659)
BUSINESS-TYPE ACTIVITIES:								
Water	101,489	135,470	-	-	-	33,981	33,981	6,751
Sewer	107,589	134,981	-	-	-	27,392	27,392	27,122
Garbage	33,434	30,431	-	-	-	(3,003)	(3,003)	(1,565)
Total Business-Type Activities	242,512	300,882	-	-	-	58,370	58,370	32,308
TOTAL GOVERNMENT	629,429	352,763	22,658	-	(312,378)	58,370	(254,008)	(211,351)
GENERAL REVENUES:								
Property Taxes - General					175,195	-	175,195	168,385
Unallocated Federal and State Aid					136,488	46	136,534	138,011
Earnings on Investments					1,722	225	1,947	1,532
Gain on Disposal of Assets					6,547	-	6,547	27,162
Miscellaneous Revenues					16,101	-	16,101	37,100
Total General Revenues					336,053	271	336,324	372,190
Change in Net Position					23,675	58,641	82,316	160,839
Net Position - Beginning of Year					1,340,968	190,930	1,531,898	1,371,059
Net Position - Ending					\$ 1,364,643	\$ 249,571	\$ 1,614,214	\$ 1,531,898

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(with Partial Comparative Information as of December 31, 2018)**

	General Fund	Street Improvement Fund	Fire Department Fund	Community Park Fund	SCDP Fund	Total Governmental Funds	
						2019	2018
ASSETS							
Cash and Investments	\$ 295,085	\$ 67,118	\$ 51,610	\$ 9,667	\$ 28,592	\$ 452,072	\$ 422,390
Taxes Receivable	1,624	593	-	363	-	2,580	5,588
Accounts Receivable	2,610	-	1,000	-	-	3,610	3,010
Loans Receivable	-	-	-	-	24,679	24,679	29,608
Due From Other Funds	15,191	-	-	-	-	15,191	11,532
TOTAL ASSETS	\$ 314,510	\$ 67,711	\$ 52,610	\$ 10,030	\$ 53,271	\$ 498,132	\$ 472,128
LIABILITIES							
Accounts Payable	\$ 5,551	\$ -	\$ 1,110	\$ 90	\$ -	\$ 6,751	\$ 13,988
Due to Other Funds	-	-	4,636	-	-	4,636	977
Payroll Liabilities	4,625	-	-	-	-	4,625	6,465
TOTAL LIABILITIES	10,176	-	5,746	90	-	16,012	21,430
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Loans	-	-	-	-	24,679	24,679	29,608
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	24,679	24,679	29,608
FUND BALANCES							
Restricted Fund Balances	10,006	-	-	-	-	10,006	10,006
Committed Fund Balances	7,943	67,711	46,864	9,940	28,592	161,050	145,649
Unassigned Fund Balances	286,385	-	-	-	-	286,385	265,435
TOTAL FUND BALANCES	304,334	67,711	46,864	9,940	28,592	457,441	421,090
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 314,510	\$ 67,711	\$ 52,610	\$ 10,030	\$ 53,271	\$ 498,132	\$ 472,128

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, 2019
(with Partial Comparative Information as of December 31, 2018)

	2019	2018
Total Fund Balances for Governmental Funds	\$ 457,441	\$ 421,090
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
Other Capital Assets, Net of \$1,013,473 of Accumulated Depreciation	815,603	842,565
Assets not available to pay current-period expenditures and, therefore are not reported in the fund's revenue or are not reported in the funds.		
Accounts Receivable	4,000	-
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	24,679	29,608
Net Pension Asset	125,115	82,599
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	4,707	34,507
Deferred Inflows of Resources Related to Pensions	(55,676)	(58,258)
Long-term liabilities, including bonds payable 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	(310)	(69)
Net Pension Liability	(47,005)	(47,163)
Total Net Position of Governmental Activities	\$ 1,364,643	\$ 1,340,968

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, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

	General Fund	Street Improvement Fund	Fire Department Fund	Community Park Fund	SCDP Fund	Total Governmental Funds	
						2019	2018
REVENUES							
Taxes	\$ 111,462	\$ 40,049		\$ 24,396		\$ 175,907	\$ 169,058
Licenses and Permits	2,680	-		-		2,680	2,830
Intergovernmental	125,289	-	\$ 6,037	-		131,326	132,748
Fines and Forfeits	403	-	-	-		403	2
Charges for Services	1,881	-	46,000	-		47,881	41,913
Miscellaneous	12,671	230	17,374	598	\$ 5,417	36,290	64,146
Total Revenues	254,386	40,279	69,411	24,994	5,417	394,487	410,697
EXPENDITURES							
Current							
General Government	64,802	-	1,038	-	-	65,840	58,763
Public Safety	14,338	-	55,437	-	-	69,775	49,096
Public Works	68,711	31,574	-	-	-	100,285	95,613
Culture and Recreation	15,301	-	-	22,644	-	37,945	36,400
Economic Development	-	-	-	-	60	60	-
Miscellaneous	35,905	-	-	-	-	35,905	35,865
Capital Outlay	34,333	-	10,108	3,885	-	48,326	104,988
Total Expenditures	233,390	31,574	66,583	26,529	60	358,136	380,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,996	8,705	2,828	(1,535)	5,357	36,351	29,972
OTHER FINANCING SOURCES							
Transfers Out	-	-	-	-	-	-	(5,000)
	-	-	-	-	-	-	(5,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	20,996	8,705	2,828	(1,535)	5,357	36,351	24,972
FUND BALANCE - BEGINNING	283,338	59,006	44,036	11,475	23,235	421,090	396,118
FUND BALANCE - ENDING	\$ 304,334	\$ 67,711	\$ 46,864	\$ 9,940	\$ 28,592	\$ 457,441	\$ 421,090

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, 2019
(with Partial Comparative Information as of December 31, 2018)

	2019	2018
Total Net Change in Fund Balances - Governmental Funds	\$ 36,351	\$ 24,972
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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 depreciation expense exceeds capital outlay in the period.</p>		
Capital Outlays	48,326	104,193
Depreciation Expense	(81,835)	(62,512)
<p>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.</p>		
	6,547	27,162
<p>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).</p>		
	(241)	145
<p>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.</p>		
Loans Issued	-	17,294
Loan Repayments	(4,929)	(6,253)
<p>Governmental funds recognized pension contributions as expenditures at the time of payment where as the statement of activities factors in items related to pensions on a full accrual perspective.</p>		
State Aid Related to Pension Expense	11,199	12,723
Pension Expense	4,257	5,577
<p>Revenues that will not be collected for several months after the City's year end are not considered revenues in the governmental funds. They are, however, recorded as revenues in the statement of activities.</p>		
	4,000	-
Change in Net Position of Governmental Activities	\$ 23,675	\$ 123,301

The accompanying notes are an integral part of these statements.

