

CITY OF WOODLAND
WOODLAND, MINNESOTA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Woodland, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2017

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INTRODUCTORY SECTION

CITY OF WOODLAND
WOODLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Woodland, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2017

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires December 31,</u>
James Doak	Mayor	2020
Shannon Evenstad	Council Member	2018
Tom Newberry	Council Member	2020
John Massie	Council Member	2018
Vince Suerth	Council Member	2020

APPOINTED

Kathy McCullum	City Clerk
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FINANCIAL SECTION
CITY OF WOODLAND
WOODLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Woodland, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Woodland, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B, the financial statements are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2017, and the changes in financial position for the year then ended.

Report on Summarized Comparative Information

The prior year comparative information has been derived from the City's 2016 financial statements and, in our report dated February 22, 2017, we expressed unmodified opinions on the respective proprietary fund financial statements.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements of the governmental funds referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City, as of December 31, 2017, and their respective cash receipts and disbursements, for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B. Also, in our opinion, the financial statements of the proprietary funds referred to in the first paragraph present fairly, in all material respects, the respective financial position of each fund of the City as of December 31, 2017, and their respective changes in financial position and cash flows for the year then ended, on the basis of the financial reporting provisions the Minnesota Office of the State Auditor as described in Note 1B.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial schedules, and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial schedules are fairly stated in all material respects in relation to the basic financial statements on the regulatory basis financial statements as a whole.

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 10, 2018

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BASIC FINANCIAL STATEMENTS - REGULATORY BASIS

CITY OF WOODLAND
WOODLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Woodland, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2017

	<u>General</u>	<u>Street Improvement</u>	<u>Total</u>
Assets			
Cash and temporary investments	<u>\$ 330,389</u>	<u>\$ 183,290</u>	<u>\$ 513,679</u>
Cash Fund Balances			
Assigned for street improvement	\$ -	\$ 183,290	\$ 183,290
Unassigned	<u>330,389</u>	<u>-</u>	<u>330,389</u>
Total Cash Fund Balances	<u>\$ 330,389</u>	<u>\$ 183,290</u>	<u>\$ 513,679</u>

The notes to the financial statements are an integral part of this statement.

City of Woodland, Minnesota
Statement of Cash Receipts, Disbursements and
Changes in Cash Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Street Improvement	Governmental Funds
Receipts			
Taxes	\$ 356,872	\$ -	\$ 356,872
Licenses and permits	16,361	-	16,361
Intergovernmental	1,639	8,176	9,815
Charges for services	4,575	-	4,575
Fines and forfeitures	2,124	-	2,124
Interest earnings	317	214	531
Total Receipts	<u>381,888</u>	<u>8,390</u>	<u>390,278</u>
Disbursements			
Current			
General government	77,347	-	77,347
Public safety	141,515	-	141,515
Public works	67,991	107,312	175,303
Miscellaneous	11,803	-	11,803
Total Disbursements	<u>298,656</u>	<u>107,312</u>	<u>405,968</u>
Excess (Deficiency) of			
Receipts Over (Under) Disbursements	<u>83,232</u>	<u>(98,922)</u>	<u>(15,690)</u>
Other Financing Sources (Uses)			
Transfers in	-	44,586	44,586
Transfers out	<u>(44,586)</u>	<u>-</u>	<u>(44,586)</u>
Total Other Financing Sources (Uses)	<u>(44,586)</u>	<u>44,586</u>	<u>-</u>
Net Change in Cash Fund Balances	38,646	(54,336)	(15,690)
Cash Fund Balances, January 1	<u>291,743</u>	<u>237,626</u>	<u>529,369</u>
Cash Fund Balances, December 31	<u>\$ 330,389</u>	<u>\$ 183,290</u>	<u>\$ 513,679</u>

The notes to the financial statements are an integral part of this statement.

