

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

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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## **INTRODUCTORY SECTION**

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF CITY COUNCIL MEMBERS AND OFFICIALS  
DECEMBER 31, 2021**

**CITY COUNCIL MEMBERS**

<b><u>Member</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
David Stelter	Mayor	12-31-22
Sean Brovold	Councilperson	12-31-24
Tammi Mueller	Councilperson	12-31-24
Wayne Tonn	Councilperson	12-31-22
Brad Timm	Councilperson	12-31-22

**ADMINISTRATION**

Brenda Drager	Clerk – Treasurer	Appointed
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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Wood Lake, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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, 2021, 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.

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, 2021, and the respective changes in financial positions and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Wood Lake, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted accounting standards and *Government Auditing Standards*, we:

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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.

### ***Supplementary 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 accompanying schedules of revenues, expenses, and changes in net position for the individual utility funds, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 schedules of revenues, expenses, and changes in net position for the individual utility funds and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, 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 13, 2022



## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2021 year include the following:

- Net position in the Statement of Net Position increased \$2,620,164 from the prior year to \$4,371,672. The City capitalized \$4,345,985 in infrastructure project costs and is carrying \$457,375 in unspent proceeds from debt issuances into 2022. This is offset by \$2,175,034 in debt issuances.
- The General Fund fund balance increased \$421,726 to \$771,401. This increase is mainly due to \$1,399,343 in proceeds from debt issuance for the infrastructure project, a slight increase in the property tax levy, and receiving \$16,094 in Small City Assistance Program funds, offset by \$1,001,645 in infrastructure project costs. The unassigned fund balance decreased \$35,083 from \$338,760 to \$303,677. The unassigned fund balance amounts to 115.0% of annual General Fund expenditures, after adjusting for infrastructure project costs funded by the United States Department of Agriculture Rural Development, and exceeds the City's fund balance goal of a minimum of six months of the next year's annual budget.
- The City received \$21,911 in American Rescue Plan Act funds in 2021, but these funds will not be recognized until they are spent in 2022.
- The City received \$16,094 in Small Cities Assistance Program funds in 2021. The funds are restricted in the General Fund until they are spent.
- The City received \$6,232 in FEMA Assistance to Firefighters Grant funds and \$1,267 in USDA Cooperative Forestry Assistance funds in 2021 to assist in funding Fire Department operations.
- In 2019, the City began an infrastructure improvement project that includes capping the wells, reconstructing water and sewer mains, replacing lift stations, replacing forcemains, rehabilitating a portion of the wastewater treatment pond facility, and various other infrastructure improvements. The total proposed cost of the project is approximately \$16,878,000. As of December 31, 2021, the City has been approved for \$5,392,000 in United States Department of Agriculture Rural Development loans and grants, and \$1,947,000 in Minnesota Public Facilities Authority grants. To temporarily fund the project until closing on the Rural Development loans, and fund other ineligible costs, the City issued various notes, bonds, and advance agreements totaling \$3,170,034. It is anticipated the earliest a closing would occur on the Rural Development Funding is 2022. The remaining funding required to complete the project will be obtained through a tax levy, a storm sewer fee on utility bills, general fund reserves, and other funding sources to be determined as subsequent phases are bid. On March 8, 2021, the City Council awarded Phase I of the project to RL Larson in the amount of \$4,093,028. As of December 31, 2021, Phase I is in progress. It is anticipated that Phase II will be bid in 2022. Costs incurred relating to the project are recorded as construction in progress on the Statement of Net Position.

**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.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)**

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.

**GOVERNMENT-WIDE FINANCIAL 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.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**FUND FINANCIAL STATEMENTS (Cont'd)**

- **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.

**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 \$4,371,672 at the close of the most recent fiscal year. The largest portion of the City's net position (\$3,223,750 or 73.7 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, 2021 and 2020 is as follows:

	<b>Governmental Activities</b>		<b>NET POSITION Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and Other Assets	\$ 1,253,512	\$ 732,089	\$ 581,487	\$ 582,247	\$ 1,834,999	\$ 1,314,336
Capital Assets	<u>1,821,653</u>	<u>853,610</u>	<u>4,660,406</u>	<u>1,365,072</u>	<u>6,482,059</u>	<u>2,218,682</u>
<b>Total Assets</b>	<b><u>3,075,165</u></b>	<b><u>1,585,699</u></b>	<b><u>5,241,893</u></b>	<b><u>1,947,319</u></b>	<b><u>8,317,058</u></b>	<b><u>3,533,018</u></b>
Related to Pensions	<u>15,880</u>	<u>5,610</u>	<u>27,498</u>	<u>3,190</u>	<u>43,378</u>	<u>8,800</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>15,880</u></b>	<b><u>5,610</u></b>	<b><u>27,498</u></b>	<b><u>3,190</u></b>	<b><u>43,378</u></b>	<b><u>8,800</u></b>
Current Liabilities	806,011	22,908	1,579,050	72,338	2,385,061	95,246
Noncurrent Liabilities	<u>685,886</u>	<u>50,901</u>	<u>819,630</u>	<u>1,591,044</u>	<u>1,505,516</u>	<u>1,641,945</u>
<b>Total Liabilities</b>	<b><u>1,491,897</u></b>	<b><u>73,809</u></b>	<b><u>2,398,680</u></b>	<b><u>1,663,382</u></b>	<b><u>3,890,577</u></b>	<b><u>1,737,191</u></b>
Related to Pensions	<u>62,697</u>	<u>51,183</u>	<u>35,490</u>	<u>1,936</u>	<u>98,187</u>	<u>53,119</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>62,697</u></b>	<b><u>51,183</u></b>	<b><u>35,490</u></b>	<b><u>1,936</u></b>	<b><u>98,187</u></b>	<b><u>53,119</u></b>
Net Investment in Capital Assets	887,007	853,610	2,336,743	160,249	3,223,750	1,013,859
Restricted	<u>1,229,567</u>	<u>8,773</u>	<u>1,469,127</u>	<u>223,216</u>	<u>2,698,694</u>	<u>231,989</u>
Unrestricted	<u>(580,123)</u>	<u>603,934</u>	<u>(970,649)</u>	<u>(98,274)</u>	<u>(1,550,772)</u>	<u>505,660</u>
<b>Total Net Position</b>	<b><u>\$ 1,536,451</u></b>	<b><u>\$ 1,466,317</u></b>	<b><u>\$ 2,835,221</u></b>	<b><u>\$ 285,191</u></b>	<b><u>\$ 4,371,672</u></b>	<b><u>\$ 1,751,508</u></b>

An additional portion of the City's net position (\$2,698,694 or 61.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,550,772) or (35.5) percent) may be used to meet the government's ongoing obligations to citizens and creditors.

The City reported a negative balance in the unrestricted category of net position for governmental activities, business-type activities, and the government as a whole. This is primarily due to restricted funds and outstanding debt related to the infrastructure project.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**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, 2021.

A summary of the City's change in net position for the years ended December 31, 2021 and 2020 is as follows:

	<b>CHANGE IN NET POSITION</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues</b>						
Program Revenues						
Charges for Service	\$ 73,920	\$ 52,639	\$ 291,873	\$ 288,742	\$ 365,793	\$ 341,381
Operating Grants and Contributions	9,985	16,168	-	-	9,985	16,168
Capital Grants and Contributions	17,361	40,133	2,532,009	-	2,549,370	40,133
General Revenues						
Property Taxes – General	200,761	174,712	-	-	200,761	174,712
Unallocated Federal and State Aid	143,805	140,998	92	62	143,897	141,060
Other	62,647	65,656	1,356	2,089	64,003	67,745
<b>Total Revenues</b>	<b>508,479</b>	<b>490,306</b>	<b>2,825,330</b>	<b>290,893</b>	<b>3,333,809</b>	<b>781,199</b>
<b>Expenses</b>						
General Government	61,270	60,420	-	-	61,270	60,420
Public Safety	114,630	97,506	-	-	114,630	97,506
Public Works	153,915	136,516	-	-	153,915	136,516
Culture and Recreation	65,718	51,476	-	-	65,718	51,476
Economic Development	544	4,988	-	-	544	4,988
Miscellaneous	27,748	28,315	-	-	27,748	28,315
Loss on Disposal of Assets	61	-	-	-	61	-
Interest on Long-Term Debt	14,459	-	-	-	14,459	-
Water	-	-	133,011	120,330	133,011	120,330
Sewer	-	-	108,472	111,574	108,472	111,574
Garbage	-	-	33,817	32,780	33,817	32,780
<b>Total Expenses</b>	<b>438,345</b>	<b>379,221</b>	<b>275,300</b>	<b>264,684</b>	<b>713,645</b>	<b>643,905</b>
<b>Increase (Decrease) in Net Position before Transfers</b>	<b>70,134</b>	<b>111,085</b>	<b>2,550,030</b>	<b>26,209</b>	<b>2,620,164</b>	<b>137,294</b>
<b>Operating Transfers</b>	<b>-</b>	<b>(9,411)</b>	<b>-</b>	<b>9,411</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>70,134</b>	<b>101,674</b>	<b>2,550,030</b>	<b>35,620</b>	<b>2,620,164</b>	<b>137,294</b>
<b>Net Position – Beginning</b>	<b>1,466,317</b>	<b>1,364,643</b>	<b>285,191</b>	<b>249,571</b>	<b>1,751,508</b>	<b>1,614,214</b>
<b>Net Position – Ending</b>	<b>\$ 1,536,451</b>	<b>\$ 1,466,317</b>	<b>\$ 2,835,221</b>	<b>\$ 285,191</b>	<b>\$ 4,371,672</b>	<b>\$ 1,751,508</b>

**Governmental Activities**

The City's total revenues consisted of program revenues of \$101,266, property taxes of \$200,761, unallocated federal and state aids of \$143,805, and an amount from miscellaneous other sources. Expenses totaling \$438,345 consisted of general government costs of \$61,270, public safety of \$114,630, public works of \$153,915, culture and recreation of \$65,718, interest of long-term debt of \$14,459, and minor other amounts.

**Business-Type Activities**

The City's total revenues consisted of program revenues of \$2,823,882 and a small amount from miscellaneous other sources. Expenses totaling \$275,300 consisted of water costs \$133,011, sewer costs of \$108,472 and garbage costs of \$33,817.

The cost of all governmental activities this year was \$713,645.

- The users of the City's programs paid for 51.3%, or \$365,793, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$9,985, or 1.4% of the total costs. The City also received grants of \$2,549,370 for the infrastructure improvements project and other equipment purchases.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

- The remaining portion of the City's net cost of services (excluding the \$2,549,370 in grants for the infrastructure project and other equipment purchases) of \$(337,867) was paid for by City taxpayers and state and local government aid.

**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 \$1,009,749, an increase of \$478,204, in comparison with the prior year. Of this balance, \$303,677 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 decreased \$35,083 from \$338,760 to \$303,677 at December 31, 2021. 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 115.0 percent of total General Fund expenditures (excluding infrastructure project costs of \$1,001,645).

The overall fund balance of the City's General Fund increased by \$421,726 during the current fiscal year. This year's increase was due to \$1,399,343 in proceeds from debt related to the infrastructure project, offset by \$1,001,645 in infrastructure project costs. Additionally, the City received \$16,094 in Small Cities Assistance Program funds that were not budgeted, and budgeted for \$20,000 in capital outlay for the Public Works building that went unspent.

The Street Improvement Fund has a total fund balance of \$78,630, which is an increase of \$10,562 over the prior year. The increase is due to the tax levy being greater than current year repairs and maintenance.

The Fire Department Fund has a total fund balance of \$60,415, which is an increase of \$13,639 from the prior year. The Fire Department received more donations in 2021 to perform repairs and maintenance on the fire hall and for general department operations.

The Community Park Fund has a total fund balance of \$21,464, which is an increase of \$5,317 over the prior year. This increase was due to an increase in the tax levy and decrease in capital outlay, offset by a decrease in donations.

The SCDP Fund has a total fund balance of \$77,839, which is an increase of \$26,960 over the prior year. This increase is due to receiving payments on outstanding loans, including the repayment of a deferred loan repaid in full due to the sale of a property. There were no new loans issued in 2021.

**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 \$2,835,221. The proprietary funds had an increase of \$2,550,030 in total net position for the year. This increase was mainly due to federal grant funding for the infrastructure project.

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City approved the 2021 General Fund budget anticipating an increase in General Fund reserves of \$188. The City did not amend its budget during the current fiscal year.

The actual results for the year showed an increase of \$421,726.