CITY OF WOOD LAKE, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(with Partial Comparative Information as of December 31, 2018)

	Business-Type Activities			2019	2018
	Water Fund	Sewer Fund	Garbage Fund		
ASSETS					
Current Assets:					
Cash and Investments	\$ 155,150	\$ 672,516	\$ 2,797	\$ 830,463	\$ 88,946
Restricted Cash	15,195	34,294	-	49,489	44,716
Accounts Receivable	9,935	11,555	2,905	24,395	20,578
Total Current Assets	180,280	718,365	5,702	904,347	154,240
Capital Assets:					
Land	-	8,630	300	8,930	8,930
Construction in Progress	93,075	143,958	-	237,033	138,431
Buildings	3,984	-	-	3,984	3,984
Improvements Other than Buildings	599,817	809,905	-	1,409,722	1,409,722
Equipment	405,501	337,553	-	743,054	734,101
Total Capital Assets	1,102,377	1,300,046	300	2,402,723	2,295,168
Less: Accumulated Depreciation	(635,925)	(637,295)	-	(1,273,220)	(1,219,870)
Net Capital Assets	466,452	662,751	300	1,129,503	1,075,298
TOTAL ASSETS	646,732	1,381,116	6,002	2,033,850	1,229,538
DEFERRED OUTFLOWS OF RESOURCES					
Related to Pensions	1,755	1,755	-	3,510	7,674
LIABILITIES					
Current Liabilities:					
Checks Issued in Excess of Bank Balance	-	-	-	-	17,551
Accounts Payable	22,870	60,719	2,538	86,127	85,134
Due To Other Funds	6,631	3,924	-	10,555	10,555
Accrued Interest	-	-	-	-	1,883
Interest Payable from Restricted Cash	195	9,294	-	9,489	9,716
Taxes Payable	172	-	767	939	920
Utility Deposits	9,010	-	-	9,010	10,878
Accrued Vacation and Sick Leave (current portion)	78	77	-	155	23
Current Bonds Payable from Restricted Cash	15,000	25,000	-	40,000	35,000
Total Current Liabilities	53,956	99,014	3,305	156,275	171,660
Noncurrent Liabilities:					
Noncurrent Portion of Long-Term Liabilities	395,380	1,209,620	-	1,605,000	844,000
Net Pension Liability	9,670	9,670	-	19,340	19,408
Total Noncurrent Liabilities	405,050	1,219,290	-	1,624,340	863,408
TOTAL LIABILITIES	459,006	1,318,304	3,305	1,780,615	1,035,068
DEFERRED INFLOWS OF RESOURCES					
Related to Pensions	3,587	3,587	-	7,174	11,214
NET POSITION					
Net Investment in Capital Assets	207,576	-	300	207,876	220,097
Restricted for Debt Service	-	18,024	-	18,024	15,964
Unrestricted	(21,682)	42,956	2,397	23,671	(45,131)
TOTAL NET POSITION	\$ 185,894	\$ 60,980	\$ 2,697	\$ 249,571	\$ 190,930

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, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

	Business-Type Activities			2019	2018
	Water Fund	Sewer Fund	Garbage Fund		
OPERATING REVENUES					
Utility Charges	\$ 123,869	\$ 133,219	\$ 30,431	\$ 287,519	\$ 235,457
Other Operating Revenues	11,601	1,762	-	13,363	11,597
Total Operating Revenues	135,470	134,981	30,431	300,882	247,054
OPERATING EXPENSES					
Salaries	13,197	13,197	-	26,394	25,412
Payroll Taxes and Employee Benefits	4,834	4,834	-	9,668	9,202
Contractual Services	8,892	5,761	32,638	47,291	43,370
Light and Power	1,111	2,563	-	3,674	1,113
Telephone	566	-	-	566	530
Heat	2,239	-	-	2,239	2,923
Operating Supplies	14,267	9,304	-	23,571	22,578
Repairs and Maintenance	7,433	1,268	-	8,701	16,868
Insurance	1,894	646	-	2,540	1,695
Professional Fees	2,662	2,663	-	5,325	4,590
Licenses and Testing	254	3,028	-	3,282	3,107
Office Expense	2,040	2,049	796	4,885	4,682
Miscellaneous	1,852	311	-	2,163	1,960
Bad Debts	3	3	-	6	-
Depreciation	29,472	23,878	-	53,350	53,395
Total Operating Expenses	90,716	69,505	33,434	193,655	191,425
OPERATING INCOME (LOSS)	44,754	65,476	(3,003)	107,227	55,629
NONOPERATING REVENUES (EXPENSES)					
Interest Income	163	62	-	225	68
Nonoperating Grant Revenue	23	23	-	46	162
Debt Issuance Costs	(6,691)	(16,836)	-	(23,527)	-
Interest Expense	(4,031)	(21,197)	-	(25,228)	(23,765)
Nonoperating Pension (Expense) Recovered	(51)	(51)	-	(102)	444
Total Nonoperating Revenues (Expenses)	(10,587)	(37,999)	-	(48,586)	(23,091)
INCOME (LOSS) BEFORE TRANSFERS	34,167	27,477	(3,003)	58,641	32,538
OPERATING TRANSFERS					
Transfers from Other Funds	-	-	-	-	5,000
CHANGE IN NET POSITION	34,167	27,477	(3,003)	58,641	37,538
NET POSITION - BEGINNING	151,727	33,503	5,700	190,930	153,392
NET POSITION - ENDING	\$ 185,894	\$ 60,980	\$ 2,697	\$ 249,571	\$ 190,930

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, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

	Business-Type Activities				
	Water Fund	Sewer Fund	Garbage Fund	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 133,282	\$ 133,355	\$ 30,428	\$ 297,065	\$ 249,219
Cash Paid to Suppliers	(69,389)	(31,871)	(33,343)	(134,603)	(134,477)
Cash Paid for Payroll	(13,131)	(13,131)	-	(26,262)	(25,496)
Net Cash Flows Provided by (Used in) Operating Activities	50,762	88,353	(2,915)	136,200	89,246
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash Received from Issuance of Bonds	178,908	595,045	-	773,953	-
Cash Paid to Fiscal Agent for Debt Retirement	(15,000)	(20,000)	-	(35,000)	(35,000)
Cash Paid to Fiscal Agent for Interest	(195)	(9,294)	-	(9,489)	(9,716)
Cash Paid for Acquisition of Capital Assets	(54,734)	(55,590)	-	(110,324)	(2,700)
Cash Paid for Interest	(4,754)	(9,294)	-	(14,048)	(14,049)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	104,225	500,867	-	605,092	(61,465)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Cash Received from Transfer from Other Fund	-	-	-	-	5,000
Net Cash Flows Provided by (Used in) Non-Capital Financing Activities	-	-	-	-	5,000
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Received from Interest on Investments	163	62	-	225	68
Net Cash Flows Provided by (Used in) Investing Activities	163	62	-	225	68
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	155,150	589,282	(2,915)	741,517	32,849
CASH AND CASH EQUIVALENTS, BEGINNING	-	83,234	5,712	88,946	56,097
CASH AND CASH EQUIVALENTS, ENDING	\$ 155,150	\$ 672,516	\$ 2,797	\$ 830,463	\$ 88,946
SCHEDULE RECONCILING OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 44,754	65,476	(3,003)	\$ 107,227	\$ 55,629
Non-Cash Items Included in Net Income (Loss):					
Depreciation	29,472	23,878	-	53,350	53,395
(Increase) Decrease in:					
Accounts Receivable	(2,188)	(1,626)	(3)	(3,817)	2,593
Increase (Decrease) in:					
Accounts Payable and Deposits	(3,791)	559	91	(3,141)	(6,403)
Due to Other Funds	-	-	-	-	10,555
Checks Issued in Excess of Bank Balance	(17,551)	-	-	(17,551)	(26,439)
Accrued Vacation and Leave	66	66	-	132	(84)
Net Cash Flows Provided by (Used In) Operating Activities	\$ 50,762	\$ 88,353	\$ (2,915)	\$ 136,200	\$ 89,246
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of Asset Accrued at Year-End	\$ 17,145	\$ 60,086	\$ -	\$ 77,231	\$ 80,000
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES					
Debt Issuance Costs Deducted from Debt Proceeds	\$ 6,691	\$ 16,836	\$ -	\$ 23,527	\$ -
Interest Expense Deducted from Debt Proceeds	\$ 781	\$ 2,739	\$ -	\$ 3,520	\$ -
Debt Refundings Deducted from Debt Proceeds	\$ 236,624	\$ 149,376	\$ -	\$ 386,000	\$ -

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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. 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 in the form of state aids and tax levies. Pension benefits are paid to members directly by PERA.