City of Woodland, Minnesota
Statements of Net Position
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	601	
	Water	
	2017	2016
Assets		
Current Assets		
Cash and temporary investments	\$ 66,063	\$ 52,350
Receivables		
Accounts	7,089	7,812
Special assessments		
Delinquent	783	3,029
Current	-	7,650
Total Current Assets	<u>73,935</u>	<u>70,841</u>
Noncurrent Assets		
Capital assets		
Infrastructure	194,539	194,539
Less accumulated depreciation	<u>(97,500)</u>	<u>(92,600)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>97,039</u>	<u>101,939</u>
Total Assets	<u>170,974</u>	<u>172,780</u>
Liabilities		
Current Liabilities		
Accounts payable	4,715	1,697
Accrued interest payable	293	586
Bonds payable - current	<u>12,500</u>	<u>12,500</u>
Total Current Liabilities	<u>17,508</u>	<u>14,783</u>
Long-term Liabilities		
Bonds payable	-	12,500
Total Liabilities	<u>17,508</u>	<u>27,283</u>
Net Position		
Net investment in capital assets	84,539	76,939
Restricted for debt service	42,427	39,698
Unrestricted	<u>26,500</u>	<u>28,860</u>
Total Net Position	<u>\$ 153,466</u>	<u>\$ 145,497</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities -
Enterprise Funds

602 Sewer		Totals	
2017	2016	2017	2016
\$ 81,762	\$ 91,769	\$ 147,825	\$ 144,119
10,642	12,737	17,731	20,549
446	1,208	1,229	4,237
-	2,550	-	10,200
<u>92,850</u>	<u>108,264</u>	<u>166,785</u>	<u>179,105</u>
697,666	697,666	892,205	892,205
(282,300)	(268,300)	(379,800)	(360,900)
<u>415,366</u>	<u>429,366</u>	<u>512,405</u>	<u>531,305</u>
<u>508,216</u>	<u>537,630</u>	<u>679,190</u>	<u>710,410</u>
5,422	4,640	10,137	6,337
337	684	630	1,270
<u>36,369</u>	<u>37,141</u>	<u>48,869</u>	<u>49,641</u>
<u>42,128</u>	<u>42,465</u>	<u>59,636</u>	<u>57,248</u>
-	36,369	-	48,869
<u>42,128</u>	<u>78,834</u>	<u>59,636</u>	<u>106,117</u>
378,997	355,856	463,536	432,795
-	-	42,427	39,698
<u>87,091</u>	<u>102,940</u>	<u>113,591</u>	<u>131,800</u>
<u>\$ 466,088</u>	<u>\$ 458,796</u>	<u>\$ 619,554</u>	<u>\$ 604,293</u>

The notes to the financial statements are an integral part of this statement.

City of Woodland, Minnesota
Statements of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds	
	601	
	Water	
	2017	2016
Operating Revenues		
Charges for services	\$ 27,105	\$ 28,900
Operating Expenses		
Professional services	4,361	2,368
Utilities	9,748	7,446
Depreciation	4,900	4,900
Total Operating Expenses	19,009	14,714
Operating Income	8,096	14,186
Nonoperating Revenues (Expenses)		
Special assessments	575	2,296
Interest income	60	27
Interest expense	(762)	(1,465)
Total Nonoperating Revenues (Expenses)	(127)	858
Net Income before Contributions	7,969	15,044
Capital Contribution	-	6,000
Change in Net Position	7,969	21,044
Net Position, January 1	145,497	124,453
Net Position, December 31	\$ 153,466	\$ 145,497

The notes to the financial statements are an integral part of this statement.

Business-type Activities -
Enterprise Funds

602			
Sewer		Totals	
2017	2016	2017	2016
<u>\$ 44,824</u>	<u>\$ 44,435</u>	<u>\$ 71,929</u>	<u>\$ 73,335</u>
313	7,785	4,674	10,153
22,245	18,182	31,993	25,628
14,000	14,000	18,900	18,900
<u>36,558</u>	<u>39,967</u>	<u>55,567</u>	<u>54,681</u>
<u>8,266</u>	<u>4,468</u>	<u>16,362</u>	<u>18,654</u>
245	765	820	3,061
94	61	154	88
<u>(1,313)</u>	<u>(2,262)</u>	<u>(2,075)</u>	<u>(3,727)</u>
<u>(974)</u>	<u>(1,436)</u>	<u>(1,101)</u>	<u>(578)</u>
7,292	3,032	15,261	18,076
<u>-</u>	<u>6,000</u>	<u>-</u>	<u>12,000</u>
7,292	9,032	15,261	30,076
<u>458,796</u>	<u>449,764</u>	<u>604,293</u>	<u>574,217</u>
<u>\$ 466,088</u>	<u>\$ 458,796</u>	<u>\$ 619,554</u>	<u>\$ 604,293</u>

The notes to the financial statements are an integral part of this statement.