- Actual revenues were \$9,331 or 3.3%, more than budget. This overall favorable variance was primarily due to receiving Small Cities Assistance Program funds that were not budgeted for, offset by receiving less State Fire Relief Aid than budgeted.
- Actual expenditures were \$14,509, or 5.2% more than budgeted after removing capital outlay for the infrastructure project. This is primarily due to debt services costs that were not budgeted for, offset by spending less than budgeted on capital outlay (after removing the expenditures related to the infrastructure project).

**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, 2021 amounts to \$6,482,059 (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 \$4,263,377 or 192.2 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 36,089	\$ 36,089	\$ 8,930	\$ 8,930	\$ 45,019	\$ 45,019
Construction in Progress	1,003,667	2,022	3,865,715	521,375	4,869,382	523,397
Buildings	379,578	398,210	-	22	379,578	398,232
Improvements Other than Buildings	7,821	2,917	577,780	612,127	585,601	615,044
Machinery and Equipment	385,612	402,754	207,981	222,618	593,593	625,372
Infrastructure	8,886	11,618	-	-	8,886	11,618
<b>Total</b>	<b>\$ 1,821,653</b>	<b>\$ 853,610</b>	<b>\$ 4,660,406</b>	<b>\$ 1,365,072</b>	<b>\$ 6,482,059</b>	<b>\$ 2,218,682</b>

**DEBT ADMINISTRATION**

At year-end, the City had \$3,745,034 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Minnesota Rural Water Financing Authority Temporary Financing Agreement	\$ 759,343	\$ -	\$ 515,691	\$ -	\$ 1,275,034	\$ -
General Obligation Bonds	640,000	-	1,830,000	1,605,000	2,470,000	1,605,000
<b>Total</b>	<b>\$ 1,399,343</b>	<b>\$ -</b>	<b>\$ 2,345,691</b>	<b>\$ 1,605,000</b>	<b>\$ 3,745,034</b>	<b>\$ 1,605,000</b>

**CITY OF WOOD LAKE, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**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.
- Phase I of the infrastructure improvement project will continue in 2022. Phase II of the project, in the engineering and planning phase as of December 31, 2021, is expected to be bid in 2022.
- Beginning in January 2022, storm water fees of \$16 for residential properties and \$27 for commercial properties will be added to the utility bills of all city residents. These fees will be used to fund a portion of the infrastructure improvement project.
- The City approved a bid to build the gazebo in the community park for \$6,000.

**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, 2021**  
(with Partial Comparative Information as of December 31, 2020)

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>2021 Total</b>	<b>2020 Total</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 575,822	\$ 502,488	\$ 1,078,310	\$ 1,038,446
Restricted Cash	440,980	50,396	491,376	44,229
Property Taxes Receivable	3,590	-	3,590	2,782
Accounts and Interest Receivable	13,525	25,189	38,714	29,661
Due From Other Governments	25,447	-	25,447	3,163
Interfund Accruals	(3,414)	3,414	-	-
Loans Receivable	7,766	-	7,766	9,474
<b>Total Current Assets</b>	<b>1,063,716</b>	<b>581,487</b>	<b>1,645,203</b>	<b>1,127,755</b>
<b>Noncurrent Assets:</b>				
Investments	4,691	-	4,691	20,773
Loans Receivable	2,896	-	2,896	10,375
Capital Assets, Net of Depreciation:				
Land	36,089	8,930	45,019	45,019
Construction in Progress	1,003,667	3,865,715	4,869,382	523,397
Buildings	379,578	-	379,578	398,232
Improvements Other than Buildings	7,821	577,780	585,601	615,044
Machinery and Equipment	385,612	207,981	593,593	625,372
Infrastructure	8,886	-	8,886	11,618
Net Pension Asset	182,209	-	182,209	155,433
<b>Total Noncurrent Assets</b>	<b>2,011,449</b>	<b>4,660,406</b>	<b>6,671,855</b>	<b>2,405,263</b>
<b>TOTAL ASSETS</b>	<b>3,075,165</b>	<b>5,241,893</b>	<b>8,317,058</b>	<b>3,533,018</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to Pensions	15,880	27,498	43,378	8,800
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	19,931	13,548	33,479	21,891
Accrued Interest	4,608	4,069	8,677	2,197
Payroll Liabilities	-	-	-	8,747
Interest Payable from Restricted Cash	-	9,001	9,001	9,229
Taxes Payable	-	866	866	877
Unearned Revenue	21,911	8,409	30,320	7,106
Utility Deposits	-	7,357	7,357	9,770
Current Bonds Payable from Restricted Cash	-	25,000	25,000	35,000
Current Portion of Long-Term Liabilities	759,561	1,510,800	2,270,361	429
<b>Total Current Liabilities</b>	<b>806,011</b>	<b>1,579,050</b>	<b>2,385,061</b>	<b>95,246</b>
<b>Noncurrent Liabilities:</b>				
Noncurrent Portion of Long-Term Liabilities	640,000	810,000	1,450,000	1,570,000
Net Pension Liability	45,886	9,630	55,516	71,945
<b>Total Noncurrent Liabilities</b>	<b>685,886</b>	<b>819,630</b>	<b>1,505,516</b>	<b>1,641,945</b>
<b>TOTAL LIABILITIES</b>	<b>1,491,897</b>	<b>2,398,680</b>	<b>3,890,577</b>	<b>1,737,191</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to Pensions	62,697	35,490	98,187	53,119
<b>NET POSITION</b>				
Net Investment in Capital Assets	887,007	2,336,743	3,223,750	1,013,859
Restricted For:				
Debt Service	763,951	1,452,732	2,216,683	19,157
Capital Asset Acquisition	440,980	16,395	457,375	210,737
Other Activities	24,636	-	24,636	2,095
Unrestricted	(580,123)	(970,649)	(1,550,772)	505,660
<b>TOTAL NET POSITION</b>	<b>\$ 1,536,451</b>	<b>\$ 2,835,221</b>	<b>\$ 4,371,672</b>	<b>\$ 1,751,508</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(with Partial Comparative Information for the Year Ended December 31, 2020)

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	2021 Total	2020 Total
<b>GOVERNMENTAL ACTIVITIES:</b>								
General Government	\$ 61,270			\$ 16,094	\$ (45,176)		\$ (45,176)	\$ (49,934)
Public Safety	114,630	\$ 73,455	\$ 9,985	1,267	(29,923)		(29,923)	(12,851)
Public Works	153,915	465	-	-	(153,450)		(153,450)	(133,217)
Culture and Recreation	65,718	-	-	-	(65,718)		(65,718)	(40,976)
Economic Development	544	-	-	-	(544)		(544)	(4,988)
Miscellaneous	27,748	-	-	-	(27,748)		(27,748)	(28,315)
Loss on Disposal of Assets	61	-	-	-	(61)		(61)	-
Interest on Long-Term Debt	14,459	-	-	-	(14,459)		(14,459)	-
<b>Total Governmental Activities</b>	<b>438,345</b>	<b>73,920</b>	<b>9,985</b>	<b>17,361</b>	<b>(337,079)</b>	<b>\$ -</b>	<b>(337,079)</b>	<b>(270,281)</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>								
Water	133,011	130,300	-	429,462	-	426,751	426,751	5,890
Sewer	108,472	130,510	-	2,102,547	-	2,124,585	2,124,585	19,620
Garbage	33,817	31,063	-	-	-	(2,754)	(2,754)	(1,452)
<b>Total Business-Type Activities</b>	<b>275,300</b>	<b>291,873</b>	<b>-</b>	<b>2,532,009</b>	<b>-</b>	<b>2,548,582</b>	<b>2,548,582</b>	<b>24,058</b>
<b>TOTAL GOVERNMENT</b>	<b>713,645</b>	<b>365,793</b>	<b>9,985</b>	<b>2,549,370</b>	<b>(337,079)</b>	<b>2,548,582</b>	<b>2,211,503</b>	<b>(246,223)</b>
<b>GENERAL REVENUES:</b>								
Property Taxes - General					200,761	-	200,761	174,712
Unallocated Federal and State Aid					143,805	92	143,897	141,060
Earnings on Investments					-	1,356	1,356	4,420
Gain on Disposal of Assets					-	-	-	28,694
Miscellaneous Revenues					62,647	-	62,647	34,631
<b>Total General Revenues and Transfers</b>					<b>407,213</b>	<b>1,448</b>	<b>408,661</b>	<b>383,517</b>
<b>Change in Net Position</b>					<b>70,134</b>	<b>2,550,030</b>	<b>2,620,164</b>	<b>137,294</b>
<b>Net Position - Beginning of Year</b>					<b>1,466,317</b>	<b>285,191</b>	<b>1,751,508</b>	<b>1,614,214</b>
<b>Net Position - Ending</b>					<b>\$ 1,536,451</b>	<b>\$ 2,835,221</b>	<b>\$ 4,371,672</b>	<b>\$ 1,751,508</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2021  
(with Partial Comparative Information as of December 31, 2020)**

	<b>General Fund</b>	<b>Street Improvement Fund</b>	<b>Fire Department Fund</b>	<b>Community Park Fund</b>	<b>SCDP Fund</b>	<b>Total Governmental Funds</b>	
						<b>2021</b>	<b>2020</b>
<b>ASSETS</b>							
Cash and Investments	\$ 338,142	\$ 77,901	\$ 65,254	\$ 21,377	\$ 77,839	\$ 580,513	\$ 548,955
Restricted Cash	440,980	-	-	-	-	440,980	-
Taxes Receivable	2,176	729	-	685	-	3,590	2,782
Accounts Receivable	2,700	-	1,775	-	-	4,475	2,940
Due from Other Governments	25,447	-	-	-	-	25,447	3,163
Loans Receivable	-	-	-	-	10,662	10,662	19,849
Due From Other Funds	2,242	-	-	-	-	2,242	3,700
<b>TOTAL ASSETS</b>	<b>\$ 811,687</b>	<b>\$ 78,630</b>	<b>\$ 67,029</b>	<b>\$ 22,062</b>	<b>\$ 88,501</b>	<b>\$ 1,067,909</b>	<b>\$ 581,389</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 14,961	\$ -	\$ 4,372	\$ 598	\$ -	\$ 19,931	\$ 13,875
Due to Other Funds	3,414	-	2,242	-	-	5,656	7,373
Payroll Liabilities	-	-	-	-	-	-	8,747
Unearned Revenue	21,911	-	-	-	-	21,911	-
<b>TOTAL LIABILITIES</b>	<b>40,286</b>	<b>-</b>	<b>6,614</b>	<b>598</b>	<b>-</b>	<b>47,498</b>	<b>29,995</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Loans	-	-	-	-	10,662	10,662	19,849
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,662</b>	<b>10,662</b>	<b>19,849</b>
<b>FUND BALANCES</b>							
Restricted Fund Balances	458,938	-	-	6,678	-	465,616	8,773
Committed Fund Balances	8,786	78,630	60,415	14,786	77,839	240,456	184,012
Unassigned Fund Balances	303,677	-	-	-	-	303,677	338,760
<b>TOTAL FUND BALANCES</b>	<b>771,401</b>	<b>78,630</b>	<b>60,415</b>	<b>21,464</b>	<b>77,839</b>	<b>1,009,749</b>	<b>531,545</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 811,687</b>	<b>\$ 78,630</b>	<b>\$ 67,029</b>	<b>\$ 22,062</b>	<b>\$ 88,501</b>	<b>\$ 1,067,909</b>	<b>\$ 581,389</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**  
**(with Partial Comparative Information as of December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 1,009,749</b>	<b>\$ 531,545</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:		
Land	36,089	36,089
Construction in Progress	1,003,667	2,022
Other Capital Assets, Net of \$1,110,916 of Accumulated Depreciation	781,897	815,499
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	9,050	2,640
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	10,662	19,849
Net Pension Asset	182,209	155,433
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(4,608)	-
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	15,880	5,610
Deferred Inflows of Resources Related to Pensions	(62,697)	(51,183)
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:		
Temporary Advance Agreement Payable	(759,343)	-
Bonds Payable	(640,000)	-
Accrued Vacation and Sick Leave	(218)	(286)
Net Pension Liability	(45,886)	(50,901)
<b>Total Net Position of Governmental Activities</b>	<b>\$ <u>1,536,451</u></b>	<b>\$ <u>1,466,317</u></b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with Partial Comparative Information for the Year Ended December 31, 2020)**