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, 2019**

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.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, Street Improvement 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 special revenue funds. 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, 2019 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

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

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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. 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, 2019**

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.

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 or asset, 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.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 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 investment 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, 2019**

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, 2019, 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, 2019.

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, 2019.

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.

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, 2019.

The following table presents the City's cash and investment balances at December 31, 2019:

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**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>	
Cash and Investments:				
Certificates of Deposit	N/A	9.68 months	3.42%	\$ 45,558
Checking Accounts	N/A	N/A	11.97%	159,456
Savings Accounts	N/A	N/A	80.89%	1,077,471
Petty Cash Account	N/A	N/A	0.00%	50
Cash Held with Fiscal Agent	N/A	N/A	3.72%	<u>49,489</u>
Total Cash and Investments			100.00%	<u>\$1,332,024</u>

Cash and Investments are presented in the December 31, 2019 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments	\$1,282,535
Restricted Cash	<u>49,489</u>
	<u>\$1,332,024</u>

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, 2019 was follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 36,089	\$ -	\$ -	\$ 36,089
Total Capital Assets, Not Being Depreciated	<u>36,089</u>	<u>-</u>	<u>-</u>	<u>36,089</u>
Capital Assets, Being Depreciated				
Buildings	739,200	-	-	739,200
Improvements	68,303	-	9,050	59,253
Machinery and Equipment	1,003,913	70,326	98,266	975,973
Infrastructure	<u>54,650</u>	<u>-</u>	<u>-</u>	<u>54,650</u>
Total Capital Assets, Being Depreciated	<u>1,866,066</u>	<u>70,326</u>	<u>107,316</u>	<u>1,829,076</u>
Accumulated Depreciation for:				
Buildings	303,609	18,725	-	322,334
Improvements	61,965	1,084	7,532	55,517
Machinery and Equipment	620,360	59,294	84,331	595,323
Infrastructure	<u>37,567</u>	<u>2,732</u>	<u>-</u>	<u>40,299</u>
Total Accumulated Depreciation	<u>1,023,501</u>	<u>81,835</u>	<u>91,863</u>	<u>1,013,473</u>
Total Capital Assets, Being Depreciated, Net	<u>842,565</u>	<u>(11,509)</u>	<u>15,453</u>	<u>815,603</u>
Governmental Activities Capital Assets, Net	<u>\$ 878,654</u>	<u>\$ (11,509)</u>	<u>\$ 15,453</u>	<u>\$ 851,692</u>

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 8,930	\$ -	\$ -	\$ 8,930
Construction in Progress	<u>138,431</u>	<u>98,602</u>	<u>-</u>	<u>237,033</u>
Total Capital Assets, Not Being Depreciated	<u>147,361</u>	<u>98,602</u>	<u>-</u>	<u>245,963</u>
Capital Assets, Being Depreciated				
Buildings	3,984	-	-	3,984
Improvements	1,409,722	-	-	1,409,722
Machinery and Equipment	<u>734,101</u>	<u>8,953</u>	<u>-</u>	<u>743,054</u>
Total Capital Assets, Being Depreciated	<u>2,147,807</u>	<u>8,953</u>	<u>-</u>	<u>2,156,760</u>
Accumulated Depreciation for:				
Buildings	3,812	83	-	3,895
Improvements	728,743	34,505	-	763,248
Machinery and Equipment	<u>487,315</u>	<u>18,762</u>	<u>-</u>	<u>506,077</u>
Total Accumulated Depreciation	<u>1,219,870</u>	<u>53,350</u>	<u>-</u>	<u>1,273,220</u>
Total Capital Assets, Being Depreciated, Net	<u>927,937</u>	<u>(44,397)</u>	<u>-</u>	<u>883,540</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,075,298</u>	<u>\$ 54,205</u>	<u>\$ -</u>	<u>\$ 1,129,503</u>

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

Governmental Activities:

General Government	\$ 871
Public Safety	28,516
Public Works	36,435
Culture and Recreation	<u>16,013</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 81,835</u>

Business-Type Activities:

Water	\$ 29,472
Sewer	<u>23,878</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 53,350</u>

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. LONG-TERM LIABILITIES

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in the current fiscal year. The primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

A. DESCRIPTION OF LONG-TERM DEBT

Under the provisions of Minnesota Statute §475.53 subd. 1, the City’s net debt may not exceed three percent of the estimated market value of all taxable property within the City. The City is in compliance with this provision.

Long-term debt is comprised of the following individual issues as of December 31, 2019:

<u>Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Business-Type Activities				
GO Water Revenue Refunding Bonds, Series 2016A	1.30%	\$ 70,000	01/01/21	\$ 30,000
GO Sewer Revenue Refunding Bonds, Series 2016A	1.30-3.70%	\$ 685,000	01/01/40	620,000
Temporary GO Utility Revenue Note, Series 2019B	2.65%	\$ 995,000	12/1/22	<u>995,000</u>
Total Business-Type Activities				<u>1,645,000</u>
Total Outstanding Long-Term Debt				<u>\$1,645,000</u>

General Obligation Bonds

The General Obligation Water and Sewer Revenue Refunding Bonds, Series 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. Taxes may be levied if the fees charged to customers are insufficient to make the required bond payments. Interest paid in 2019 was \$18,978.

The General Obligation Water Revenue Note, Series 2016B was issued to finance the cost of capital improvements to the water system. This note was refunded with the issuance of the General Obligation Utility Revenue Note, Series 2019B. Interest paid in 2019 was \$4,559.

The General Obligation Utility Revenue Note, Series 2019A was issued to finance a portion of the project costs of improvements to utility infrastructure, such as drinking water, wastewater, and storm sewer upgrades. This note was refunded with the issuance of the General Obligation Utility Revenue Note, Series 2019A. Interest deducted from debt proceeds in 2019 was \$3,520.