City of Woodland, Minnesota
Statements of Cash Flows
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities Enterprise Funds	
	601	
	Water	
	2017	2016
Cash Flows from Operating Activities		
Receipts from customers and users		
City of Minnetonka usage charges	\$ 8,860	\$ 9,248
User fee revenue	7,999	3,768
Maintenance fee revenue	13,215	14,705
Delinquent utility revenue	-	38
Payments to suppliers		
Remittance to City of Minnetonka	(9,360)	(9,255)
Maintenance and other expenses	(1,731)	(2,368)
Net Cash Provided by Operating Activities	<u>18,983</u>	<u>16,136</u>
Cash Flows from Capital and Related Financing Activities		
Collection of special assessments	8,225	9,946
Connection fees received	-	6,000
Interest paid on bonds	(1,055)	(1,758)
Principal paid on bonds	(12,500)	(12,500)
Net Cash Used by Capital and Related Financing Activities	<u>(5,330)</u>	<u>1,688</u>
Cash Flows from Investing Activities		
Interest received on investments	<u>60</u>	<u>27</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,713	17,851
Cash and Cash Equivalents, January 1	<u>52,350</u>	<u>34,499</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 66,063</u></u>	<u><u>\$ 52,350</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 8,096	\$ 14,186
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,900	4,900
(Increase) decrease in assets		
Receivables		
Accounts	723	(177)
Special assessments	2,246	(964)
Increase (decrease) in liabilities		
Accounts payable	<u>3,018</u>	<u>(1,809)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 18,983</u></u>	<u><u>\$ 16,136</u></u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities -
Enterprise Funds

602			
Sewer		Totals	
2017	2016	2017	2016
\$ 21,927	\$ 17,632	\$ 30,787	\$ 26,880
16,367	13,920	24,366	17,688
9,387	10,615	22,602	25,320
-	37	-	75
(21,463)	(17,997)	(30,823)	(27,252)
(313)	(7,785)	(2,044)	(10,153)
25,905	16,422	44,888	32,558
2,795	3,315	11,020	13,261
-	6,000	-	12,000
(1,660)	(2,599)	(2,715)	(4,357)
(37,141)	(36,201)	(49,641)	(48,701)
(36,006)	(29,485)	(41,336)	(27,797)
94	61	154	88
(10,007)	(13,002)	3,706	4,849
91,769	104,771	144,119	139,270
<u>\$ 81,762</u>	<u>\$ 91,769</u>	<u>\$ 147,825</u>	<u>\$ 144,119</u>
\$ 8,266	\$ 4,468	\$ 16,362	\$ 18,654
14,000	14,000	18,900	18,900
2,095	(1,910)	2,818	(2,087)
762	(321)	3,008	(1,285)
782	185	3,800	(1,624)
<u>\$ 25,905</u>	<u>\$ 16,422</u>	<u>\$ 44,888</u>	<u>\$ 32,558</u>

The notes to the financial statements are an integral part of this statement.

City of Woodland, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	<u>Agency</u>
Assets	
Cash and temporary investments	<u>\$ 36,200</u>
Liabilities	
Deposits payable	<u>\$ 36,200</u>

The notes to the financial statements are an integral part of this statement.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Woodland, Minnesota (the City) operates under "Optional Plan A" form of government as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The City has no component units that meet the GASB criteria.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying financial statements have been prepared on the regulatory basis of accounting as described in the Minnesota Office of the State Auditor's Reporting and Publishing Requirements for Cities under 2,500 in population published in February 2016. Under that basis, governmental fund receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from generally accepted accounting principles in the United States of America (GAAP) primarily because the City has not provided a management discussion and analysis letter, government-wide statement of net position and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements.

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

Governmental funds are used to account for the City's general government activities and are accounted for using the regulatory basis of accounting. Their revenue is recognized when received in cash and disbursements are recognized when paid in cash. The regulatory basis of accounting is a comprehensive basis of accounting other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "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 pay liabilities of the current period.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On the regulatory basis, receipts from property taxes are recognized in the year the tax is collected. Receipts from grants, entitlements and donations are recognized in the year in which they are collected. For proprietary funds, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

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.