	<b>General Fund</b>	<b>Street Improvement Fund</b>	<b>Fire Department Fund</b>	<b>Community Park Fund</b>	<b>SCDP Fund</b>	<b>Total Governmental Funds</b>	
						<b>2021</b>	<b>2020</b>
<b>REVENUES</b>							
Taxes	\$ 122,863	\$ 40,258		\$ 37,640		\$ 200,761	\$ 174,712
Licenses and Permits	2,700	-		-		2,700	2,655
Intergovernmental	147,705	-	\$ 11,252	-		158,957	160,355
Fines and Forfeits	207	-	-	-		207	287
Charges for Services	465	-	67,045	-		67,510	53,999
Miscellaneous	14,054	125	26,774	470	\$ 27,504	68,927	64,208
<b>Total Revenues</b>	<b>287,994</b>	<b>40,383</b>	<b>105,071</b>	<b>38,110</b>	<b>27,504</b>	<b>499,062</b>	<b>456,216</b>
<b>EXPENDITURES</b>							
Current							
General Government	58,094	-	318	-	-	58,412	62,170
Public Safety	19,385	-	80,040	-	-	99,425	80,723
Public Works	64,713	29,821	-	-	-	94,534	95,235
Culture and Recreation	19,706	-	-	29,793	-	49,499	38,243
Economic Development	-	-	-	-	544	544	4,988
Miscellaneous	27,748	-	-	-	-	27,748	28,315
Debt Service							
Interest	9,851	-	-	-	-	9,851	-
Other Debt Service Expenditures	16,338	-	-	-	-	16,338	-
Capital Outlay	1,049,776	-	11,074	3,000	-	1,063,850	63,677
<b>Total Expenditures</b>	<b>1,265,611</b>	<b>29,821</b>	<b>91,432</b>	<b>32,793</b>	<b>544</b>	<b>1,420,201</b>	<b>373,351</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(977,617)</b>	<b>10,562</b>	<b>13,639</b>	<b>5,317</b>	<b>26,960</b>	<b>(921,139)</b>	<b>82,865</b>
<b>OTHER FINANCING SOURCES</b>							
Proceeds from Disposal of Assets	-	-	-	-	-	-	650
Proceeds from Temporary Advance Agreement	759,343	-	-	-	-	759,343	-
Proceeds from Issuance of Bonds	640,000	-	-	-	-	640,000	-
Transfers Out	-	-	-	-	-	-	(9,411)
	<b>1,399,343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,399,343</b>	<b>(8,761)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>421,726</b>	<b>10,562</b>	<b>13,639</b>	<b>5,317</b>	<b>26,960</b>	<b>478,204</b>	<b>74,104</b>
<b>FUND BALANCE - BEGINNING</b>	<b>349,675</b>	<b>68,068</b>	<b>46,776</b>	<b>16,147</b>	<b>50,879</b>	<b>531,545</b>	<b>457,441</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 771,401</b>	<b>\$ 78,630</b>	<b>\$ 60,415</b>	<b>\$ 21,464</b>	<b>\$ 77,839</b>	<b>\$ 1,009,749</b>	<b>\$ 531,545</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with Partial Comparative Information as of December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 478,204</b>	<b>\$ 74,104</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeds depreciation expense in the period.		
Capital Outlays	1,062,534	63,677
Depreciation Expense	(94,430)	(89,803)
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.		
	(61)	28,044
Long-term borrowing and other bond financing is reported as revenue (other financing sources) in governmental funds, but these amounts increase long-term liabilities on the Statement of Net Position. In the current period these amounts consisted of:		
Issuance of Bonds	(640,000)	-
Issuance of Temporary Financing Agreement	(759,343)	-
Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues regardless of when it is due.		
	(4,608)	-
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).		
	68	24
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Loan Repayments	(9,187)	(4,830)
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.		
State Aid Related to Pension Expense	12,194	11,586
Pension Expense	18,353	20,232
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.		
	6,410	(1,360)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>70,134</u></b>	<b>\$ <u>101,674</u></b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**  
(with Partial Comparative Information as of December 31, 2020)

	<b>Business-Type Activities</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Investments	\$ 87,892	\$ 415,030	\$ -	\$ 502,922	\$ 510,264
Restricted Cash	16,395	34,001	-	50,396	44,229
Accounts Receivable	14,084	8,115	2,990	25,189	24,081
Due From Other Funds	1,707	1,707	-	3,414	3,673
<b>Total Current Assets</b>	<b>120,078</b>	<b>458,853</b>	<b>2,990</b>	<b>581,921</b>	<b>582,247</b>
<b>Capital Assets:</b>					
Land	-	8,630	300	8,930	8,930
Construction in Progress	1,183,445	2,682,270	-	3,865,715	521,375
Buildings	3,984	-	-	3,984	3,984
Improvements Other than Buildings	599,817	809,905	-	1,409,722	1,409,722
Equipment	412,415	340,406	-	752,821	748,346
Total Capital Assets	2,199,661	3,841,211	300	6,041,172	2,692,357
Less: Accumulated Depreciation	(694,019)	(686,747)	-	(1,380,766)	(1,327,285)
<b>Net Capital Assets</b>	<b>1,505,642</b>	<b>3,154,464</b>	<b>300</b>	<b>4,660,406</b>	<b>1,365,072</b>
<b>TOTAL ASSETS</b>	<b>1,625,720</b>	<b>3,613,317</b>	<b>3,290</b>	<b>5,242,327</b>	<b>1,947,319</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Related to Pensions	13,749	13,749	-	27,498	3,190
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Checks Issued in Excess of Bank Balance	-	-	434	434	-
Accounts Payable	5,770	5,180	2,598	13,548	8,016
Accrued Interest	2,712	1,357	-	4,069	2,197
Interest Payable from Restricted Cash	-	9,001	-	9,001	9,229
Taxes Payable	108	-	758	866	877
Utility Deposits	7,357	-	-	7,357	9,770
Unearned Revenue	4,625	2,775	1,009	8,409	7,106
Accrued Vacation and Sick Leave (current portion)	54	55	-	109	143
Current Bonds Payable from Restricted Cash	-	25,000	-	25,000	35,000
Bonds Payable (current portion)	713,704	796,987	-	1,510,691	-
<b>Total Current Liabilities</b>	<b>734,330</b>	<b>840,355</b>	<b>4,799</b>	<b>1,579,484</b>	<b>72,338</b>
<b>Noncurrent Liabilities:</b>					
Noncurrent Portion of Long-Term Liabilities	260,000	550,000	-	810,000	1,570,000
Net Pension Liability	4,815	4,815	-	9,630	21,044
<b>Total Noncurrent Liabilities</b>	<b>264,815</b>	<b>554,815</b>	<b>-</b>	<b>819,630</b>	<b>1,591,044</b>
<b>TOTAL LIABILITIES</b>	<b>999,145</b>	<b>1,395,170</b>	<b>4,799</b>	<b>2,399,114</b>	<b>1,663,382</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Related to Pensions	17,745	17,745	-	35,490	1,936
<b>NET POSITION</b>					
Net Investment in Capital Assets	553,966	1,782,477	300	2,336,743	160,249
Restricted for Capital Asset Acquisition	16,395	-	-	16,395	204,059
Restricted for Debt Service	674,816	777,916	-	1,452,732	19,157
Unrestricted	(622,598)	(346,242)	(1,809)	(970,649)	(98,274)
<b>TOTAL NET POSITION</b>	<b>\$ 622,579</b>	<b>\$ 2,214,151</b>	<b>\$ (1,509)</b>	<b>\$ 2,835,221</b>	<b>\$ 285,191</b>

The accompanying notes are an integral part of these statements.



**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with Partial Comparative Information for the Year Ended December 31, 2020)**

	<b>Business-Type Activities</b>				
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>2021</b>	<b>2020</b>
<b>OPERATING REVENUES</b>					
Utility Charges	\$ 118,067	\$ 130,253	\$ 31,063	\$ 279,383	\$ 278,565
Other Operating Revenues	12,233	257	-	12,490	10,177
<b>Total Operating Revenues</b>	<b>130,300</b>	<b>130,510</b>	<b>31,063</b>	<b>291,873</b>	<b>288,742</b>
<b>OPERATING EXPENSES</b>					
Salaries	14,709	14,709	-	29,418	27,296
Payroll Taxes and Employee Benefits	3,882	3,882	-	7,764	7,191
Contractual Services	582	1,484	33,104	35,170	34,178
Light and Power	7,949	6,530	-	14,479	11,206
Telephone	544	-	-	544	534
Heat	2,081	-	-	2,081	1,884
Operating Supplies	13,627	12,944	-	26,571	27,140
Repairs and Maintenance	26,075	1,825	-	27,900	31,519
Insurance	2,112	731	-	2,843	2,876
Professional Fees	3,758	2,915	-	6,673	14,443
Licenses and Testing	311	1,121	-	1,432	2,344
Office Expense	2,024	2,128	713	4,865	5,664
Miscellaneous	2,930	498	-	3,428	2,803
Bad Debts	5	-	-	5	-
Depreciation	30,728	24,215	-	54,943	54,065
<b>Total Operating Expenses</b>	<b>111,317</b>	<b>72,982</b>	<b>33,817</b>	<b>218,116</b>	<b>223,143</b>
<b>OPERATING INCOME (LOSS)</b>	<b>18,983</b>	<b>57,528</b>	<b>(2,754)</b>	<b>73,757</b>	<b>65,599</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest Income	742	614	-	1,356	2,089
PFA Water Infrastructure Program Grant	-	1,266,287	-	1,266,287	-
USDA RD Water and Waste Disposal Systems for Rural Communities Grant	429,462	836,260	-	1,265,722	-
Nonoperating Pension Grant Revenue	46	46	-	92	62
Debt Issuance Costs	(6,762)	-	-	(6,762)	-
Interest Expense	(15,970)	(36,528)	-	(52,498)	(44,693)
Nonoperating Pension (Expense) Recovered	1,038	1,038	-	2,076	3,152
<b>Total Nonoperating Revenues (Expenses)</b>	<b>408,556</b>	<b>2,067,717</b>	<b>-</b>	<b>2,476,273</b>	<b>(39,390)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>427,539</b>	<b>2,125,245</b>	<b>(2,754)</b>	<b>2,550,030</b>	<b>26,209</b>
<b>OPERATING TRANSFERS</b>					
Transfers from Other Funds	-	-	-	-	9,411
<b>CHANGE IN NET POSITION</b>	<b>427,539</b>	<b>2,125,245</b>	<b>(2,754)</b>	<b>2,550,030</b>	<b>35,620</b>
<b>NET POSITION - BEGINNING</b>	<b>195,040</b>	<b>88,906</b>	<b>1,245</b>	<b>285,191</b>	<b>249,571</b>
<b>NET POSITION - ENDING</b>	<b>\$ 622,579</b>	<b>\$ 2,214,151</b>	<b>\$ (1,509)</b>	<b>\$ 2,835,221</b>	<b>\$ 285,191</b>

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(with Partial Comparative Information for the Year Ended December 31, 2020)

	Business-Type Activities				
	Water Fund	Sewer Fund	Garbage Fund	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash Received from Customers	\$ 127,612	\$ 133,452	\$ 31,146	\$ 292,210	\$ 296,162
Cash Paid to Suppliers	(64,338)	(30,839)	(33,414)	(128,591)	(152,519)
Cash Paid for Payroll	(18,479)	(18,478)	-	(36,957)	(30,981)
<b>Net Cash Flows Provided by (Used in) Operating Activities</b>	<b>44,795</b>	<b>84,135</b>	<b>(2,268)</b>	<b>126,662</b>	<b>112,662</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash Received from Issuance of Bonds and Temporary Advance Agreement	589,000	180,000	-	769,000	-
Cash Paid for Bond Issuance Costs	(4,127)	-	-	(4,127)	-
Restricted Cash Received from Issuance of Bonds	(16,395)	-	-	(16,395)	-
Cash Paid to Fiscal Agent for Debt Retirement	-	(25,000)	-	(25,000)	(35,000)
Cash Paid to Fiscal Agent for Interest	-	(9,001)	-	(9,001)	(9,229)
Cash Paid for Acquisition of Capital Assets	(1,032,423)	(2,311,854)	-	(3,344,277)	(366,865)
Cash Paid for Interest	(12,409)	(25,160)	-	(37,569)	(33,267)
PFA Water Infrastructure Program Grant Received	-	1,266,287	-	1,266,287	-
USDA RD Water and Waste Disposal Systems for Rural Community Grant Received	429,462	836,260	-	1,265,722	-
<b>Net Cash Flows Provided by (Used in) Capital and Related Financing Activities</b>	<b>(46,892)</b>	<b>(88,468)</b>	<b>-</b>	<b>(135,360)</b>	<b>(444,361)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Cash Received from Transfer from Other Fund	-	-	-	-	9,411
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Cash Received from Interest on Investments	742	614	-	1,356	2,089
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,355)</b>	<b>(3,719)</b>	<b>(2,268)</b>	<b>(7,342)</b>	<b>(320,199)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>89,247</b>	<b>418,749</b>	<b>2,268</b>	<b>510,264</b>	<b>830,463</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 87,892</b>	<b>\$ 415,030</b>	<b>\$ -</b>	<b>\$ 502,922</b>	<b>\$ 510,264</b>
<b>SCHEDULE RECONCILING OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 18,983	\$ 57,528	\$ (2,754)	\$ 73,757	\$ 140,336
Non-Cash Items Included in Net Income (Loss):					
Depreciation	30,728	24,215	-	54,943	-
(Increase) Decrease in:					
Accounts Receivable	(4,275)	3,309	(142)	(1,108)	314
Due from Other Funds	130	129	-	259	(3,673)
Increase (Decrease) in:					
Accounts Payable and Deposits	(2,340)	(663)	111	(2,892)	(182)
Due to Other Funds	-	-	-	-	(10,555)
Unearned Revenue	1,587	(367)	83	1,303	7,106
Checks Issued in Excess of Bank Balance	-	-	434	434	-
Accrued Vacation and Leave	(18)	(16)	-	(34)	(12)
<b>Net Cash Flows Provided by (Used In) Operating Activities</b>	<b>\$ 44,795</b>	<b>\$ 84,135</b>	<b>\$ (2,268)</b>	<b>\$ 126,662</b>	<b>\$ 133,334</b>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of Asset Accrued at Year-End	\$ 3,000	\$ 3,000	\$ -	\$ 6,000	\$ -
Debt Issuance Costs Deducted from Debt Proceeds	\$ 2,635	\$ -	\$ -	\$ 2,635	\$ -
Interest Capitalized on Temporary Advance Agreement	\$ 4,324	\$ 2,367	\$ -	\$ 6,691	\$ -