The Temporary General Obligation Utility Revenue Note, Series 2019B was issued to finance a portion of the project costs of improvements to utility infrastructure, such as drinking water, wastewater, and storm sewer upgrades. The proceeds of the issue were used to refund, in advance of their stated maturities, the General Obligation Water Revenue Note, Series 2016B and the General Obligation Utility Revenue Note, Series, 2019A. The refunding was undertaken due to both notes having payment terms that will likely require the payment of principal and interest prior to the City closing on anticipated USDA funding. These notes, including capitalized interest of \$12,003, will be repaid with the revenues in the Water Fund and Sewer Fund. Interest paid in 2019 was \$-0-. If not paid in full at maturity, the holder may require the issuance of new temporary bonds maturing one year from the date of issuance, bearing interest at the maximum rate permitted by law.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. LONG-TERM LIABILITIES (Cont'd)

B. MINIMUM DEBT PAYMENTS

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

Year Ending December 31	General Obligation Bonds/Notes Payable	
	<u>Principal</u>	<u>Interest</u>
	2020	\$ 40,000
2021	35,000	44,597
2022	1,020,000	44,088
2023	25,000	17,159
2024	25,000	16,596
2025 – 2029	130,000	73,625
2030 – 2034	150,000	52,160
2035 – 2039	180,000	24,210
2040	<u>40,000</u>	<u>740</u>
	<u>\$1,645,000</u>	<u>\$ 316,135</u>

C. CHANGES IN LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended December 31, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Accrued Vacation and Sick Leave	\$ <u>69</u>	\$ <u>310</u>	\$ <u>69</u>	\$ <u>310</u>	\$ <u>310</u>
Total Governmental Activities	<u>69</u>	<u>310</u>	<u>69</u>	<u>310</u>	<u>310</u>
Business-Type Activities					
GO Water Revenue Refunding					
Bonds, Series 2016A	45,000	-	15,000	30,000	15,000
GO Sewer Revenue Refunding					
Bonds, Series 2016A	640,000	-	20,000	620,000	25,000
GO Water Revenue Note, Series 2016B	194,000	-	194,000	-	-
GO Utility Revenue Note, Series 2019A	-	192,000	192,000	-	-
Temporary GO Utility Revenue Note, Series 2019B	-	995,000	-	995,000	-
Accrued Vacation and Sick Leave	<u>23</u>	<u>155</u>	<u>23</u>	<u>155</u>	<u>155</u>
Total Business-Type Activities	<u>879,023</u>	<u>1,187,155</u>	<u>421,023</u>	<u>1,645,155</u>	<u>40,155</u>
	<u>\$ 879,092</u>	<u>\$ 1,187,465</u>	<u>\$ 421,092</u>	<u>\$ 1,645,465</u>	<u>\$ 40,465</u>

5. INTERFUND BALANCES

At December 31, 2019 interfund balances were as follows:

Due To/From Other Funds (Current)

<u>From (Liability)</u>	<u>To (Asset)</u>	<u>Purpose</u>	<u>Amount</u>
Water Fund	General Fund	Solar agreement	\$ 6,631
Sewer Fund	General Fund	Solar agreement	3,924
Fire Department Fund	General Fund	Solar agreement	977
Fire Department Fund	General Fund	Payroll Taxes	<u>3,659</u>
			<u>\$ 15,191</u>

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. FUND BALANCE CLASSIFICATION

At December 31, 2019, 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>Total</u>
Restricted for:						
Christmas Decorations \$	595	-	-	-	-	\$ 595
Small Cities Assistance	<u>9,411</u>	-	-	-	-	<u>9,411</u>
	<u>10,006</u>	-	-	-	-	<u>10,006</u>
Committed for:						
Small Business Startup	4,616	-	-	-	-	4,616
Community Center	3,327	-	-	-	-	3,327
Street Improvements	-	67,711	-	-	-	67,711
Fire Services	-	-	46,864	-	-	46,864
Community Park	-	-	-	9,940	-	9,940
SCDP	-	-	-	-	28,592	28,592
	<u>7,943</u>	<u>67,711</u>	<u>46,864</u>	<u>9,940</u>	<u>28,592</u>	<u>161,050</u>
Unassigned:	<u>286,385</u>	-	-	-	-	<u>286,385</u>
Total Fund Balance:	<u>\$ 304,334</u>	<u>\$ 67,711</u>	<u>\$ 46,864</u>	<u>\$ 9,940</u>	<u>\$ 28,592</u>	<u>\$ 457,441</u>

7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

At December 31, 2019, the City had no funds with negative balances.

8. 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 2019 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 \$119,296 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 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. It is anticipated that the earliest a closing would occur on the Rural Development Funding is in 2022. The City has received a Letter of Conditions from the USDA indicating a 40-year term with a 2.125% interest rate for utility work. Ineligible street work will be covered by a USDA Community Facilities Loan with an anticipated 20-year term at 3.00%. In 2019, the City issued Temporary General Obligation Utility Revenue Note, Series 2019B for \$995,000 to finance a portion of the project costs in anticipation of approval. The balance of temporary construction funding will be borrowed when bids are received to fund the USDA eligible utility construction costs.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. 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

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

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. 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used to members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20% of average salary for each of the first ten years of service and 1.70% of average salary for each additional year.

Under Method 2, the accrual rate for Coordinated members is 1.70% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.00% and a maximum of 1.50%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$6,485. The City's contributions were equal to the required contributions for each year as set by state statute.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

4. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$66,345 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$2,000. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0012% which was neither an increase nor a decrease from its proportion measured as of June 30, 2018.

City's proportionate share of the net pension liability	\$ 66,345
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>2,000</u>
Total	<u>\$ 68,345</u>

For the year ended December 31, 2019, the City recognized pension expense of \$6,672 for its proportionate share of the General Employees Plan's pension expense. This amount is inclusive of \$150 which is recognized as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,767	\$ -
Changes in actuarial assumptions	-	5,000
Net collective difference between projected and actual investment earnings	-	5,009
Changes in proportion	3,192	10,150
Contributions paid to PERA subsequent to the measurement date	<u>3,258</u>	<u>-</u>
Total	<u>\$ 8,217</u>	<u>\$ 20,159</u>

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

4. Pension Costs (Cont'd)

The \$3,258 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2020	\$ (10,507)
2021	\$ (3,472)
2022	\$ (1,328)
2023	\$ 107
2024	\$ -
Thereafter	\$ -

5. Actuarial Assumptions

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

Inflation	2.50% 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 males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

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

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

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

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

5. Actuarial Assumptions (Cont'd)

Long-Term Expected

Asset Class	Target Allocation	Real Rate of Return
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.90%
Fixed Income	20.00%	0.75%
Private Markets	25.00%	5.90%
Cash Equivalents	<u>2.00%</u>	0.00%
Total	<u>100.00%</u>	

6. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at 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.

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	Current	1 percent increase
(6.50%)	(7.50%)	(8.50%)
\$109,068	\$66,345	\$31,069

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.

B. STATEWIDE VOLUNTEER FIREFIGHTERS FUND

1. Plan Description

The Wood Lake Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019, the plan covered 20 active firefighters and 7 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G.

2. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

B. STATEWIDE VOLUNTEER FIREFIGHTERS FUND (Cont'd)

3. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary City contributions. The State of Minnesota contributed \$11,095 in fire state aid to the fund for year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2019, were \$-0-. The City's contributions were equal to the required contributions as set by state statute. The City made voluntary contributions of \$394 to the plan.

4. Pension Costs

At December 31, 2019, the City reported a net pension asset of \$125,115 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB Statement No. 68 was determined by PERA applying an actuarial formula to specified census data certified by the fire department. The following table presents the changes in net pension (asset)/liability during the year:

	(a)	(b)	(a)-(b)
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Positon	(Asset)/
			Liability
Beginning Balance 12/31/2018	\$113,226	\$ 195,825	\$ (82,599)
Changes for the Year			
Service Cost	5,737	-	5,737
TPL Interest	7,138	-	7,138
Projected Investment Earnings	-	11,750	(11,750)
Contributions (ER/State)	-	11,489	(11,489)
Difference Between Projected and			
Actual Investment Earnings	(8,173)	-	(8,173)
Net Investment Income	-	24,712	(24,712)
PERA Administrative Fee	<u>-</u>	<u>(733)</u>	<u>733</u>
Balance End of Year 12/31/19	<u>\$ 117,928</u>	<u>\$ 243,043</u>	<u>\$(125,115)</u>

For the year ended December 31, 2019, the City recognized pension expense (recovered) of \$(4,491).

