



Financial Statements
December 31, 2009

City of Glyndon, Minnesota

CITY OF GLYNDON, MINNESOTA

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CITY OF GLYNDON, MINNESOTA
ELECTED AND APPOINTED OFFICIALS (UNAUDITED)
DECEMBER 31, 2009

COUNCIL

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Cecil Johnson	Mayor	12/31/12
Carrie Smith	Council Member	12/31/10
Rodney Wirth	Council Member	12/31/10
Chris Jensen	Council Member	12/31/12
Joe Schreiber	Council Member	12/31/12

OFFICIALS

Dave Pederson	Clerk-Treasurer
Michael Cline	Chief of Police
Ken Norman	City Attorney



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor,
City Council and Clerk/Treasurer
City of Glyndon, Minnesota

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Glyndon, Minnesota as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements and schedules are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and schedule presentation. We believe that our audit provide a reasonable basis for our opinions.

As described in Note 1, the aforementioned financial statements were prepared on the cash basis of accounting, a comprehensive basis of accounting other than U.S. generally accepted accounting principles, except for the Water fund, which is presented in accordance with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Glyndon, Minnesota, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended, on the cash basis of accounting, a comprehensive basis of accounting other than U.S. generally accepted accounting principles, except for the Water fund, which is presented in accordance with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 26 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glyndon, Minnesota's financial statements as a whole. The elected and appointed officials, combining and individual nonmajor fund financial schedules, and schedules of accounts receivable and accounts payable are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial schedules and schedules of accounts receivable and accounts payable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The elected and appointed officials 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 it.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Eide Bailly LLP

Fargo, North Dakota
May 10, 2010

CITY OF GLYNDON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 578,831	\$ 124,264	\$ 703,095
Accounts receivable	-	20,290	20,290
Capital assets, net of accumulated depreciation	-	682,212	682,212
Total assets	<u>\$ 578,831</u>	<u>\$ 826,766</u>	<u>\$ 1,405,597</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 730	\$ 730
Accrued interest	-	14,448	14,448
Due to other funds	-	37,771	37,771
Noncurrent liabilities:			
Due within one year	-	41,000	41,000
Due in more than one year	-	573,630	573,630
Total liabilities	<u>-</u>	<u>667,579</u>	<u>667,579</u>
NET ASSETS			
Invested in capital assets, net of related debt	-	75,141	75,141
Restricted	572,602	-	572,602
Unrestricted	6,229	84,046	90,275
Total net assets	<u>578,831</u>	<u>159,187</u>	<u>738,018</u>
Total liabilities and net assets	<u>\$ 578,831</u>	<u>\$ 826,766</u>	<u>\$ 1,405,597</u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

Exhibit A-2

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 151,324	\$ 136,805	\$ -	(14,519)	\$ -	\$ (14,519)
Public safety	270,692	52,663	24,974	(193,055)	-	(193,055)
Sanitation	81,678	89,132	-	7,454	-	7,454
Streets and highways	192,711	-	-	(192,711)	-	(192,711)
Culture and recreation	24,669	-	-	(24,669)	-	(24,669)
Debt service	326,453	-	-	(326,453)	-	(326,453)
Capital outlay	220,063	-	-	(220,063)	-	(220,063)
TIF Repayments	119,561	-	-	(119,561)	-	(119,561)
Insurance	45,641	-	-	(45,641)	-	(45,641)
Recycling center	24,975	-	-	(24,975)	-	(24,975)
Miscellaneous	9,255	-	-	(9,255)	-	(9,255)
Total governmental activities	<u>1,467,022</u>	<u>278,600</u>	<u>24,974</u>	<u>(1,163,448)</u>	<u>-</u>	<u>(1,163,448)</u>
Business-type activities:						
Water	216,080	211,271	-	-	(4,809)	(4,809)
Sewer	163,860	127,744	4,335	-	(31,781)	(31,781)
Storm Water Utility	51,917	23,602	-	-	(28,315)	(28,315)
Total business-type activities	<u>431,857</u>	<u>362,617</u>	<u>4,335</u>	<u>-</u>	<u>(64,905)</u>	<u>(64,905)</u>
Total primary government	<u>\$ 1,898,879</u>	<u>\$ 641,217</u>	<u>\$ 29,309</u>	<u>(1,163,448)</u>	<u>(64,905)</u>	<u>(1,228,353)</u>
General revenues:						
Property taxes				302,701	42,695	345,396
Licenses, permits, fines, and forfeitures				58,815	-	58,815
Intergovernmental				371,331	-	371,331
TIF increments				130,434	-	130,434
Interest earnings				17,540	-	17,540
Miscellaneous				15,238	524	15,762
Total general revenues				<u>896,059</u>	<u>43,219</u>	<u>939,278</u>
Change in net assets				(267,389)	(21,686)	(289,075)
Net assets - beginning of year				846,220	180,873	1,027,093
Net assets - end of year				<u>\$ 578,831</u>	<u>\$ 159,187</u>	<u>\$ 738,018</u>