The accompanying notes are an integral part of these statements.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021**

**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 sales and services. Operating expenses for the enterprise funds include the cost and 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, 2021**

**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, Water Fund, and Sewer 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, 2021 to address custodial credit risk for deposits. The City does not have formal policies in place to address credit risk, concentration of credit risk, custodial 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.

Certain resources set aside for the infrastructure improvement project are classified as restricted cash on the Statement of Net Position and Balance Sheet based on the requirements of financing agreements.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021**

**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 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. Issuance costs, whether or not withheld from the actual debt proceeds received, and 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. The City recognized total pension expense (revenue) of \$(13,574) for the statewide pension plan in which it participates.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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 regulations of 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, 2021**

**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, 2021, 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; however, the City did not have sufficient collateral coverage during the year.

**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, 2021.

**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, 2021.

**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, 2021.

The following table presents the City's cash and investment balances at December 31, 2021:

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**B. INVESTMENTS (Cont'd)**

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	
<b>Cash and Investments:</b>				
Certificates of Deposit	N/A	10.36 months	3.41%	\$ 53,620
Checking Accounts	N/A	N/A	4.07%	64,031
Savings Accounts	N/A	N/A	90.36%	1,422,675
Petty Cash Account	N/A	N/A	0.00%	50
Cash Held with Fiscal Agent	N/A	N/A	2.16%	34,001
<b>Total Cash and Investments</b>			<b>100.00%</b>	<b><u>\$1,574,377</u></b>

Cash and Investments are presented in the December 31, 2021 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments	\$ 1,078,310
Restricted Cash	491,376

Noncurrent Assets:

Investments	4,691
	<b><u>\$1,574,377</u></b>

**C. FAIR VALUE MEASUREMENT**

The City's cash and investments consist of certificates of deposit, checking accounts, savings accounts, petty cash, and cash held with fiscal agent, none of which is subject to fair value measurement.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 36,089	\$ -	\$ -	\$ 36,089
Construction in Progress	<u>2,022</u>	<u>1,001,645</u>	<u>-</u>	<u>1,003,667</u>
Total Capital Assets, Not Being Depreciated	<u>38,111</u>	<u>1,001,645</u>	<u>-</u>	<u>1,039,756</u>
Capital Assets, Being Depreciated				
Buildings	739,200	-	-	739,200
Improvements	59,253	5,884	11,524	53,613
Machinery and Equipment	995,372	64,671	14,693	1,045,350
Infrastructure	<u>54,650</u>	<u>-</u>	<u>-</u>	<u>54,650</u>
Total Capital Assets, Being Depreciated	<u>1,848,475</u>	<u>70,555</u>	<u>26,217</u>	<u>1,892,813</u>
Accumulated Depreciation for:				
Buildings	340,990	18,632	-	359,622
Improvements	56,336	980	11,524	45,792
Machinery and Equipment	592,618	72,086	4,966	659,738
Infrastructure	<u>43,032</u>	<u>2,732</u>	<u>-</u>	<u>45,764</u>
Total Accumulated Depreciation	<u>1,032,976</u>	<u>94,430</u>	<u>16,490</u>	<u>1,110,916</u>
Total Capital Assets, Being Depreciated, Net	<u>815,499</u>	<u>(23,875)</u>	<u>9,727</u>	<u>781,897</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 853,610</u></b>	<b><u>\$ 977,770</u></b>	<b><u>\$ 9,727</u></b>	<b><u>\$ 1,821,653</u></b>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 8,930	\$ -	\$ -	\$ 8,930
Construction in Progress	<u>521,375</u>	<u>3,344,340</u>	<u>-</u>	<u>3,865,715</u>
Total Capital Assets, Not Being Depreciated	<u><b>530,305</b></u>	<u><b>3,344,340</b></u>	<u><b>-</b></u>	<u><b>3,874,645</b></u>
Capital Assets, Being Depreciated				
Buildings	3,984	-	-	3,984
Improvements	1,409,722	-	-	1,409,722
Machinery and Equipment	<u>748,346</u>	<u>5,937</u>	<u>1,462</u>	<u>752,821</u>
Total Capital Assets, Being Depreciated	<u><b>2,162,052</b></u>	<u><b>5,937</b></u>	<u><b>1,462</b></u>	<u><b>2,166,527</b></u>
Accumulated Depreciation for:				
Buildings	3,962	22	-	3,984
Improvements	797,595	34,347	-	831,942
Machinery and Equipment	<u>525,728</u>	<u>20,574</u>	<u>1,462</u>	<u>544,840</u>
Total Accumulated Depreciation	<u><b>1,327,285</b></u>	<u><b>54,943</b></u>	<u><b>1,462</b></u>	<u><b>1,380,766</b></u>
Total Capital Assets, Being Depreciated, Net	<u><b>834,767</b></u>	<u><b>(49,006)</b></u>	<u><b>-</b></u>	<u><b>785,761</b></u>
<b>Business-Type Activities Capital Assets, Net</b>	<u><b>\$ 1,365,072</b></u>	<u><b>\$ 3,295,334</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,660,406</b></u>

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

**Governmental Activities:**

General Government	\$ 1,975
Public Safety	32,645
Public Works	43,426
Culture and Recreation	<u>16,384</u>
Total Depreciation Expense – Governmental Activities	<u><b>\$ 94,430</b></u>

**Business-Type Activities:**

Water	\$ 30,728
Sewer	<u>24,215</u>
Total Depreciation Expense – Business-Type Activities	<u><b>\$ 54,943</b></u>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**4. LONG-TERM LIABILITIES**

**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, 2021:

<u>Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
<b>Governmental Activities</b>				
Temporary GO Tax Abatement and Utility Revenue Bonds, Series 2021A	1.44%	\$ 640,000	06/01/24	\$ 640,000
Minnesota Rural Water Financing Authority Temporary Financing Agreement	3.10%	\$ 759,343	07/01/22	759,343
Accrued Vacation and Sick Leave	N/A	N/A	N/A	218
<b>Total Governmental Activities</b>				<b><u>1,399,561</u></b>
<b>Business-Type Activities</b>				
GO Sewer Revenue Refunding Bonds, Series 2016A	1.30-3.70%	\$ 685,000	01/01/40	575,000
Temporary GO Utility Revenue Note, Series 2019B	2.65%	\$ 995,000	12/01/22	995,000
Temporary GO Tax Abatement and Utility Revenue Bonds, Series 2021A	1.44%	\$ 260,000	06/01/24	260,000
Minnesota Rural Water Financing Authority Temporary Financing Agreement	3.10%	\$ 515,691	07/01/22	515,691
Accrued Vacation and Sick Leave	N/A	N/A	N/A	109
<b>Total Business-Type Activities</b>				<b><u>2,345,800</u></b>
<b>Total Outstanding Long-Term Debt</b>				<b><u>\$3,745,361</u></b>

**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 2021 was \$18,100. The Water portion of the bonds in were paid in full during the year ended December 31, 2021.

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. This note, including capitalized interest of \$12,003, will be repaid with the revenues in the Water Fund and Sewer Fund. Interest paid in 2021 was \$26,368. 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, 2021**

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

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

**General Obligation Bonds (Cont'd)**

The Temporary General Obligation Tax Abatement and Utility Revenue Bonds, Series 2021A were issued to finance a portion of the project costs of improvements to streets and utility infrastructure, such as drinking water and wastewater. These bonds, including capitalized interest of \$25,920, will be repaid with the property taxes levied in the General Fund and with the revenues in the Water and Sewer Fund. Interest paid in 2021 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.

**Temporary Financing Agreement**

During 2020, the City entered into an advance agreement with the Minnesota Rural Water Finance Authority for funding the project costs of improvements to utility infrastructure, such as drinking water, wastewater, and storm sewer upgrades. The agreement will provide interim financing of up to \$1,482,000 at an interest rate of 3.10%. Interest is rolled into the loan balance, thus no interest or principal payments are due on the agreement. The current maturity date for the agreement is July 1, 2022, which can be extended annually until the project is completed. Total advances on this agreement are \$1,258,492. Total interest accrued on this agreement is \$16,542 and is capitalized onto the loan balance. The agreement is expected to be permanently financed with United States Department of Agriculture – Rural Development upon completion of the project. Interest paid in 2021 was \$-0-.

**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		Temporary Financing Agreement	
	Principal	Interest	Principal	Interest
2022	\$ 1,020,000	\$ 57,048	\$ 1,275,034	\$ -
2023	25,000	30,119	-	-
2024	925,000	29,556	-	-
2025	25,000	16,034	-	-
2026	25,000	15,471	-	-
2027-2031	140,000	65,900	-	-
2032-2036	160,000	41,860	-	-
2037-2041	150,000	11,470	-	-
	<u>\$ 2,470,000</u>	<u>\$ 267,458</u>	<u>\$ 1,275,034</u>	<u>\$ -</u>

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

Long-term liability balances and activity for the year ended December 31, 2021 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental Activities</b>					
Temporary GO Tax Abatement and Utility Revenue Bonds, Series 2021A	\$ -	\$ 640,000	\$ -	\$ 640,000	\$ -
Minnesota Rural Water Financing Authority Temporary Advance Agreement	-	759,343	-	759,343	759,343
Accrued Vacation and Sick Leave	286	218	286	218	218
<b>Total Governmental Activities</b>	<u>286</u>	<u>1,399,561</u>	<u>286</u>	<u>1,399,561</u>	<u>759,561</u>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

**C. CHANGES IN LONG-TERM LIABILITIES (Cont'd)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
<b>Business-Type Activities</b>					
GO Water Revenue Refunding					
Bonds, Series 2016A	\$ 15,000	\$ -	\$ 15,000	\$ -	\$ -
GO Sewer Revenue Refunding					
Bonds, Series 2016A	595,000	-	20,000	575,000	25,000
Temporary GO Utility Revenue					
Note, Series 2019B	995,000	-	-	995,000	995,000
Temporary GO Tax Abatement and					
Utility Revenue Bonds, Series 2021A	-	260,000	-	260,000	-
Minnesota Rural Water Financing					
Authority Temporary Advance					
Agreement	-	515,691	-	515,691	515,691
Accrued Vacation and Sick Leave	143	109	143	109	109
<b>Total Business-Type Activities</b>	<b><u>1,605,143</u></b>	<b><u>775,800</u></b>	<b><u>35,143</u></b>	<b><u>2,345,800</u></b>	<b><u>1,535,800</u></b>
	<b><u>\$1,605,429</u></b>	<b><u>\$2,175,361</u></b>	<b><u>\$ 35,429</u></b>	<b><u>\$3,745,361</u></b>	<b><u>\$2,295,361</u></b>

**5. INTERFUND BALANCES**

At December 31, 2021 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>
General Fund	Water Fund	Payroll	\$ 1,707
General Fund	Sewer Fund	Payroll	1,707
Fire Department Fund	General Fund	Payroll	<u>2,242</u>
			<b><u>\$ 5,656</u></b>

**6. FUND BALANCE CLASSIFICATION**

At December 31, 2021, 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>
<b>Restricted for:</b>						
Christmas Decorations	\$ 1,864	\$ -	\$ -	\$ -	\$ -	\$ 1,864
Small Cities Assistance	16,094	-	-	-	-	16,094
Infrastructure	440,980	-	-	-	-	440,980
Gazebo Construction	-	-	-	6,678	-	6,678
	<b><u>458,938</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>6,678</u></b>	<b><u>-</u></b>	<b><u>465,616</u></b>
<b>Committed for:</b>						
Small Business Startup	4,691	-	-	-	-	4,691
Community Center	3,327	-	-	-	-	3,327
Landscaping	768	-	-	-	-	768
Street Improvements	-	78,630	-	-	-	78,630
Fire Services	-	-	60,415	-	-	60,415
Community Park	-	-	-	14,786	-	14,786
SCDP	-	-	-	-	77,839	77,839
	<b><u>8,786</u></b>	<b><u>78,630</u></b>	<b><u>60,415</u></b>	<b><u>14,786</u></b>	<b><u>77,839</u></b>	<b><u>240,456</u></b>
<b>Unassigned:</b>	<b><u>303,677</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>303,677</u></b>
<b>Total Fund Balance:</b>	<b><u>\$ 771,401</u></b>	<b><u>\$ 78,630</u></b>	<b><u>\$ 60,415</u></b>	<b><u>\$ 21,464</u></b>	<b><u>\$ 77,839</u></b>	<b><u>\$ 1,009,749</u></b>

**7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND EQUITY**

The Garbage fund had deficit net position of \$1,509 at December 31, 2021.