The *Street Improvement fund* accounts for future street improvement projects.

The City reports the following major proprietary funds:

The *Water fund* accounts for costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and ensure that user charges are sufficient to pay for those costs.

Additionally, the City reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for construction escrow activity.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Net Position/Fund Balances

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property Taxes

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Account Receivable

Accounts receivable in the enterprise funds include amounts billed for services provided before year end. The City annually certifies delinquent water and sewer accounts to the County for collection. As a result there is no allowance for uncollectible accounts.

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. In the proprietary funds, these assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue upon receipt in the governmental funds.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Under the regulatory basis, the City does not account for capital assets used in governmental fund types.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the proprietary funds are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings and Structures	40
Improvements other than Buildings	10 to 50
Furniture and Equipment	3 to 10

Long-term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service disbursements.

Note 1: Summary of Significant Accounting Policies (Continued)

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 the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Clerk and Treasurer.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when disbursements are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of budgeted operating disbursements for cash-flow timing needs.

Net Position

In the proprietary fund financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position- Consist of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for the individual enterprise funds in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the regulatory basis, which is a comprehensive basis other than Generally Accepted Accounting Principles (GAAP) for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments in 2017.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$697,654 and the bank balance was \$698,693. The bank balance was covered by federal depository insurance.

A reconciliation of cash and temporary investments as shown on the statements for the City follows:

Carrying Amount of Deposits	\$ 697,654
Petty Cash	<u>50</u>
Total Cash and Temporary Investments	<u><u>\$ 697,704</u></u>
Governmental Funds	\$ 513,679
Proprietary Funds	147,825
Fiduciary Funds	<u>36,200</u>
Total Cash and Temporary Investments	<u><u>\$ 697,704</u></u>

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets being depreciated				
Infrastructure	\$ 892,205	\$ -	\$ -	\$ 892,205
Less accumulated depreciation for				
Infrastructure	<u>(360,900)</u>	<u>(18,900)</u>	<u>-</u>	<u>(379,800)</u>
Business-type Activities				
Capital Assets, Net	<u><u>\$ 531,305</u></u>	<u><u>\$ (18,900)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 512,405</u></u>

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

Business-type Activities	
Water	\$ 4,900
Sewer	<u>14,000</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 18,900</u></u>

C. Interfund Transfers

The General fund budgeted a \$40,000 transfer and approved an additional \$4,586 transfer to the Street Improvement fund for future street repair projects.

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City.

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 49 and 87 percent of revenues from the Water and Sewer funds, respectively. For 2017, principal and interest paid and total customer revenues for the Water fund were \$13,555 and \$29,504, respectively. For 2017, principal and interest paid and total customer revenues for the Sewer fund were \$38,801 and \$45,690, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Improvement Bonds, Series 1997B	\$ 250,000	5.625 %	08/01/97	02/01/18	\$ 12,500
General Obligation Revenue Bonds, Series 1997A	698,775	2.580	04/15/97	08/20/18	36,369
Total G.O. Revenue Bonds					<u>\$ 48,869</u>

The annual requirement to amortize all bonds outstanding as of December 31, 2017 through maturity follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2018	<u>\$ 48,869</u>	<u>\$ 3,759</u>	<u>\$ 52,628</u>

Changes in Long-term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Improvement and Revenue Bonds	<u>\$ 98,510</u>	<u>\$ -</u>	<u>\$ (49,641)</u>	<u>\$ 48,869</u>	<u>\$ 48,869</u>

City of Woodland, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Other Information

A. Legal Debt Margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City has no debt subject to the limit.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