See Notes to Financial Statements

CITY OF GLYNDON, MINNESOTA
BALANCE SHEET – CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	<u>General</u>	<u>Stockwood Improvements</u>	<u>Sewer/Street Lights</u>
ASSETS			
Cash and investments (deficit)	\$ (220,186)	\$ 171,276	\$ 234,580
FUND BALANCE (DEFICIT)			
Unreserved, reported in			
General fund	\$ (220,186)	\$ -	\$ -
Capital projects	-	171,276	-
Special revenue funds	-	-	-
Reserved for debt service	-	-	234,580
Total fund balance (deficit)	\$ (220,186)	\$ 171,276	\$ 234,580

<u>2002 Economic Development</u>	<u>2001 Economic Development</u>	<u>2000 Economic Development</u>	<u>Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 168,262</u>	<u>\$ 128,202</u>	<u>\$ 173,279</u>	<u>\$ 96,316</u>	<u>\$ (172,898)</u>	<u>\$ 578,831</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (220,186)
-	-	-	-	-	171,276
-	-	-	96,316	(41,177)	55,139
<u>168,262</u>	<u>128,202</u>	<u>173,279</u>	<u>-</u>	<u>(131,721)</u>	<u>572,602</u>
<u>\$ 168,262</u>	<u>\$ 128,202</u>	<u>\$ 173,279</u>	<u>\$ 96,316</u>	<u>\$ (172,898)</u>	<u>\$ 578,831</u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	General	Stockwood Improvements	Sewer/Street Lights
RECEIPTS			
Property taxes	\$ 237,620	\$ -	\$ 30,937
Special assessments	-	-	-
Licenses and permits	25,684	-	-
Intergovernmental	378,063	-	2,958
Charges for services	99,728	-	-
Fines and forfeits	33,131	-	-
TIF increments	11,473	-	-
Interest earnings	14,426	3,114	-
Miscellaneous	15,238	-	-
Total receipts	815,363	3,114	33,895
DISBURSEMENTS			
Current			
General government	151,324	-	-
Public safety	244,624	-	-
Streets and highways	192,711	-	-
Sanitation	81,678	-	-
Culture and recreation	24,669	-	-
Insurance	45,641	-	-
Recycling center	24,975	-	-
Miscellaneous	-	-	-
Capital outlay	-	149,119	-
Debt service			
Principal	30,962	-	25,000
Interest and other charges	1,175	58,930	2,507
TIF repayments	-	-	-
Total disbursements	797,759	208,049	27,507
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	17,604	(204,935)	6,388
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(15,940)	-	-
NET CHANGE IN FUND BALANCES	1,664	(204,935)	6,388
FUND BALANCES (DEFICIT) - BEGINNING	(221,850)	376,211	228,192
FUND BALANCES (DEFICIT) - ENDING	\$ (220,186)	\$ 171,276	\$ 234,580