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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 some these programs for 2021 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 \$77,451 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.

In 2019, the City began an infrastructure improvement project that includes capping the wells, reconstructing water and sewer mains, replacing lift stations, replacing forcemains, rehabilitating a portion of the wastewater treatment pond facility, and various other infrastructure improvements. The total proposed cost of the project is approximately \$16,878,000. As of December 31, 2021, the City has been approved for \$5,392,000 in United States Department of Agriculture Rural Development loans and grants, and \$1,947,000 in Minnesota Public Facilities Authority grants. To temporarily fund the project until closing on the Rural Development loans, and fund other ineligible costs, the City issued various notes, bonds, and advance agreements totaling \$3,170,034, as described in Note 4. It is anticipated the earliest a closing would occur on the Rural Development Funding is 2022. The remaining funding required to complete the project will be obtained through a tax levy, a storm sewer fee on utility bills, general fund reserves, and other funding sources to be determined as subsequent phases are bid. On March 8, 2021, the City Council awarded Phase I of the project to RL Larson in the amount of \$4,093,028. As of December 31, 2021, Phase I is in progress. It is anticipated that Phase II will be bid in 2022. Costs incurred relating to the project are recorded as construction in progress on the Statement of Net Position.

**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 for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20% for each of the first ten years of service and 1.70% for each additional year. Under Method 2, the accrual

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

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

**2. Benefits Provided (Cont'd)**

General Employees Plan Benefits (Cont'd)

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50.00% 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. 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 2021 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, 2021, were \$6,855. The City's contributions were equal to the required contributions as set by state statute.

**4. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$55,516 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,645.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0013% at the end of the measurement period and 0.0012% for the beginning of the period.



**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

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

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

General Employees Fund Pension Costs (Cont'd)

City's proportionate share of the net pension liability	\$ 55,516
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,645</u>
<b>Total</b>	<b><u>\$ 57,161</u></b>

For the year ended December 31, 2021, the City recognized pension expense of \$3,866 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$133 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, 2021, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 314	\$ 1,683
Changes in actuarial assumptions	33,897	1,133
Net collective difference between projected and actual investment earnings	-	48,417
Changes in proportion	4,497	-
Contributions paid to PERA subsequent to the measurement date	<u>3,439</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 42,147</u></b>	<b><u>\$ 51,233</u></b>

The \$3,439 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, 2022. 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
2022	\$ (885)
2023	\$ 550
2024	\$ 926
2025	\$ (13,116)
2026	\$ -
Thereafter	\$ -

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

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

**5. Long-Term Expected Return on Investment**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	<u>25.00%</u>	5.90%
<b>Total</b>	<b><u>100.00%</u></b>	

**6. Actuarial Methods and Assumptions**

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.00% after 29 years of service and 6.00% per year thereafter.

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

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

The following changes in actuarial assumptions occurred in 2021:

**General Employees Fund**

**Changes in Actuarial Assumptions:**

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

**Changes in Plan Provisions:**

- None

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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

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

**7. Discount Rate**

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

**8. 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:

<b>City proportionate share of General Employees Fund NPL</b>		
<b>1 percent decrease</b>	<b>Current</b>	<b>1 percent increase</b>
<b>(5.50%)</b>	<b>(6.50%)</b>	<b>(7.50%)</b>
\$113,224	\$55,516	\$8,163

**9. Pension Plan Fiduciary Net Position**

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

**10. Changes in the Net Pension Liability**

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Net Pension Liability</b>	<b>\$ <u>71,945</u></b>	<b>\$ <u>58,171</u></b>	<b>\$ <u>74,600</u></b>	<b>\$ <u>55,516</u></b>

**B. STATEWIDE VOLUNTEER FIREFIGHTERS FUND**

**1. Plan Description**

The Wood Lake Fire Department participates in the Statewide Volunteer Firefighter Retirement 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, 2021, the plan covered 21 active firefighters and 9 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, 2021**

**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 \$12,153 in fire state aid to the fund for year ended December 31, 2021. 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, 2021, were \$-0-. The City's contributions were equal to the required contributions as set by state statute.

**4. Pension Costs**

At December 31, 2021, the City reported a net pension asset of \$182,209 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2021. 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 specific census data certified by the fire department. The following table presents the changes in net pension (asset)/liability during the year:

	<b>(a) Total Pension Liability</b>	<b>(b) Plan Fiduciary Net Position</b>	<b>(a)-(b) Net Pension (Asset)/ Liability</b>
Beginning Balance 12/31/20	\$ 127,904	\$ 283,337	\$(155,433)
Changes for the Year			
Service Cost	5,578	-	5,578
Interest on Pension Liability	8,009	-	8,009
Actuarial Experience (Gains)/Losses	(1,256)	-	(1,256)
Projected Investment Earnings	-	17,000	(17,000)
Contributions (State)	-	12,153	(12,153)
Difference Between Projected and Actual Investment Earnings	-	10,811	(10,811)
PERA Administrative Fee	<u>-</u>	<u>(857)</u>	<u>857</u>
Balance End of Year 12/31/21	<b><u>\$ 140,235</u></b>	<b><u>\$ 322,444</u></b>	<b><u>\$ (182,209)</u></b>

For the year ended December 31, 2021, the City recognized pension expense (recovered) of \$(17,440).

At December 31, 2021, the City reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actuarial Experience Gains/Losses	\$ 1,231	\$ 10,809
Changes in actuarial assumptions	-	9,238
Difference between projected and actual investment earnings	<u>-</u>	<u>26,907</u>
<b>Total</b>	<b><u>\$ 1,231</u></b>	<b><u>\$ 46,954</u></b>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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
2022	\$ (15,552)
2023	\$ (14,793)
2024	\$ (7,738)
2025	\$ (4,003)
2026	\$ (1,588)
Thereafter	\$ (2,049)

**5. Actuarial Assumptions**

The total pension liability at December 31, 2021, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.00%
- Inflation rate of 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 (5.00%)	Current (6.00%)	1 percent increase (7.00%)
\$ (176,351)	\$ (182,209)	\$ (187,772)

**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, 2021**

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

**B. STATEWIDE VOLUNTEER FIREFIGHTERS FUND (Cont'd)**

**8. Plan Investments (Cont'd)**

**Investment Policy (Cont'd)**

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 specific 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:

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

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 2021 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, 2021, 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](http://www.mnpera.org).

**C. FINANCIAL STATEMENT PRESENTATION**

Deferred Inflows/Outflows of Resources related to pension plans are presented in the December 31, 2021 basic financial statements as follows:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
<b>Governmental Activities</b>		
PERA	\$ 14,649	\$ 15,743
VFRA	1,231	46,954
<b>Total Governmental Activities</b>	<b><u>15,880</u></b>	<b><u>62,697</u></b>
<b>Business-Type Activities</b>		
Water Fund - PERA	13,749	17,745
Sewer Fund - PERA	13,749	17,745
<b>Total Business-Type Activities</b>	<b><u>27,498</u></b>	<b><u>35,490</u></b>
<b>Total</b>	<b><u>\$ 43,378</u></b>	<b><u>\$ 98,187</u></b>

**CITY OF WOOD LAKE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**10. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

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 or other benefits 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 25<sup>th</sup> 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 April 2022, the City approved a bid to construct the gazebo in the community park for \$6,000.

**REQUIRED SUPPLEMENTARY INFORMATION AND  
OTHER 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, 2021**

**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 (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll** (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/21	0.0013%	\$ 55,516	\$ 1,645	\$ 57,161	\$ 90,785	62.96%	87.0%
6/30/20	0.0012	71,945	2,332	74,277	88,051	84.36	79.1
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)
12/31/21	\$ 6,855	\$ 6,855	-	\$ 91,397	7.5%
12/31/20	6,735	6,735	-	89,802	7.5
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, 2021**

**VOLUNTEER FIRE RELIEF ASSOCIATION**

<b>Fiscal Year</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Total Pension Liability</b>							
Service Cost	\$ 6,716	\$ 6,901	\$ 7,457	\$ 5,960	\$ 5,737	\$ 5,931	\$ 5,578
Interest on the Total Pension Liability	6,419	7,018	8,791	7,713	7,138	7,274	8,009
Difference between expected and actual experience	-	-	(3,457)	(23,037)	(8,173)	2,051	(1,256)
Changes in Assumptions	-	(5,033)	(14,472)	(7,854)	-	-	-
Changes of Benefit Terms	-	14,696	-	-	-	-	-
Benefit Payments	-	-	(40,520)	-	-	(5,280)	-
<b>Net change in total pension liability</b>	<b>13,135</b>	<b>23,582</b>	<b>(42,201)</b>	<b>(17,218)</b>	<b>4,702</b>	<b>9,976</b>	<b>12,331</b>
<b>Total Pension Liability - Beginning</b>	<b>135,928</b>	<b>149,063</b>	<b>172,645</b>	<b>130,444</b>	<b>113,226</b>	<b>117,928</b>	<b>127,904</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 149,063</b>	<b>\$ 172,645</b>	<b>\$ 130,444</b>	<b>\$ 113,226</b>	<b>\$ 117,928</b>	<b>\$ 127,904</b>	<b>\$ 140,235</b>
<b>Plan Fiduciary Net Position</b>							
Contributions State	\$ 11,315	\$ 11,901	\$ 14,659	\$ 12,351	\$ 11,095	\$ 11,445	\$ 12,153
Contributions Local	633	343	946	621	394	-	-
Projected Investment Earnings				11,480	11,750	14,583	17,000
Net Investment Income	6,620	(5,598)	6,483	(19,258)	24,712	20,370	10,811
Changes in Assumptions				14,507	-	-	-
Benefit Payments	-	-	(40,520)	-	-	(5,280)	-
Pension Plan Administrative Expense	(300)	(300)	(1,575)	(699)	(733)	(824)	(857)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>18,268</b>	<b>6,346</b>	<b>(20,007)</b>	<b>19,002</b>	<b>47,218</b>	<b>40,294</b>	<b>39,107</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>172,216</b>	<b>190,484</b>	<b>196,830</b>	<b>176,823</b>	<b>195,825</b>	<b>243,043</b>	<b>283,337</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 190,484</b>	<b>\$ 196,830</b>	<b>\$ 176,823</b>	<b>\$ 195,825</b>	<b>\$ 243,043</b>	<b>\$ 283,337</b>	<b>\$ 322,444</b>
<b>Net Pension (Asset)/Liability - Ending (a) - (b)</b>	<b>\$ (41,421)</b>	<b>\$ (24,185)</b>	<b>\$ (46,379)</b>	<b>\$ (82,599)</b>	<b>\$ (125,115)</b>	<b>\$ (155,433)</b>	<b>\$ (182,209)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>127.79%</b>	<b>114.01%</b>	<b>135.55%</b>	<b>172.95%</b>	<b>206.09%</b>	<b>221.52%</b>	<b>229.93%</b>
Covered payroll	n/a	n/a	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	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 RELIEF ASSOCIATION CONTRIBUTIONS  
FOR DEFINED BENEFIT PENSION PLAN  
DECEMBER 31, 2021**