At December 31, 2019, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Actuarial Experience Gains/Losses	\$ -	\$ 22,900
Changes in actuarial assumptions	-	12,904
Net collective difference between projected and actual investment earnings	<u>-</u>	<u>6,887</u>
Total	<u>\$ -</u>	<u>\$ 42,691</u>

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

B. STATEWIDE VOLUNTEER FIREFIGHTERS FUND (Cont'd)

4. Pension Costs (Cont'd)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Expense Amount
2020	\$ (8,806)
2021	\$ (8,807)
2022	\$ (9,475)
2023	\$ (8,716)
2024	\$ (1,662)
Thereafter	\$ (5,225)

5. Actuarial Assumptions

The total pension liability at December 31, 2019, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility	The later of age 50 or 20 years of service
Investment Rate of return	6.00% per year
Inflation Rate	3.00%

6. Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding 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 Volunteer Firefighter Fund, calculated using the assumed discount rate, 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
(5.00%)	(6.00%)	(7.00%)
\$ (119,678)	\$(125,115)	\$(130,328)

8. Plan Investments

Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State, and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 353G.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

B. STATEWIDE VOLUNTEER FIREFIGHTERS FUND (Cont'd)

8. Plan Investments

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specified performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.00%	5.10%
International Stocks	15.00%	5.30%
Bonds	45.00%	0.75%
Unallocated Cash	<u>5.00%</u>	0.00%
Total	<u>100.00%</u>	

The 6.00% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of Significant Investment Policy Changes During the Year

The SBI made no significant changes to their investment policy during Fiscal Year 2019 for the Volunteer Firefighter Fund.

9. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. PENSION PLANS (Cont'd)

C. FINANCIAL STATEMENT PRESENTATION

Deferred Inflows/Outflows of Resources related to pension plans are presented in the December 31, 2019 basic financial statements as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities		
PERA	\$ 4,707	\$ 12,985
VFRA	<u>-</u>	<u>42,691</u>
Total Governmental Activities	<u>4,707</u>	<u>55,676</u>
Business-Type Activities		
Water Fund - PERA	1,755	3,587
Sewer Fund - PERA	<u>1,755</u>	<u>3,587</u>
Total Business-Type Activities	<u>3,510</u>	<u>7,174</u>
Total	<u>\$ 8,217</u>	<u>\$ 62,850</u>

10. OTHER POST EMPLOYMENT BENEFITS

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions* requires cities that provide other post employment benefits to recognize their total OPEB liability, OPEB expense, and related deferred inflows and outflows of resources on the City's government-wide financial statements. 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.

11. 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.

12. SOLAR AGREEMENT

The City entered into a Solar Garden Agreement with MN Community Solar, LLC in January 2017. This agreement commenced in February 2017 and shall terminate on the 25th anniversary of the commercial operation date. The City will receive a production credit in which they will receive 11.5 cents from Xcel Energy and pay 10.5 cents to Geronimo Energy, giving the City a profit of 1.0 cents. The City anticipates saving approximately \$1,000 per year on electricity as a result of this agreement.

13. SUBSEQUENT EVENTS

In February of 2020, the City received the United States Department of Agriculture Rural Development Special Evaluation Assistance for Rural Communities and Households (SEARCH) Grant in the amount of \$22,000 in connection with Phase I of the utility infrastructure improvement project.

In connection with Phase I of the utility infrastructure improvement project with a proposed total capital cost of \$16,878,000, the City contracted with a certified plumber in May 2020 to measure the basements of 194 properties at a cost of \$9,215. Costs related to measurement as part of Phase II of the project will be negotiated at a later date.

The COVID-19 Pandemic has presented challenges for many local governments. The League of Minnesota Cities has warned there may be delay in property tax payments as a result of COVID-19. It is unknown what the total impact for the year may be at this time. The City will need to closely watch spending in the months ahead.

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, 2019**

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**)**

Measurement Date	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City		City's Covered Payroll**	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
				(a+b)	(c)			
6/30/19	0.0012%	\$ 66,345	\$ 2,000	\$ 68,345	\$ 85,104	80.31%	80.2%	
6/30/18	0.0012	66,571	2,290	68,861	77,947	88.34	79.5	
6/30/17	0.0011	70,223	904	71,127	72,533	98.06	75.9	
6/30/16	0.0016	129,912	1,675	131,587	101,053	130.22	68.9	
6/30/15	0.0013	67,373	-	67,373	74,227	90.77	78.2	

* This schedule is for Employers in the General Employees Plan to report 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)
					(b/d)
12/31/19	\$ 6,485	\$ 6,485	\$ -	\$ 86,466	7.5%
12/31/18	6,288	6,288	-	83,841	7.5
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, 2019

VOLUNTEER FIRE RELIEF ASSOCIATION

Fiscal Year	2015	2016	2017	2018	2019
Total Pension Liability					
Service Cost	\$ 6,716	\$ 6,901	\$ 7,457	\$ 5,960	\$ 5,737
Interest on the Total Pension Liability	6,419	7,018	8,791	7,713	7,138
Difference between expected and actual experience	-	-	(3,457)	(23,037)	(8,173)
Changes in Assumptions	-	(5,033)	(14,472)	(7,854)	-
Changes of Benefit Terms	-	14,696	-	-	-
Benefit Payments	-	-	(40,520)	-	-
Net change in total pension liability	13,135	23,582	(42,201)	(17,218)	4,702
Total Pension Liability - Beginning	135,928	149,063	172,645	130,444	113,226
Total Pension Liability - Ending (a)	\$ 149,063	\$ 172,645	\$ 130,444	\$ 113,226	\$ 117,928
Plan Fiduciary Net Position					
Contributions State	\$ 11,315	\$ 11,901	\$ 14,659	\$ 12,351	\$ 11,095
Contributions Local	633	343	946	621	394
Projected Investment Earnings				11,480	11,750
Net Investment Income	6,620	(5,598)	6,483	(19,258)	24,712
Changes in Assumptions				14,507	-
Benefit Payments	-	-	(40,520)	-	-
Pension Plan Administrative Expense	(300)	(300)	(1,575)	(699)	(733)
Net Change in Total Pension Liability	18,268	6,346	(20,007)	19,002	47,218
Plan Fiduciary Net Position - Beginning	172,216	190,484	196,830	176,823	195,825
Plan Fiduciary Net Position - Ending (b)	\$ 190,484	\$ 196,830	\$ 176,823	\$ 195,825	\$ 243,043
Net Pension (Asset)/Liability - Ending (a) - (b)	\$ (41,421)	\$ (24,185)	\$ (46,379)	\$ (82,599)	\$ (125,115)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.79%	114.01%	135.55%	172.95%	206.09%
Covered payroll	n/a	n/a	n/a	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a	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, 2019**

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 Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/19	\$ 11,095	\$ 11,489	\$ (394)	N/A	N/A
12/31/18	12,351	12,972	(621)	N/A	N/A
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

* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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, 2019
(with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
REVENUES					
Taxes:					
Property Taxes	\$ 111,000	\$ 111,000	\$ 111,462	\$ 462	\$ 110,707
Licenses and Permits:					
Business and Nonbusiness	2,750	2,750	2,680	(70)	2,830
Intergovernmental:					
State					
Local Government Aid	124,289	124,289	124,450	161	124,289
Small Cities Assistance	3,000	3,000	-	(3,000)	7,172
State Market Value Credit	-	-	160	160	158
PERA Rate Increase Aid	650	650	679	29	679
State Fire Relief Aid	11,000	11,000	-	(11,000)	-
	<u>138,939</u>	<u>138,939</u>	<u>125,289</u>	<u>(13,650)</u>	<u>132,298</u>
Fines and Forfeits:					
County Court Fines	500	500	403	(97)	2
Charges for Services:					
Mowing, Snow Removal, Etc.	2,500	2,500	1,881	(619)	2,663
Miscellaneous:					
Rental Income	9,000	9,000	9,308	308	9,490
Interest Income	500	500	892	392	1,002
Dividend Income	100	100	351	251	761
Miscellaneous	700	700	2,120	1,420	6,573
	<u>10,300</u>	<u>10,300</u>	<u>12,671</u>	<u>2,371</u>	<u>17,826</u>
TOTAL REVENUES	<u>265,989</u>	<u>265,989</u>	<u>254,386</u>	<u>(11,603)</u>	<u>266,326</u>
EXPENDITURES					
Current:					
General Government:					
Council and Mayor:					
Salaries	12,000	12,000	9,867	2,133	7,900
Other	400	400	60	340	-
Election and Voter Registration:					
Election Expense	-	-	1,139	(1,139)	1,619
Financial Administration:					
Salaries	26,140	26,140	26,509	(369)	26,052
Professional Dues	2,200	2,200	1,529	671	1,815
Office Supplies	2,400	2,400	3,020	(620)	2,613
Telephone	2,400	2,400	2,653	(253)	2,217
Other	3,500	3,500	3,973	(473)	6,736
Assessor Fees	3,500	3,500	5,060	(1,560)	1,638
Legal Fees	5,000	5,000	3,005	1,995	338
Accounting and Auditing Fees	8,500	8,500	7,987	513	6,885
	<u>66,040</u>	<u>66,040</u>	<u>64,802</u>	<u>1,238</u>	<u>57,813</u>
Public Safety:					
Fire Contracted Services	11,000	11,000	13,000	(2,000)	11,000
Other	1,000	1,000	1,338	(338)	1,084
Remittance of Fire Aid/Supplemental Benefits	11,000	11,000	-	11,000	-
	<u>23,000</u>	<u>23,000</u>	<u>14,338</u>	<u>8,662</u>	<u>12,084</u>
Public Works:					
Streets and Alleys:					
Salaries	17,000	17,000	19,383	(2,383)	16,601
Blade and Repair Streets	15,000	15,000	10,212	4,788	18,840
Motor and Fuel Lubricants	6,000	6,000	9,448	(3,448)	5,423
Maintenance Garage:					
Supplies	3,950	3,950	6,702	(2,752)	5,837
Fuel	3,000	3,000	2,648	352	1,693
Electricity and Telephone	3,600	3,600	1,684	1,916	4,645
Repairs and Maintenance	11,000	11,000	8,803	2,197	6,249
Street Lighting:					
Electricity	10,000	10,000	9,831	169	10,111
	<u>69,550</u>	<u>69,550</u>	<u>68,711</u>	<u>839</u>	<u>69,399</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, 2019
(with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd):					
Culture and Recreation:					
Community Center:					
Salaries	\$ 8,200	\$ 8,200	\$ 8,124	\$ 76	\$ 7,862
Supplies	1,800	1,800	1,231	569	1,933
Fuel	3,000	3,000	2,276	724	2,810
Electricity and Telephone	3,500	3,500	1,874	1,626	2,303
Repairs and Maintenance	3,500	3,500	1,498	2,002	1,683
Other	700	700	298	402	86
	<u>20,700</u>	<u>20,700</u>	<u>15,301</u>	<u>5,399</u>	<u>16,677</u>
Miscellaneous:					
Printing and Publishing	400	400	204	196	252
General Insurance	10,000	10,000	10,871	(871)	10,251
Payroll Taxes and Employee Benefits	32,100	32,100	19,670	12,430	19,781
Other	1,200	1,200	5,160	(3,960)	5,581
	<u>43,700</u>	<u>43,700</u>	<u>35,905</u>	<u>7,795</u>	<u>35,865</u>
Capital Outlay:					
General Government:					
Equipment	1,200	1,200	-	1,200	1,149
Public Works:					
Buildings	10,000	10,000	2,190	7,810	37,907
Equipment	26,000	26,000	32,143	(6,143)	15,500
Culture and Recreation:					
Community Center Building	2,500	2,500	-	2,500	-
Community Center Equipment	1,000	1,000	-	1,000	-
	<u>40,700</u>	<u>40,700</u>	<u>34,333</u>	<u>6,367</u>	<u>54,556</u>
TOTAL EXPENDITURES	<u>263,690</u>	<u>263,690</u>	<u>233,390</u>	<u>30,300</u>	<u>246,394</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,299</u>	<u>2,299</u>	<u>20,996</u>	<u>18,697</u>	<u>19,932</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	(5,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>2,299</u>	<u>2,299</u>	<u>20,996</u>	<u>18,697</u>	<u>14,932</u>
FUND BALANCE - BEGINNING	<u>283,338</u>	<u>283,338</u>	<u>283,338</u>	<u>-</u>	<u>268,406</u>
FUND BALANCE - ENDING	<u>\$ 285,637</u>	<u>\$ 285,637</u>	<u>\$ 304,334</u>	<u>\$ 18,697</u>	<u>\$ 283,338</u>
FUND BALANCE ANALYSIS					
RESTRICTED FUND BALANCE					
Christmas Decorations			\$ 595		\$ 595
Small Cities Assistance			9,411		9,411
TOTAL RESTRICTED FUND BALANCE			<u>10,006</u>		<u>10,006</u>
COMMITTED FUND BALANCE					
Small Business Startup			4,616		4,570
Community Center			3,327		3,327
TOTAL COMMITTED FUND BALANCES			<u>7,943</u>		<u>7,897</u>
UNASSIGNED FUND BALANCE			<u>286,385</u>		<u>265,435</u>
TOTAL FUND BALANCE			<u>\$ 304,334</u>		<u>\$ 283,338</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, 2019
(with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
REVENUES					
Taxes:					
Property Taxes	\$ 40,000	\$ 40,000	\$ 40,049	\$ 49	\$ 39,653
Miscellaneous:					
Interest Income	100	100	230	130	189
TOTAL REVENUES	40,100	40,100	40,279	179	39,842
EXPENDITURES					
Current:					
Public Works:					
Streets and Alleys:					
Repairs and Maintenance	40,000	40,000	31,574	8,426	26,214
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	100	100	8,705	8,605	13,628
FUND BALANCE - BEGINNING	59,006	59,006	59,006	-	45,378
FUND BALANCE - ENDING	\$ 59,106	\$ 59,106	\$ 67,711	\$ 8,605	\$ 59,006
FUND BALANCE ANALYSIS					
COMMITTED FUND BALANCE					
Street Improvements			\$ 67,711		\$ 59,006