See Notes to Financial Statements

2002 Economic Development	2001 Economic Development	2000 Economic Development	Fire Department	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,509	\$ 30,635	\$ 302,701
78,689	16,266	20,917	-	20,933	136,805
-	-	-	-	-	25,684
-	-	-	-	15,284	396,305
-	-	-	31,974	10,093	141,795
-	-	-	-	-	33,131
-	-	10,283	-	108,678	130,434
-	-	-	-	-	17,540
-	-	-	-	-	15,238
<u>78,689</u>	<u>16,266</u>	<u>31,200</u>	<u>35,483</u>	<u>185,623</u>	<u>1,199,633</u>
-	-	-	-	-	151,324
-	-	-	17,060	9,008	270,692
-	-	-	-	-	192,711
-	-	-	-	-	81,678
-	-	-	-	-	24,669
-	-	-	-	-	45,641
-	-	-	-	-	24,975
-	-	9,255	-	-	9,255
-	-	-	14,546	56,398	220,063
35,000	9,327	12,000	-	100,000	212,289
18,566	2,741	4,920	-	25,325	114,164
-	-	-	-	119,561	119,561
<u>53,566</u>	<u>12,068</u>	<u>26,175</u>	<u>31,606</u>	<u>310,292</u>	<u>1,467,022</u>
25,123	4,198	5,025	3,877	(124,669)	(267,389)
-	-	-	10,940	5,000	-
<u>25,123</u>	<u>4,198</u>	<u>5,025</u>	<u>14,817</u>	<u>(119,669)</u>	<u>(267,389)</u>
<u>143,139</u>	<u>124,004</u>	<u>168,254</u>	<u>81,499</u>	<u>(53,229)</u>	<u>846,220</u>
<u>\$ 168,262</u>	<u>\$ 128,202</u>	<u>\$ 173,279</u>	<u>\$ 96,316</u>	<u>\$ (172,898)</u>	<u>\$ 578,831</u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF NET ASSETS – CASH BASIS
SEWER AND STORM WATER UTILITY PROPRIETARY FUNDS
DECEMBER 31, 2009

Exhibit A-5

	<u>Sewer</u>	<u>Storm Water Utility</u>	<u>Total</u>
ASSETS			
Cash and investments (deficit)	<u>\$ 144,908</u>	<u>\$ (20,644)</u>	<u>\$ 124,264</u>
NET ASSETS (DEFICIT)			
Unrestricted	<u>\$ 144,908</u>	<u>\$ (20,644)</u>	<u>\$ 124,264</u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN NET ASSETS – CASH BASIS
SEWER AND STORM WATER UTILITY PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009

Exhibit A-6

	Sewer	Storm Water Utility	Total
OPERATING RECEIPTS			
Utility collections	\$ 127,744	\$ 23,602	\$ 151,346
OPERATING DISBURSEMENTS			
Salaries and benefits	75,986	-	75,986
Electricity and fuel	3,579	-	3,579
Maintenance and supplies	3,637	-	3,637
Miscellaneous	35,180	-	35,180
Total operating disbursements	<u>118,382</u>	<u>-</u>	<u>118,382</u>
NET OPERATING INCOME	<u>9,362</u>	<u>23,602</u>	<u>32,964</u>
NONOPERATING RECEIPTS (DISBURSEMENTS)			
General property tax	24,856	14,113	38,969
Market value credit	2,358	1,368	3,726
Special assessments received, including interest	4,335	-	4,335
Special assessments paid to county	-	(51,917)	(51,917)
Principal payments	(37,910)	-	(37,910)
Interest and fiscal charges	(7,568)	-	(7,568)
Total nonoperating receipts (disbursements)	<u>(13,929)</u>	<u>(36,436)</u>	<u>(50,365)</u>
CHANGE IN NET ASSETS	(4,567)	(12,834)	(17,401)
NET ASSETS (DEFICIT) - BEGINNING	<u>149,475</u>	<u>(7,810)</u>	<u>141,665</u>
NET ASSETS (DEFICIT) - ENDING	<u>\$ 144,908</u>	<u>\$ (20,644)</u>	<u>\$ 124,264</u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF CASH FLOWS – CASH BASIS
SEWER AND STORM WATER UTILITY PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009

Exhibit A-7

	Sewer	Storm Water Utility	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 127,744	\$ 23,602	\$ 151,346
Payments to employees	(75,986)	-	(75,986)
Payments to suppliers	(42,396)	-	(42,396)
Net cash from operating activities	<u>9,362</u>	<u>23,602</u>	<u>32,964</u>
NON-CAPITAL FINANCING ACTIVITY			
Receipt of property taxes	<u>27,214</u>	<u>15,481</u>	<u>42,695</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on long-term debt			
Principal	(37,910)	-	(37,910)
Interest	(7,568)	-	(7,568)
Payments on special assessments	-	(51,917)	(51,917)
Special assessments proceeds	<u>4,335</u>	<u>-</u>	<u>4,335</u>
Net cash used for capital and related financing activities	<u>(41,143)</u>	<u>(51,917)</u>	<u>(93,060)</u>
CHANGE IN CASH AND INVESTMENTS	(4,567)	(12,834)	(17,401)
CASH AND INVESTMENTS BALANCE, (DEFICIT), BEGINNING	<u>149,475</u>	<u>(7,810)</u>	<u>141,665</u>
CASH AND INVESTMENTS BALANCE, (DEFICIT), BEGINNING	<u>\$ 144,908</u>	<u>\$ (20,644)</u>	<u>\$ 124,264</u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF NET ASSETS
WATER PROPRIETARY FUND
DECEMBER 31, 2009