**VOLUNTEER FIRE RELIEF ASSOCIATION**

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

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the		Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
		Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
12/31/21	\$ 12,153	\$ 12,153	\$ -	N/A	N/A
12/31/20	11,445	11,445	-	N/A	N/A
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, 2021**  
(with Comparative Actual Amounts for the Year Ended December 31, 2020)

	<b>2021 Budgeted Amounts</b>		<b>2021</b>	<b>Variance</b>	<b>2020</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		<b>Actual</b>
<b>REVENUES</b>					
<b>Taxes:</b>					
Property Taxes	\$ 121,000	\$ 121,000	\$ 122,863	\$ 1,863	\$ 118,186
<b>Licenses and Permits:</b>					
Business and Nonbusiness	2,700	2,700	2,700	-	2,655
<b>Intergovernmental:</b>					
Federal					
COVID-19 Coronavirus Relief Fund (CRF)	-	-	-	-	6,282
State					
Local Government Aid	131,413	131,413	131,413	-	129,216
Small Cities Assistance	-	-	16,094	16,094	-
State Market Value Credit	-	-	198	198	196
PERA Rate Increase Aid	650	650	-	(650)	-
State Fire Relief Aid	11,000	11,000	-	(11,000)	-
	<u>143,063</u>	<u>143,063</u>	<u>147,705</u>	<u>4,642</u>	<u>135,694</u>
<b>Fines and Forfeits:</b>					
County Court Fines	200	200	207	7	287
<b>Charges for Services:</b>					
Mowing, Snow Removal, Etc.	2,000	2,000	465	(1,535)	3,299
<b>Miscellaneous:</b>					
Rental Income	8,500	8,500	9,164	664	6,832
Interest Income	500	500	715	215	1,115
Dividend Income	-	-	2,051	2,051	935
Miscellaneous	700	700	2,124	1,424	5,313
	<u>9,700</u>	<u>9,700</u>	<u>14,054</u>	<u>4,354</u>	<u>14,195</u>
<b>TOTAL REVENUES</b>	<u>278,663</u>	<u>278,663</u>	<u>287,994</u>	<u>9,331</u>	<u>274,316</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General Government:</b>					
Council and Mayor:					
Salaries	12,000	12,000	9,900	2,100	11,267
Other	400	400	-	400	-
Election and Voter Registration:					
Election Expense	-	-	1,037	(1,037)	1,898
Financial Administration:					
Salaries	25,500	25,500	25,235	265	24,911
Professional Dues	1,500	1,500	950	550	970
Office Supplies	3,000	3,000	3,745	(745)	5,420
Telephone	2,400	2,400	2,320	80	2,167
Other	3,725	3,725	1,877	1,848	2,143
Assessor Fees	3,700	3,700	3,787	(87)	3,726
Legal Fees	5,000	5,000	285	4,715	668
Accounting and Auditing Fees	10,000	10,000	8,958	1,042	8,800
	<u>67,225</u>	<u>67,225</u>	<u>58,094</u>	<u>9,131</u>	<u>61,970</u>
<b>Public Safety:</b>					
Fire Contracted Services	15,000	15,000	18,000	(3,000)	15,000
Other	1,050	1,050	1,385	(335)	1,137
Remittance of Fire Aid/Supplemental Benefits	11,000	11,000	-	11,000	-
	<u>27,050</u>	<u>27,050</u>	<u>19,385</u>	<u>7,665</u>	<u>16,137</u>
<b>Public Works:</b>					
Streets and Alleys:					
Salaries	21,500	21,500	20,957	543	20,035
Blade and Repair Streets	14,000	14,000	11,894	2,106	7,989
Motor and Fuel Lubricants	6,000	6,000	4,140	1,860	4,069
Maintenance Garage:					
Supplies	4,500	4,500	8,113	(3,613)	6,189
Fuel	2,500	2,500	1,022	1,478	1,432
Electricity and Telephone	3,900	3,900	2,921	979	3,129
Repairs and Maintenance	9,000	9,000	5,412	3,588	12,803
Street Lighting:					
Electricity	10,000	10,000	10,254	(254)	9,751
	<u>71,400</u>	<u>71,400</u>	<u>64,713</u>	<u>6,687</u>	<u>65,397</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, 2021**  
(with Comparative Actual Amounts for the Year Ended December 31, 2020)

	<b>2021 Budgeted Amounts</b>		<b>2021</b>		<b>2020</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>	<b>Actual</b>
<b>EXPENDITURES (Cont'd)</b>					
<b>Current (Cont'd):</b>					
<b>Culture and Recreation:</b>					
Community Center:					
Salaries	\$ 8,300	\$ 8,300	\$ 8,291	\$ 9	\$ 7,880
Supplies	1,800	1,800	1,963	(163)	364
Fuel	3,000	3,000	2,151	849	2,047
Electricity and Telephone	4,000	4,000	4,226	(226)	2,914
Repairs and Maintenance	3,000	3,000	3,075	(75)	605
Other	800	800	-	800	214
	<u>20,900</u>	<u>20,900</u>	<u>19,706</u>	<u>1,194</u>	<u>14,024</u>
<b>Miscellaneous:</b>					
Printing and Publishing	400	400	178	222	660
General Insurance	10,000	10,000	11,022	(1,022)	11,941
Payroll Taxes and Employee Benefits	16,300	16,300	15,865	435	14,671
Other	700	700	683	17	1,043
	<u>27,400</u>	<u>27,400</u>	<u>27,748</u>	<u>(348)</u>	<u>28,315</u>
<b>Capital Outlay:</b>					
General Government:					
Equipment	500	500	7,750	(7,250)	3,872
Public Works:					
Infrastructure	-	-	1,001,645	(1,001,645)	-
Buildings	20,000	20,000	-	20,000	-
Equipment	30,000	30,000	40,381	(10,381)	26,130
Culture and Recreation:					
Community Center Building	12,500	12,500	-	12,500	-
Community Center Equipment	1,500	1,500	-	1,500	4,369
	<u>64,500</u>	<u>64,500</u>	<u>1,049,776</u>	<u>(985,276)</u>	<u>34,371</u>
<b>Debt Service:</b>					
Other Debt Service Expenditures	-	-	16,338	(16,338)	-
Interest	-	-	9,851	(9,851)	-
	<u>-</u>	<u>-</u>	<u>26,189</u>	<u>(26,189)</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>278,475</u>	<u>278,475</u>	<u>1,265,611</u>	<u>(987,136)</u>	<u>220,214</u>
<b>EXCESS OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<u>188</u>	<u>188</u>	<u>(977,617)</u>	<u>(977,805)</u>	<u>54,102</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Property	-	-	-	-	650
Proceeds from Issuance of Bonds	-	-	640,000	640,000	-
Proceeds from Advance Agreement	-	-	759,343	759,343	-
Transfers Out	-	-	-	-	(9,411)
	<u>-</u>	<u>-</u>	<u>1,399,343</u>	<u>1,399,343</u>	<u>(8,761)</u>
<b>EXCESS OF REVENUES AND OTHER</b>					
<b>SOURCES OVER (UNDER)</b>					
<b>EXPENDITURES AND OTHER USES</b>	<u>188</u>	<u>188</u>	<u>421,726</u>	<u>421,538</u>	<u>45,341</u>
<b>FUND BALANCE - BEGINNING</b>	<u>349,675</u>	<u>349,675</u>	<u>349,675</u>	<u>-</u>	<u>304,334</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 349,863</u>	<u>\$ 349,863</u>	<u>\$ 771,401</u>	<u>\$ 421,538</u>	<u>\$ 349,675</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, 2021**  
(with Comparative Actual Amounts for the Year Ended December 31, 2020)

	<u>2021 Actual</u>	<u>2020 Actual</u>
<b>FUND BALANCE ANALYSIS</b>		
<b>RESTRICTED FUND BALANCE</b>		
Christmas Decorations	\$ 1,864	\$ 2,095
Small Cities Assistance	16,094	-
Infrastructure	440,980	-
<b>TOTAL RESTRICTED FUND BALANCE</b>	<u><b>458,938</b></u>	<u><b>2,095</b></u>
<b>COMMITTED FUND BALANCE</b>		
Small Business Startup	4,691	4,663
Community Center	3,327	3,327
Infrastructure	768	830
<b>TOTAL COMMITTED FUND BALANCES</b>	<u><b>8,786</b></u>	<u><b>8,820</b></u>
<b>UNASSIGNED FUND BALANCE</b>	<u><b>303,677</b></u>	<u><b>338,760</b></u>
<b>TOTAL FUND BALANCE</b>	<u><u><b>\$ 771,401</b></u></u>	<u><u><b>\$ 349,675</b></u></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, 2021**  
**(with Comparative Actual Amounts for the Year Ended December 31, 2020)**

	<u>2021 Budgeted Amounts</u>		<u>2021</u>		<u>2020</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
<b>REVENUES</b>					
<b>Taxes:</b>					
Property Taxes	\$ 40,000	\$ 40,000	\$ 40,258	\$ 258	\$ 29,950
<b>Miscellaneous:</b>					
Interest Income	100	100	125	25	245
<b>TOTAL REVENUES</b>	<u>40,100</u>	<u>40,100</u>	<u>40,383</u>	<u>283</u>	<u>30,195</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Public Works:</b>					
Streets and Alleys:					
Repairs and Maintenance	40,000	40,000	29,821	10,179	29,838
<b>EXCESS OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<u>100</u>	<u>100</u>	<u>10,562</u>	<u>10,462</u>	<u>357</u>
<b>FUND BALANCE - BEGINNING</b>	<u>68,068</u>	<u>68,068</u>	<u>68,068</u>	<u>-</u>	<u>67,711</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 68,168</u>	<u>\$ 68,168</u>	<u>\$ 78,630</u>	<u>\$ 10,462</u>	<u>\$ 68,068</u>
<b>FUND BALANCE ANALYSIS</b>					
<b>COMMITTED FUND BALANCE</b>					
Street Improvements			\$ <u>78,630</u>		\$ <u>68,068</u>

**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, 2021**  
**(with Comparative Actual Amounts for the Year Ended December 31, 2020)**

	<b>2021 Budgeted Amounts</b>		<b>2021</b>		<b>2020</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>	<b>Actual</b>
<b>REVENUES</b>					
<b>Intergovernmental:</b>					
Federal					
FEMA Assistance to Firefighters Grant	\$ -	\$ -	\$ 6,232	\$ 6,232	\$ 3,163
COVID-19 Coronavirus Relief Fund (CRF)	-	-	-	-	21,198
USDA Cooperative Forestry Assistance	-	-	1,267	1,267	-
State					
Firefighter Training Grant	-	-	3,753	3,753	300
	<u>-</u>	<u>-</u>	<u>11,252</u>	<u>11,252</u>	<u>24,661</u>
<b>Charges for Services:</b>					
Fire Protection Contracts	55,800	55,800	55,800	-	46,500
Fire and Responder Calls	5,000	5,000	11,245	6,245	4,200
	<u>60,800</u>	<u>60,800</u>	<u>67,045</u>	<u>6,245</u>	<u>50,700</u>
<b>Miscellaneous:</b>					
Interest Income	500	500	174	(326)	747
Dividend Income	-	100	596	496	194
Donations	7,200	7,200	26,004	18,804	10,880
	<u>7,700</u>	<u>7,800</u>	<u>26,774</u>	<u>18,974</u>	<u>11,821</u>
<b>TOTAL REVENUES</b>	<u><b>68,500</b></u>	<u><b>68,600</b></u>	<u><b>-</b></u>	<u><b>36,471</b></u>	<u><b>87,182</b></u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General Government:</b>					
Audit and Legal Fees	<u>1,100</u>	<u>1,100</u>	<u>318</u>	<u>782</u>	<u>200</u>
<b>Public Safety:</b>					
Fire Protection Salaries	13,900	13,900	13,260	640	11,940
First Responder Salaries	12,600	12,600	15,480	(2,880)	12,240
Payroll Taxes and Employee Benefits	2,000	2,000	2,198	(198)	1,850
Motor Fuels and Lubricants	1,500	1,500	1,513	(13)	1,180
Repairs, Maintenance and Utilities	12,700	12,700	22,531	(9,831)	8,722
Supplies	2,800	2,800	11,377	(8,577)	12,398
Insurance	6,500	6,500	6,114	386	6,748
Training	2,500	2,500	4,733	(2,233)	7,878
Miscellaneous	2,500	2,500	2,834	(334)	1,630
	<u>57,000</u>	<u>57,000</u>	<u>80,040</u>	<u>(23,040)</u>	<u>64,586</u>
<b>Capital Outlay:</b>					
Public Safety					
Equipment	<u>9,600</u>	<u>9,600</u>	<u>11,074</u>	<u>(1,474)</u>	<u>22,484</u>
<b>TOTAL EXPENDITURES</b>	<u><b>67,700</b></u>	<u><b>67,700</b></u>	<u><b>91,432</b></u>	<u><b>(23,732)</b></u>	<u><b>87,270</b></u>
<b>EXCESS OF REVENUES</b>					
<b>OVER (UNDER) EXPENDITURES</b>	<b>800</b>	<b>900</b>	<b>13,639</b>	<b>12,739</b>	<b>(88)</b>
<b>FUND BALANCE - BEGINNING</b>	<u><b>46,776</b></u>	<u><b>46,776</b></u>	<u><b>46,776</b></u>	<u><b>-</b></u>	<u><b>46,864</b></u>
<b>FUND BALANCE - ENDING</b>	<u><u><b>\$ 47,576</b></u></u>	<u><u><b>\$ 47,676</b></u></u>	<u><u><b>\$ 60,415</b></u></u>	<u><u><b>\$ 12,739</b></u></u>	<u><u><b>\$ 46,776</b></u></u>
<b>FUND BALANCE ANALYSIS</b>					
<b>COMMITTED FUND BALANCE</b>					
Fire Services			<u><u><b>\$ 60,415</b></u></u>		<u><u><b>\$ 46,776</b></u></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, 2021**  
**(with Comparative Actual Amounts for the Year Ended December 31, 2020)**