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COMBINING AND INDIVIDUAL FUND FINANCIAL SCHEDULES

CITY OF WOODLAND
WOODLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Woodland, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Budgetary Fund Balances, January 1	\$ 291,743	\$ 291,743	\$ 291,743	\$ 266,983
Receipts				
Taxes				
Property taxes	357,304	357,304	356,872	354,185
Licenses and permits	22,750	22,750	16,361	45,805
Intergovernmental				
County				
Other grants	1,850	1,850	1,639	1,792
Charges for services				
Zoning and other	3,500	3,500	4,575	9,805
Fines and forfeitures	2,000	2,000	2,124	1,790
Interest earnings	200	200	317	189
Miscellaneous	1,000	1,000	-	1,390
Total Receipts	388,604	388,604	381,888	414,956
Amounts Available for Appropriation	680,347	680,347	673,631	681,939
Disbursements				
Current				
General government				
Mayor and Council				
Personal services	290	290	261	258
Other services and charges	400	400	64	223
Total Mayor and Council	690	690	325	481
City Clerk				
Personal services	46,875	46,875	45,869	46,027
Supplies	1,050	1,050	957	1,333
Other services and charges	9,625	9,625	5,480	6,484
Total City Clerk	57,550	57,550	52,306	53,844
Assessor				
Other services and charges	9,809	9,809	10,089	10,020
Legal				
Other services and charges	10,000	10,000	3,427	4,972

City of Woodland, Minnesota
General Fund
Budgetary Comparison Schedule - Regulatory Basis (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Disbursements (Continued)					
Current (continued)					
General government (continued)					
Audit and accounting					
Other services and charges	\$ 11,200	\$ 11,200	\$ 11,200	\$ -	\$ 11,200
Total General Government	89,249	89,249	77,347	11,902	80,517
Public safety					
Police					
Other services and charges	113,989	113,989	113,989	-	111,754
Fire					
Other services and charges	27,526	27,526	27,526	-	21,698
Total Public Safety	141,515	141,515	141,515	-	133,452
Public works					
Streets and highways					
Supplies	600	600	1,664	(1,064)	515
Other services and charges	15,000	15,000	26,276	(11,276)	9,724
Total Streets and Highways	15,600	15,600	27,940	(12,340)	10,239
Snow and ice removal					
Other services and charges	48,000	48,000	20,414	27,586	18,840
Sanitation and recycling					
Other services and charges	18,000	18,000	15,196	2,804	17,012
Engineering					
Other services and charges	16,000	16,000	4,441	11,559	5,089
Total Public Works	97,600	97,600	67,991	29,609	51,180
Miscellaneous					
Unallocated					
Other services and charges	20,240	20,240	11,803	8,437	14,461
Total Disbursements	348,604	348,604	298,656	49,948	279,610
Other Financing Uses					
Transfers out	40,000	40,000	44,586	(4,586)	110,586
Total Disbursements and Other Financing Uses	388,604	388,604	343,242	45,362	390,196
Budgetary Fund Balances, December 31	\$ 291,743	\$ 291,743	\$ 330,389	\$ 38,646	\$ 291,743

City of Woodland, Minnesota
Proprietary Fund
Combining Schedule of Debt Service Cash Flows
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds		
	601		
	Water		
	Prior Years	2017	Total
Cash Flows from Operating Activities			
User fees	\$ 72,353	\$ 7,999	\$ 80,352
Cash Flows from Capital Financing Activities			
Proceeds of bonds issued	250,000	-	250,000
Principal paid on bonds	(225,000)	(12,500)	(237,500)
Interest paid on bonds	(153,047)	(1,055)	(154,102)
Collections of special assessments	253,418	8,225	261,643
Contributed capital from general fund	-	-	-
Purchase of and payment on property and equipment	(187,986)	-	(187,986)
Net Cash Used by Capital Financing Activities	(62,615)	(5,330)	(67,945)
Cash Flows from Investing Activities			
Interest received on investments	29,960	60	30,020
Net Increase (Decrease) in Cash and Cash Equivalents	39,698	2,729	42,427
Cash and Cash Equivalents, January 1	-	39,698	-
Cash and Cash Equivalents, December 31	39,698	42,427	42,427
Reconciliation to Restricted Net Position	-	-	-
Restricted Net Position	\$ 39,698	\$ 42,427	\$ 42,427