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, 2019
(with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
REVENUES					
Intergovernmental:					
State					
Firefighter Training Grant	\$ -	\$ -	\$ 6,037	\$ 6,037	\$ 450
Charges for Services:					
Fire Protection Contracts	40,000	40,000	40,000	-	33,750
Fire and Responder Calls	-	-	6,000	6,000	5,500
	<u>40,000</u>	<u>40,000</u>	<u>46,000</u>	<u>6,000</u>	<u>39,250</u>
Miscellaneous:					
Interest Income	-	-	545	545	414
Dividend Income	-	-	71	71	-
Donations	-	-	16,758	16,758	38,840
	<u>-</u>	<u>-</u>	<u>17,374</u>	<u>17,374</u>	<u>39,254</u>
TOTAL REVENUES	<u>40,000</u>	<u>40,000</u>	<u>69,411</u>	<u>29,411</u>	<u>78,954</u>
EXPENDITURES					
Current:					
General Government:					
Audit and Legal Fees	1,100	1,100	1,038	62	950
Public Safety:					
Fire Protection Salaries	13,900	13,900	6,480	7,420	5,610
First Responder Salaries	12,400	12,400	17,430	(5,030)	9,120
Payroll Taxes and Employee Benefits	2,500	2,500	1,829	671	1,127
Motor Fuels and Lubricants	1,500	1,500	1,356	144	1,026
Repairs, Maintenance and Utilities	14,200	14,200	7,760	6,440	7,827
Supplies	2,800	2,800	5,653	(2,853)	1,402
Insurance	5,000	5,000	4,976	24	6,003
Training	2,500	2,500	7,775	(5,275)	1,450
Miscellaneous	1,000	1,000	2,178	(1,178)	3,447
	<u>55,800</u>	<u>55,800</u>	<u>55,437</u>	<u>363</u>	<u>37,012</u>
Capital Outlay:					
Public Safety					
Equipment	9,600	9,600	10,108	(508)	49,637
TOTAL EXPENDITURES	<u>66,500</u>	<u>66,500</u>	<u>66,583</u>	<u>(83)</u>	<u>87,599</u>
EXCESS OF REVENUES					
OVER (UNDER) EXPENDITURES	(26,500)	(26,500)	2,828	29,328	(8,645)
FUND BALANCE - BEGINNING	<u>44,036</u>	<u>44,036</u>	<u>44,036</u>	-	<u>52,681</u>
FUND BALANCE - ENDING	<u>\$ 17,536</u>	<u>\$ 17,536</u>	<u>\$ 46,864</u>	<u>\$ 29,328</u>	<u>\$ 44,036</u>
FUND BALANCE ANALYSIS					
COMMITTED FUND BALANCE					
Fire Services			<u>\$ 46,864</u>		<u>\$ 44,036</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, 2019
(with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
REVENUES					
Taxes:					
Property Taxes	\$ 24,500	\$ 24,500	\$ 24,396	\$ (104)	\$ 18,698
Miscellaneous:					
Interest Income	50	50	16	(34)	22
Miscellaneous	-	-	582	582	80
	<u>50</u>	<u>50</u>	<u>598</u>	<u>548</u>	<u>102</u>
TOTAL REVENUES	24,550	24,550	24,994	444	18,800
EXPENDITURES					
Current:					
Culture and Recreation:					
Salaries	12,500	12,500	13,267	(767)	11,795
Payroll Taxes and Employee Benefits	1,900	1,900	3,205	(1,305)	2,963
Electricity and Telephone	1,200	1,200	976	224	936
Supplies	1,500	1,500	514	986	452
Repairs and Maintenance	1,500	1,500	2,644	(1,144)	2,330
Insurance	1,300	1,300	2,038	(738)	1,247
Other	1,000	1,000	-	1,000	-
	<u>20,900</u>	<u>20,900</u>	<u>22,644</u>	<u>(1,744)</u>	<u>19,723</u>
Capital Outlay:					
Culture and Recreation					
Lawn Equipment	3,000	3,000	3,885	(885)	-
Improvements and Equipment	600	600	-	600	795
	<u>3,600</u>	<u>3,600</u>	<u>3,885</u>	<u>(285)</u>	<u>795</u>
TOTAL EXPENDITURES	24,500	24,500	26,529	(2,029)	20,518
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50	50	(1,535)	(1,585)	(1,718)
FUND BALANCE - BEGINNING	11,475	11,475	11,475	-	13,193
FUND BALANCE - ENDING	\$ 11,525	\$ 11,525	\$ 9,940	\$ (1,585)	\$ 11,475
FUND BALANCE ANALYSIS					
COMMITTED FUND BALANCE					
Community Park			<u>\$ 9,940</u>		<u>\$ 11,475</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, 2019
(with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
REVENUES					
Miscellaneous:					
Interest Income	\$ 25	\$ 25	\$ 38	\$ 13	\$ 27
Miscellaneous	6,808	6,808	5,379	(1,429)	6,746
TOTAL REVENUES	6,833	6,833	5,417	(1,416)	6,773
EXPENDITURES					
Current:					
General Government:					
Professional Fees	30	30	46	(16)	-
Other	-	-	14	(14)	-
TOTAL EXPENDITURES	30	30	60	(30)	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,803	6,803	5,357	(1,386)	6,773
FUND BALANCE - BEGINNING	23,235	23,235	23,235	-	13,034
RESIDUAL EQUITY TRANSFER	-	-	-	-	3,428
FUND BALANCE - ENDING	\$ 30,038	\$ 30,038	\$ 28,592	\$ -	\$ 23,235
FUND BALANCE ANALYSIS					
COMMITTED FUND BALANCE					
SCDP			\$ 28,592		\$ 23,235

**CITY OF WOOD LAKE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. DEFINED BENEFIT PENSION PLANS

The following changes were reflected in the valuations performed on behalf of the following defined benefit pension plan for the fiscal years (measurement date) ending June 30:

Public Employees Retirement Association

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

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.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16 million in 2017 and 2018, and \$6 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21 million to \$31 million in calendar years 2019 to 2031. The State's contribution changed from \$16 million to \$6 million in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.

**CITY OF WOOD LAKE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FIRE RELIEF ASSOCIATION CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLAN
DECEMBER 31, 2019**

1. DEFINED BENEFIT PENSION PLANS (Cont'd)

Public Employees Retirement Association (Cont'd)

General Employees Fund (Cont'd)

2016 Changes (Cont'd)

Changes in Actuarial Assumptions: (Cont'd)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised' the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

The following changes were reflected in the valuations performed on behalf of the following defined benefit pension plan for the calendar years (measurement date) ending December 31:

Volunteer Fire Relief Association

2019 Changes

Changes in Actuarial Assumptions:

- No changes.

2018 Changes

Changes in Actuarial Assumptions:

- The expected investment return and discount rate increased from 5.50% to 6.00% and the inflation rate increased from 2.75% to 3.00% as a result of joining the Statewide Volunteer Firefighters Fund administered by PERA at January 1, 2018.

2017 Changes

Changes in Actuarial Assumptions:

- No changes.

2016 Changes

Changes in Actuarial Assumptions:

- The expected investment return and discount rate increased from 4.50% to 5.50% to reflect updated capital market assumptions.

2015 Changes

Changes in Actuarial Assumptions:

- No changes.