	<b>2021 Budgeted Amounts</b>		<b>2021</b>	<b>Variance</b>	<b>2020</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		<b>Actual</b>
<b>REVENUES</b>					
<b>Taxes:</b>					
Property Taxes	\$ 37,600	\$ 37,600	\$ 37,640	\$ 40	\$ 26,576
<b>Miscellaneous:</b>					
Interest Income	50	50	23	(27)	19
Miscellaneous	-	-	447	447	10,653
	<u>50</u>	<u>50</u>	<u>470</u>	<u>420</u>	<u>10,672</u>
<b>TOTAL REVENUES</b>	<u>37,650</u>	<u>37,650</u>	<u>38,110</u>	<u>460</u>	<u>37,248</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Culture and Recreation:</b>					
Salaries	14,000	14,000	14,148	(148)	13,991
Payroll Taxes and Employee Benefits	2,000	2,000	3,120	(1,120)	2,946
Electricity and Telephone	600	600	1,047	(447)	806
Supplies	1,000	1,000	1,545	(545)	1,185
Repairs and Maintenance	1,500	1,500	7,300	(5,800)	2,903
Insurance	1,500	1,500	2,633	(1,133)	2,383
Other	1,000	1,000	-	1,000	5
	<u>21,600</u>	<u>21,600</u>	<u>29,793</u>	<u>(8,193)</u>	<u>24,219</u>
<b>Capital Outlay:</b>					
Culture and Recreation					
Lawn Equipment	6,000	6,000	3,000	3,000	3,000
Improvements and Equipment	10,000	10,000	-	10,000	3,822
	<u>16,000</u>	<u>16,000</u>	<u>3,000</u>	<u>13,000</u>	<u>6,822</u>
<b>TOTAL EXPENDITURES</b>	<u>37,600</u>	<u>37,600</u>	<u>32,793</u>	<u>4,807</u>	<u>31,041</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>50</u>	<u>50</u>	<u>5,317</u>	<u>5,267</u>	<u>6,207</u>
<b>FUND BALANCE - BEGINNING</b>	<u>16,147</u>	<u>16,147</u>	<u>16,147</u>	<u>-</u>	<u>9,940</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 16,197</u>	<u>\$ 16,197</u>	<u>\$ 21,464</u>	<u>\$ 5,267</u>	<u>\$ 16,147</u>
<b>FUND BALANCE ANALYSIS</b>					
<b>RESTRICTED FUND BALANCE</b>					
Gazebo Construction			\$ 6,678		\$ 6,678
<b>COMMITTED FUND BALANCE</b>					
Community Park			14,786		9,469
<b>TOTAL FUND BALANCE</b>			<u>\$ 21,464</u>		<u>\$ 16,147</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, 2021**  
**(with Comparative Actual Amounts for the Year Ended December 31, 2020)**

	<b>2021 Budgeted Amounts</b>		<b>2021</b>		<b>2020</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>	<b>Actual</b>
<b>REVENUES</b>					
<b>Miscellaneous:</b>					
Interest Income	\$ 179	\$ 179	\$ 151	\$ (28)	\$ 90
Miscellaneous	5,063	5,063	27,353	22,290	27,185
<b>TOTAL REVENUES</b>	<b>5,242</b>	<b>5,242</b>	<b>27,504</b>	<b>22,262</b>	<b>27,275</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General Government:</b>					
Professional Fees	-	-	544	(544)	3,320
Other	20	20	-	20	1,668
<b>TOTAL EXPENDITURES</b>	<b>20</b>	<b>20</b>	<b>544</b>	<b>(524)</b>	<b>4,988</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,222</b>	<b>5,222</b>	<b>26,960</b>	<b>21,738</b>	<b>22,287</b>
<b>FUND BALANCE - BEGINNING</b>	<b>50,879</b>	<b>50,879</b>	<b>50,879</b>	<b>-</b>	<b>28,592</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 56,101</b>	<b>\$ 56,101</b>	<b>\$ 77,839</b>	<b>\$ 21,738</b>	<b>\$ 50,879</b>
<b>FUND BALANCE ANALYSIS</b>					
<b>COMMITTED FUND BALANCE</b>					
SCDP			<b>\$ 77,839</b>		<b>\$ 50,879</b>

**CITY OF WOOD LAKE, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**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**

**2021 Changes**

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- None

**2020 Changes**

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00% Joint & Survivor option changed from 35.00% to 45.00%. The assumed number of married female new retirees electing the 100.00% Joint & Survivor option changed from 15.00% to 30.00%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.00% for the period July 1, 2020 through December 31, 2023 and 0.00% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**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.

**CITY OF WOOD LAKE, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**1. DEFINED BENEFIT PENSION PLANS (Cont'd)**  
**Public Employees Retirement Association (Cont'd)**  
**General Employees Fund (Cont'd)**

**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%.
- 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.

**CITY OF WOOD LAKE, MINNESOTA**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2021**

**1. DEFINED BENEFIT PENSION PLANS (Cont'd)**  
**Public Employees Retirement Association (Cont'd)**  
**General Employees Fund (Cont'd)**

**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**

**2021 Changes**

Changes in Actuarial Assumptions:

- No changes.

**2020 Changes**

Changes in Actuarial Assumptions:

- No changes.

**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**  
**DECEMBER 31, 2021**

**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, 2021:

	<b>Approved Budget</b>	<b>Actual Expenditures</b>	<b>Excess Expenditures</b>
General Fund	\$ 278,475	\$1,265,611	\$ 987,136
Fire Department Fund	\$ 67,700	\$ 91,432	\$ 23,732
SCDP Fund	\$ 20	\$ 544	\$ 524

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 2021 budget did not project deficit spending in the major funds.

**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with Partial Comparative Information for the Year Ended December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Utility Charges	\$ 118,067	\$ 116,154
Other Operating Revenues	12,233	10,066
<b>Total Operating Revenues</b>	<u><b>130,300</b></u>	<u><b>126,220</b></u>
<b>OPERATING EXPENSES</b>		
Salaries	14,709	13,648
Payroll Taxes and Employee Benefits	3,882	3,596
Contractual Services	582	552
Light and Power	7,949	8,186
Telephone	544	534
Heat	2,081	1,884
Operating Supplies	13,627	13,495
Repairs and Maintenance	26,075	27,806
Insurance	2,112	2,143
Professional Fees	3,758	4,874
Licenses and Testing	311	87
Office Expense	2,024	2,317
Miscellaneous	2,930	2,504
Bad Debts	5	-
Depreciation	30,728	30,020
<b>Total Operating Expenses</b>	<u><b>111,317</b></u>	<u><b>111,646</b></u>
<b>OPERATING INCOME</b>	<u><b>18,983</b></u>	<u><b>14,574</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	742	1,136
USDA RD Water and Waste Disposal Systems for Rural Communities Grant	429,462	-
Nonoperating Pension Grant Revenue	46	31
Debt Issuance Costs	(6,762)	-
Interest Expense	(15,970)	(10,260)
Nonoperating Pension (Expense) Recovered	1,038	1,576
<b>Total Nonoperating Revenues (Expenses)</b>	<u><b>408,556</b></u>	<u><b>(7,517)</b></u>
<b>INCOME BEFORE TRANSFERS</b>	<u><b>427,539</b></u>	<u><b>7,057</b></u>
<b>OPERATING TRANSFERS</b>		
Transfers from Other Funds	-	2,089
<b>Total Operating Transfers</b>	<u><b>-</b></u>	<u><b>2,089</b></u>
<b>CHANGE IN NET POSITION</b>	<b>427,539</b>	<b>9,146</b>
<b>NET POSITION - BEGINNING</b>	<u><b>195,040</b></u>	<u><b>185,894</b></u>
<b>NET POSITION - ENDING</b>	<u><u><b>\$ 622,579</b></u></u>	<u><u><b>\$ 195,040</b></u></u>

**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**SEWER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with Partial Comparative Information for the Year Ended December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Utility Charges	\$ 130,253	\$ 131,083
Other Operating Revenues	257	111
<b>Total Operating Revenues</b>	<u><b>130,510</b></u>	<u><b>131,194</b></u>
<b>OPERATING EXPENSES</b>		
Salaries	14,709	13,648
Payroll Taxes and Employee Benefits	3,882	3,595
Contractual Services	1,484	1,872
Light and Power	6,530	3,020
Operating Supplies	12,944	13,645
Repairs and Maintenance	1,825	3,713
Insurance	731	733
Professional Fees	2,915	9,569
Licenses and Testing	1,121	2,257
Office Expense	2,128	2,321
Miscellaneous	498	299
Depreciation	24,215	24,045
<b>Total Operating Expenses</b>	<u><b>72,982</b></u>	<u><b>78,717</b></u>
<b>OPERATING INCOME</b>	<u><b>57,528</b></u>	<u><b>52,477</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	614	953
PFA Water Infrastructure Program Grant	1,266,287	-
USDA RD Water and Waste Disposal Systems for Rural Communities Grant	836,260	-
Nonoperating Pension Grant Revenue	46	31
Interest Expense	(36,528)	(34,433)
Nonoperating Pension (Expense) Recovered	1,038	1,576
<b>Total Nonoperating Revenues (Expenses)</b>	<u><b>2,067,717</b></u>	<u><b>(31,873)</b></u>
<b>INCOME BEFORE TRANSFERS</b>	<u><b>2,125,245</b></u>	<u><b>20,604</b></u>
<b>OPERATING TRANSFERS</b>		
Transfers from Other Funds	-	7,322
<b>Total Operating Transfers</b>	<u><b>-</b></u>	<u><b>7,322</b></u>
<b>CHANGE IN NET POSITION</b>	<b>2,125,245</b>	<b>27,926</b>
<b>NET POSITION - BEGINNING</b>	<u><b>88,906</b></u>	<u><b>60,980</b></u>
<b>NET POSITION - ENDING</b>	<u><b>\$ 2,214,151</b></u>	<u><b>\$ 88,906</b></u>



**CITY OF WOOD LAKE, MINNESOTA**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**GARBAGE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(with Partial Comparative Information for the Year Ended December 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>OPERATING REVENUES</b>		
Utility Charges	\$ 31,063	\$ 31,328
<b>Total Operating Revenues</b>	<u>31,063</u>	<u>31,328</u>
<b>OPERATING EXPENSES</b>		
Contractual Services	33,104	31,754
Office Expense	713	1,026
<b>Total Operating Expenses</b>	<u>33,817</u>	<u>32,780</u>
<b>CHANGE IN NET POSITION</b>	(2,754)	(1,452)
<b>NET POSITION - BEGINNING</b>	<u>1,245</u>	<u>2,697</u>
<b>NET POSITION - ENDING</b>	<u>\$ (1,509)</u>	<u>\$ 1,245</u>

**SINGLE AUDIT AND OTHER REQUIRED REPORTS  
AND SCHEDULES**

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2021**

**A. SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

**Internal Control Over Financial Reporting:**

Material weakness(es) identified?	<u>  X  </u> Yes	<u>      </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

**Noncompliance material to financial statements noted?**        Yes   X   No

**FEDERAL AWARDS**

**Internal Control Over Major Federal Program:**

Material weakness(es) identified?	<u>      </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  X  </u> None reported

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major federal programs:

**Assistance Listing Number**

**Name of Federal Program or Cluster**

10.760

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as a low-risk auditee?        Yes   X   No

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2021**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

**2021-001 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 2020-001. As in the prior year, 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. The City's corrective action plan for the prior year audit stated that the City would continue to have the Mayor or a designated City Council Member review, approve and initial all invoices and review and initial the bank statements and monthly bank reconciliation. This process was in place during the current year; however, 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 recommendations will continue to be followed.