Business-type Activities - Enterprise Funds

602					
Sewer			Totals		
Prior Years	2017	Total	Prior Years	2017	Total
<u>\$ 206,091</u>	<u>\$ 16,367</u>	<u>\$ 222,458</u>	<u>\$ 278,444</u>	<u>\$ 24,366</u>	<u>\$ 302,810</u>
698,775	-	698,775	948,775	-	948,775
(625,304)	(37,141)	(662,445)	(850,304)	(49,641)	(899,945)
(188,033)	(1,660)	(189,693)	(341,080)	(2,715)	(343,795)
492,877	2,795	495,672	746,295	11,020	757,315
18,000	-	18,000	18,000	-	18,000
(697,666)	-	(697,666)	(885,652)	-	(885,652)
<u>(301,351)</u>	<u>(36,006)</u>	<u>(337,357)</u>	<u>(363,966)</u>	<u>(41,336)</u>	<u>(405,302)</u>
77,997	94	78,091	107,957	154	108,111
(17,263)	(19,545)	(36,808)	22,435	(16,816)	5,619
<u>-</u>	<u>(17,263)</u>	<u>-</u>	<u>-</u>	<u>22,435</u>	<u>-</u>
(17,263)	(36,808)	(36,808)	22,435	5,619	5,619
17,263	36,808	-	17,263	36,808	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,808)</u>	<u>\$ 39,698</u>	<u>\$ 42,427</u>	<u>\$ 5,619</u>

City of Woodland, Minnesota
Summary Financial Report
Receipts and Disbursements for General Operations -
Governmental Funds
For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Receipts			
Taxes	\$ 356,872	\$ 354,185	0.76 %
Licenses and permits	16,361	45,805	(64.28)
Intergovernmental	9,815	1,792	447.71
Charges for services	4,575	9,805	(53.34)
Fines and forfeits	2,124	1,790	18.66
Interest earnings	531	294	80.61
Miscellaneous	-	1,390	(100.00)
Total Receipts	<u>\$ 390,278</u>	<u>\$ 415,061</u>	(5.97) %
Per Capita	<u>\$ 848</u>	<u>\$ 902</u>	(5.97) %
Disbursements			
Current			
General government	\$ 77,347	\$ 80,517	(3.94) %
Public safety	141,515	133,452	6.04
Public works	175,303	83,010	111.18
Miscellaneous	11,803	14,461	(18.38)
Total Disbursements	<u>\$ 405,968</u>	<u>\$ 311,440</u>	30.35 %
Per Capita	<u>\$ 883</u>	<u>\$ 677</u>	30.35 %
General Fund Balance - December 31	\$ 330,389	\$ 291,743	13.25 %
Per Capita	718	634	13.25

The purpose of this report is to provide a summary of financial information concerning the City of Woodland to interested citizens. The complete financial statements may be examined at City Hall, 20225 Cottagewood Road, Deephaven, MN 55 Questions about this report should be directed to Kathy McCullum, City Clerk at (952) 474-4755.

SUPPLEMENTARY INFORMATION - UNAUDITED

CITY OF WOODLAND
WOODLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Woodland, Minnesota
Supplementary Information - Unaudited
December 31, 2017

Schedule of Accounts Receivable

Fund	Source of Revenue	Purpose	Amount
General	City of Deephaven	Building Permit (4th Quarter)	\$ 4,578
General	Hennepin County	Final Tax Settlement Payment	14,067
	Total		<u>\$ 18,645</u>

Schedule of Accounts Payable and Contingent Liabilities

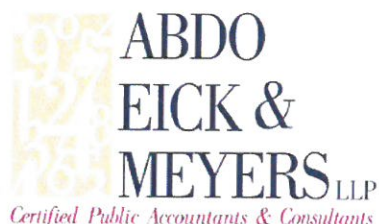
Fund	Vendor Name	Item and Purpose	Amount
General	Bolton & Menk, Inc.	Engineering	\$ 1,173
Street Improvements	Bolton & Menk, Inc.	Streets Roads/Drainage	7,555
General	Hennepin County	Elections	572
General	Tallen Criminal Attorney	Legal	381
General	USDA	Deer Management	426
General	Tonka Printing	General	92
General	Waste Management	Refuse	833
General	City of Deephaven	Zoning	230
	Total		<u>\$ 8,728</u>

OTHER REQUIRED REPORT

CITY OF WOODLAND
WOODLAND, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Woodland, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of each major fund of the governmental and proprietary funds and the aggregate remaining fund information of the City of Woodland, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements on the regulatory basis, and have issued our report thereon dated February 10, 2018. In our report, our opinion was adverse because the City prepares its financial statements on the regulatory basis, which is a special purpose framework other than accounting principles generally accepted in the United States of America.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
February 10, 2018