**CITY OF WOOD LAKE, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019:

	Approved Budget	Actual Expenditures	Excess Expenditures
Fire Department Fund	\$ 66,500	\$ 66,583	\$ 83
Community Park Fund	\$ 24,500	\$ 26,529	\$ 2,029
SCDP Fund	\$ 30	\$ 60	\$ 30

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 2019 budget projected deficit spending in the following major fund:

Fire Department Fund	\$ 26,500
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OTHER SUPPLEMENTARY INFORMATION

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, 2019
 (with Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual
	Original	Final			
REVENUES					
Miscellaneous:					
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ 2
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
OVER (UNDER) EXPENDITURES	-	-	-	-	2
FUND BALANCE - BEGINNING	-	-	-	-	3,426
RESIDUAL EQUITY TRANSFER	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,428)</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE ANALYSIS					
COMMITTED FUND BALANCE					
City Rehabilitation			<u>\$ -</u>		<u>\$ -</u>

CITY OF WOOD LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Utility Charges	\$ 123,869	\$ 87,366
Other Operating Revenues	11,601	11,597
Total Operating Revenues	<u>135,470</u>	<u>98,963</u>
OPERATING EXPENSES		
Salaries	13,197	12,706
Payroll Taxes and Employee Benefits	4,834	4,601
Contractual Services	8,892	7,763
Light and Power	1,111	256
Telephone	566	530
Heat	2,239	2,923
Operating Supplies	14,267	12,018
Repairs and Maintenance	7,433	9,502
Insurance	1,894	1,177
Professional Fees	2,662	2,295
Licenses and Testing	254	206
Office Expense	2,040	1,976
Miscellaneous	1,852	1,734
Bad Debts	3	-
Depreciation	29,472	29,700
Total Operating Expenses	<u>90,716</u>	<u>87,387</u>
OPERATING INCOME	<u>44,754</u>	<u>11,576</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	163	40
Nonoperating Grant Revenue	23	81
Debt Issuance Costs	(6,691)	-
Interest Expense	(4,031)	(5,047)
Nonoperating Pension (Expense) Recovered	(51)	222
Total Nonoperating Revenues (Expenses)	<u>(10,587)</u>	<u>(4,704)</u>
INCOME BEFORE TRANSFERS	<u>34,167</u>	<u>6,872</u>
OPERATING TRANSFERS		
Transfers from Other Funds	-	2,500
Total Operating Transfers	<u>-</u>	<u>2,500</u>
CHANGE IN NET POSITION	34,167	9,372
NET POSITION - BEGINNING	<u>151,727</u>	<u>142,355</u>
NET POSITION - ENDING	<u><u>\$ 185,894</u></u>	<u><u>\$ 151,727</u></u>

CITY OF WOOD LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Utility Charges	\$ 133,219	\$ 117,802
Other Operating Revenues	1,762	-
Total Operating Revenues	<u>134,981</u>	<u>117,802</u>
OPERATING EXPENSES		
Salaries	13,197	12,706
Payroll Taxes and Employee Benefits	4,834	4,601
Contractual Services	5,761	4,457
Light and Power	2,563	857
Operating Supplies	9,304	10,560
Repairs and Maintenance	1,268	7,366
Insurance	646	518
Professional Fees	2,663	2,295
Licenses and Testing	3,028	2,901
Office Expense	2,049	2,002
Miscellaneous	311	226
Bad Debts	3	-
Depreciation	23,878	23,695
Total Operating Expenses	<u>69,505</u>	<u>72,184</u>
OPERATING INCOME	<u>65,476</u>	<u>45,618</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	62	28
Nonoperating Grant Revenue	23	81
Debt Issuance Costs	(16,836)	-
Interest Expense	(21,197)	(18,718)
Nonoperating Pension (Expense) Recovered	(51)	222
Total Nonoperating Revenues (Expenses)	<u>(37,999)</u>	<u>(18,387)</u>
INCOME BEFORE TRANSFERS	<u>27,477</u>	<u>27,231</u>
OPERATING TRANSFERS		
Transfers from Other Funds	-	2,500
Total Operating Transfers	<u>-</u>	<u>2,500</u>
CHANGE IN NET POSITION	27,477	29,731
NET POSITION - BEGINNING	<u>33,503</u>	<u>3,772</u>
NET POSITION - ENDING	<u><u>\$ 60,980</u></u>	<u><u>\$ 33,503</u></u>

CITY OF WOOD LAKE, MINNESOTA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
GARBAGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
(with Partial Comparative Information for the Year Ended December 31, 2018)

	2019	2018
OPERATING REVENUES		
Utility Charges	\$ 30,431	\$ 30,289
Total Operating Revenues	30,431	30,289
OPERATING EXPENSES		
Contractual Services	32,638	31,150
Office Expense	796	704
Total Operating Expenses	33,434	31,854
CHANGE IN NET POSITION	(3,003)	(1,565)
NET POSITION - BEGINNING	5,700	7,265
NET POSITION - ENDING	\$ 2,697	\$ 5,700

OTHER REQUIRED REPORTS AND SCHEDULES

CITY OF WOOD LAKE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
DECEMBER 31, 2019

INTERNAL CONTROL OVER FINANCIAL REPORTING
PREVIOUSLY REPORTED ITEMS NOT RESOLVED

2019-001 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. This finding was reported in the prior year audit as finding number 2018-001. 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.

2019-002 AUDIT ADJUSTMENTS

Condition: During our audit, we proposed numerous adjustments that resulted in significant changes to the City's financial statements. This finding was reported in the prior year audit as finding number 2018-002. The adjustments resulted from the general ledger being maintained on the cash basis of accounting rather than the accrual basis. Various accounts receivable, accounts payable, cash, and long-term debt accounts 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, 2019

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

2019-002 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-Treasurer 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 CURRENT YEAR

2019-003 DATA SECURITY

Condition: It was reported to the Council that the computer, printer, bulletin board, personnel files, training records, and history of minutes are missing from the Fire Hall office. The investigation has yet to reach a conclusion as to the cause or whereabouts of the items.

Effect: A lack of control over data could affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements and increase the risk of misappropriation of City assets and other potential liability.

Cause: The City has limited controls in place over data maintained at the Fire Hall.

Criteria: One basic objective of internal control is to provide security over financial data and personally identifiable information.

Recommendation: We recommend the City maintain all financial and personnel data at the City Office and review physical controls in place over its records.

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

**CITY OF WOOD LAKE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE
AND COMPLIANCE CORRECTIVE ACTION PLAN
DECEMBER 31, 2019**

2019-001 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.

2019-002 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-Treasurer 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-Treasurer 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, 2019**

2019-003 DATA SECURITY

Auditor Recommendation

We recommend the City maintain all financial and personnel data at the City Office and review physical controls in place over its records.

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 relocate any records to a consolidated, secure location at the City Office where necessary and review physical controls over its records for deficiencies and areas of improvement.

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 in 2020.

5. Plan to Monitor Completion of CAP

The Mayor and City Council will be monitoring this plan.



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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, 2019, 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 29, 2020.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings on internal control structure and compliance as items 2019-001, 2019-002, and 2019-003 that we consider to be material weaknesses.

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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*.

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 29, 2020



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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, 2019, 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 29, 2020.

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

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 29, 2020

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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, 2019, 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 29, 2020. This letter does not affect that report or our report dated June 29, 2020, 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-Treasurer monitor the loans to ensure that they receive at least a minimal payment from all residents on a timely basis.
- The budget approved by the City Council for the SCDP fund should match the budget file maintained by the City Clerk-Treasurer.
- The City should provide a certified copy of the delegation of authority for electronic funds transfers to the disbursing bank(s).
- During the review of interfund accruals, we noted that amounts owed to the General Fund from the Fire and Utility Funds for contracted services related to a solar agreement related to 2018 were still outstanding at year-end 2019. Interfund reimbursements should be made promptly or set up as an interfund loan.

All other comments and suggestions are included in the schedule of findings on internal control structure and compliance on pages 53 through 54.

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-Treasurer, 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 29, 2020

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