**2021-002 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 2020-002. As in the prior year, the adjustments resulted from the general ledger being partially maintained on the cash basis of accounting rather than the accrual basis. The City's corrective action plan for the prior year stated that the City would continue to rely on the external auditors for audit adjustments, and the City Clerk-Treasurer will review and approve any proposed adjustments.

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.

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2021**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Cont'd)  
INTERNAL CONTROL OVER FINANCIAL REPORTING (Cont'd)  
PREVIOUSLY REPORTED ITEMS NOT RESOLVED (Cont'd)  
2021-002 Audit Adjustments (Cont'd)**

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.

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 recommendations will continue to be followed.

**2021-003 Budgeting**

Condition: During our audit, we noted that the 2021 and 2022 budgeted tax revenues in the Street Improvement Fund and Community Park Fund did not match the Council approved tax levy. This finding was reported in the prior year audit as finding number 2020-003.

Effect: This could affect the City's ability to appropriately plan for expenditure of the Council approved tax levy.

Cause: The Council approved tax levy was not used when determining budgeted tax revenues in the Street Improvement Fund.

Criteria: The Council approved tax levy should be used when budgeting to ensure that the City does not overspend the Council approved tax levy.

Recommendation: We recommend that the City base its tax revenue budget on the Council approved levy, and amend its 2022 budget to properly reflect the Council approved tax levy.

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

**LEGAL COMPLIANCE  
ITEM ARISING IN CURRENT YEAR**

**2021-004 Lack of Adequate Collateral Coverage**

Condition: The City did not have adequate collateral coverage for the City's deposits at times during the year. The City did have adequate collateral coverage at the end of the year.

Effect: The City was at risk of economic loss for deposit amounts in excess of collateral coverage and was in violation of Minnesota Statute §118A.03 subd. 3.

**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2021**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Cont'd)**

**LEGAL COMPLIANCE (Cont'd)**

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

**2021-004 Lack of Adequate Collateral Coverage (Cont'd)**

Cause: The level of deposits was not sufficiently monitored to ensure that adequate collateral coverage was in place.

Criteria: Minnesota Statute §118A.03 subd. 3 requires that all deposits be backed by pledged collateral in the amount of 110% of the excess over the FDIC insurance limit.

Recommendation: We recommend that the City more closely monitor the deposit levels and the level of pledged collateral to ensure compliance with Minnesota Statutes and to minimize the risk of economic loss.

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

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT**

Water and Waste Disposal Systems for Rural Communities      Assistance Listing No. 10.760

**No findings**

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## **CITY OF WOOD LAKE, MINNESOTA SCHEDULE OF FINDINGS AND QUESTIONED COSTS CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECMEBER 31, 2021**

### **2021-001 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 David Stelter (Mayor) or a designated City Council Member review, approve and initial all invoices. David Stelter 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  
David Stelter 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 David Stelter and the City Council. This plan will be reviewed on a continuing basis to ensure compliance.
5. Plan to Monitor Completion of CAP  
David Stelter and the City Council will be monitoring this plan.

### **2021-002 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. Brenda Drager (City Clerk-Treasurer) will review and approve any proposed audit adjustments.

# *City of Wood Lake*

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## **CITY OF WOOD LAKE, MINNESOTA SCHEDULE OF FINDINGS AND QUESTIONED COSTS CORRECTIVE ACTION PLAN (Cont'd) FOR THE YEAR ENDED DECMEBER 31, 2021**

### **2021-002 Audit Adjustments (Cont'd)**

#### **Corrective Action Plan (CAP) (Cont'd)**

3. Official Responsible for Insuring CAP  
David Stelter (Mayor) and the City Council are responsible for ensuring corrective action of this 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  
David Stelter and the City Council will be monitoring this plan.

### **2021-003 Budgeting**

#### **Auditor Recommendation**

We recommend that the City base its tax revenue budget on the Council approved levy, and amend its 2022 budget to properly reflect the Council approved tax levy.

#### **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  
Brenda Drager (City Clerk-Treasurer) will use the Council approved levy when preparing the budget.
3. Official Responsible for Insuring CAP  
David Stelter (Mayor) and the City Council are responsible for ensuring corrective action of this deficiency.
4. Planned Completion Date for CAP  
The plan will be implemented during the next budgeting cycle.
5. Plan to Monitor Completion of CAP  
David Stelter and the City Council will be monitoring this plan.



# *City of Wood Lake*

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## **CITY OF WOOD LAKE, MINNESOTA SCHEDULE OF FINDINGS AND QUESTIONED COSTS CORRECTIVE ACTION PLAN (Cont'd) FOR THE YEAR ENDED DECMEBER 31, 2021**

### **2021-004 Lack of Adequate Collateral Coverage**

#### **Auditor Recommendation**

We recommend that the City more closely monitor the deposit levels and the level of pledged collateral to ensure compliance with Minnesota Statutes and to minimize the risk of economic loss.

#### **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  
Brenda Drager (City Clerk-Treasurer) will more closely monitor the deposit levels and the level of pledged collateral to ensure compliance with Minnesota Statutes and to minimize the risk of economic loss.
3. Official Responsible for Insuring CAP  
David Stelter (Mayor) and the City Council are responsible for ensuring corrective action of this deficiency.
4. Planned Completion Date for CAP  
The plan will be implemented during 2022.
5. Plan to Monitor Completion of CAP  
David Stelter and the City Council will be monitoring this plan.

**CITY OF WOOD LAKE, MINNESOTA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2021**

**FINDINGS RELATIVE TO FINANCIAL STATEMENT AUDIT**

**INTERNAL CONTROL**

**Finding 2020-001: Internal Accounting Controls – Segregation of Duties**

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.

**Recommendation**

Since we acknowledged that it is not economically feasible for the City to hire additional staff, we recommended the Mayor and City Council continue to monitor financial activity, and review and approve invoices. As an added control we also recommended 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.

**Status**

This finding remains unresolved. Please see finding 2021-001 for more details.

**Finding 2020-002: Audit Adjustments**

Numerous material audit adjustments were proposed that resulted in significant changes to the City's financial statements.

**Recommendation**

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

**Status**

This finding remains unresolved. Please see finding 2021-002 for more details.

**Finding 2020-003: Budgeting**

The budgeted tax revenues in the Street Improvement Fund did not match the Council approved tax levy.

**Recommendation**

We recommend that the City base its tax revenue budget on the Council approved levy.

**Status**

This finding remains unresolved. Please see finding 2021-003 for more details.

**FINDINGS RELATIVE TO FEDERAL AWARD PROGRAMS**

**None**

**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, 2021, 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 13, 2022.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-003 that we consider to be material weaknesses.

**Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, we noted a certain matter of noncompliance that is required to be reported under Minnesota Statutes. This item of noncompliance is described in the accompanying schedule of findings and questioned costs as item 2021-004.

## City of Wood Lake's Response to Findings

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

## Purpose of This Report

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

*Hoffman & Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

June 13, 2022

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2022.

In connection with our audit, we noted that City of Wood Lake, Minnesota failed to comply with the provisions of depositories of public funds and public investments 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 as described in the schedule of findings and questioned costs as item 2021-004. Also, 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-bid laws, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections the *Minnesota Legal Compliance Audit Guide for Cities*, 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.

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Wood Lake, Minnesota's response to the legal compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs as item 2021-004. 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 the response.

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 13, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR  
PROGRAMS; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council  
City of Wood Lake, Minnesota

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited City of Wood Lake, Minnesota's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on City of Wood Lake, Minnesota's major federal program for the year ended December 31, 2021. City of Wood Lake, Minnesota's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Wood Lake, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Wood Lake, Minnesota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of City of Wood Lake, Minnesota's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Wood Lake, Minnesota's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Wood Lake, Minnesota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Wood Lake, Minnesota's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Wood Lake, Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Wood Lake, Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Wood Lake, Minnesota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

#### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise City of Wood Lake, Minnesota's basic financial statements. We issued our report thereon dated June 13, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hoffman + Brobst, PLLP*

Hoffman & Brobst, PLLP  
Certified Public Accountants  
Marshall, Minnesota

June 13, 2022



**CITY OF WOOD LAKE, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</b>	<b>Assistance Listing</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through USDA Rural Development		
Water and Waste Program		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 2,540,756
Total Water and Waste Program		<u>2,540,756</u>
Community Facilities Loans and Grants Cluster		
Community Facilities Loans and Grants	10.766	199,020
Total Community Facilities Loans and Grants Cluster		<u>199,020</u>
Passed through Minnesota Department of Natural Resources		
Cooperative Forestry Assistance	10.664	1,267
Total Cooperative Forestry Assistance		<u>1,267</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,741,043</u>
<b>Department of Homeland Security</b>		
Passed through the Federal Emergency Management Agency (FEMA)		
Assistance to Firefighters Grant Program	97.044	6,232
<b>Total Department of Homeland Security</b>		<u>6,232</u>
<b>TOTAL FEDERAL EXPENDITURES</b>		<u>\$ 2,747,275</u>

**NONCASH ASSISTANCE**

There is no noncash assistance received by the City of Wood Lake, Minnesota for the year ended December 31, 2021.

**PASS-THROUGH ENTITY IDENTIFYING NUMBER**

The pass-through entity identifying number is unknown.

**LOAN PROGRAMS AND LOAN GUARANTEE PROGRAMS**

The City of Wood Lake, Minnesota, was granted a Water and Waste Disposal Systems for Rural Communities loan of \$1,482,000 in 2020. \$1,275,034 was advanced during the year ended December 31, 2021, which consisted of \$1,258,492 in loan advances and \$16,542 in accrued interest added to the loan balance.

The City of Wood Lake, Minnesota, was granted a Community Facilities Loans and Grants loan of \$1,314,000 in 2021. \$199,020 was advanced during the year ended December 31, 2021.

**SUBRECIPIENTS**

The City of Wood Lake, Minnesota, did not provide federal awards to subrecipients.

**CITY OF WOOD LAKE, MINNESOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2021**

**NOTE A – REPORTING ENTITY**

The schedule of expenditures of federal awards presents the activities of federal award programs expended by City of Wood Lake, Minnesota. The City's reporting entity is defined in Note 1 to the financial statements.

**NOTE B – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of City of Wood Lake, Minnesota, under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of City of Wood Lake, Minnesota.

**NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE D – DE MINIMIS INDIRECT COST RATE**

City of Wood Lake, Minnesota, has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE E – LOAN PROGRAMS AND LOAN GUARANTEE PROGRAMS**

The City of Wood Lake, Minnesota, was granted a Water and Waste Disposal Systems for Rural Communities loan of \$1,482,000 in 2020. \$1,275,034 was advanced during the year ended December 31, 2021, which consisted of \$1,258,492 in loan advances and \$16,542 in accrued interest added to the loan.

The City of Wood Lake, Minnesota was granted a Community Facilities Loans and Grants loan of \$1,314,000 in 2021. \$199,020 was advanced during the year ended December 31, 2021.

**NOTE F – DONATED FEDERALLY FUNDED PERSONAL PROTECTIVE EQUIPMENT**

City of Wood Lake, Minnesota, did not receive any donated federally funded personal protective equipment.

## 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, 2021, 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 material weaknesses in our report dated June 13, 2022. This letter does not affect that report or our report dated June 13, 2022, 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.
- During the review of the bank reconciliations, we noted that the City had three stale dated checks that remain outstanding. We recommend the City Clerk-Treasurer resolve the situation before the checks are required to be turned over as unclaimed property.
- During the review of Accounts Payable Detail for the Utility Fund, we noted that payments to Xcel Energy were not consistently applied to the appropriate invoice in the City's general ledger. This has resulted in numerous open invoices and credit memos on the Accounts Payable listing. We recommend the City Clerk-Treasurer apply the outstanding bills accordingly in the software if paid in a timely manner.

All other comments and suggestions are included in the schedule of findings questioned costs on pages 56 through 58.

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 13, 2022