Exhibit A-8

	<u>Water</u>
ASSETS	
CURRENT ASSETS	
Accounts receivable	\$ 20,290
NONCURRENT ASSETS	
Water plant and tower	918,829
Accumulated depreciation	(236,617)
Total noncurrent assets	<u>682,212</u>
Total assets	<u><u>\$ 702,502</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 730
Accrued interest	14,448
Due to other funds	37,771
Current portion of long-term debt	41,000
Total current liabilities	<u>93,949</u>
NONCURRENT LIABILITIES	
Accrued compensated absences	7,559
Long-term debt, net of current portion	566,071
Total noncurrent liabilities	<u>573,630</u>
Total liabilities	<u>667,579</u>
NET ASSETS	
Invested in capital assets, net of related debt	75,141
Unrestricted	(40,218)
Total net assets	<u>34,923</u>
Total liabilities and net assets	<u><u>\$ 702,502</u></u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF CHANGES IN NET ASSETS
WATER PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2009

Exhibit A-9

	<u>Water</u>
OPERATING REVENUE	
Water sales	<u>\$ 211,271</u>
OPERATING EXPENSES	
Cost of sales and services	82,678
Administration	85,178
Depreciation	<u>18,376</u>
Total operating expenses	<u>186,232</u>
NET OPERATING INCOME	<u>25,039</u>
NONOPERATING REVENUE (EXPENSE)	
Interest income	524
Interest expense	<u>(29,848)</u>
Total nonoperating revenue (expense)	<u>(29,324)</u>
CHANGE IN NET ASSETS	(4,285)
NET ASSETS - BEGINNING	<u>39,208</u>
NET ASSETS - ENDING	<u><u>\$ 34,923</u></u>

CITY OF GLYNDON, MINNESOTA
STATEMENT OF CASH FLOWS
WATER PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2009

Exhibit A-10

	Water
OPERATING ACTIVITIES	
Receipts from customers	\$ 202,182
Payments to suppliers	(84,498)
Payments to employees	(77,619)
Net cash from operating activities	40,065
NON-CAPITAL FINANCING ACTIVITY	
Change in interfund balances	14,811
CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on debt	(40,000)
Interest paid on debt	(15,400)
Interest received	524
Net cash used for capital and related financing activities	(54,876)
CHANGE IN CASH AND INVESTMENTS	-
CASH AND INVESTMENTS BALANCE, BEGINNING	-
CASH AND INVESTMENTS BALANCE, ENDING	\$ -
RECONCILIATION OF OPERATING INCOME	
TO NET CASH FROM OPERATING ACTIVITIES	
Operating income	\$ 25,039
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	18,376
Changes in assets and liabilities	
Accounts receivable	(9,089)
Accounts payable	(1,820)
Accrued compensated absences	7,559
Net cash from operating activities	\$ 40,065

CITY OF GLYNDON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City's financial statements include all funds and account groups for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

There are no component units reported within these financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net assets and the statement of activities. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Governmental funds and proprietary funds, with the exception of the water fund, financial statements are reported using the cash basis. Under this method, revenues are recognized only when the City receives cash, and expenditures are recognized only when the City disburses cash. For the cash basis funds, schedules of accounts receivable and accounts payable are displayed separately.

NOTES TO FINANCIAL STATEMENTS

The water fund is accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled water fund utility service receivables are recorded at year-end.

With respect to water fund, the City has adopted GASB statement No. 20 “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting.” The City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The City reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Stockwood Improvements Fund - The City accounts for cash receipts and disbursements relating to the Stockwood improvements to the City.

Sewer and Street Lights - The City accounts for cash receipts and disbursements relating to the City’s sewer and street lights.

2002 Economic Development Fund - The City accounts for cash receipts and disbursements related to the 2002 economic development of the City of Glyndon.

2001 Economic Development Fund - The City accounts for cash receipts and disbursements related to the 2001 economic development of the City of Glyndon.

2000 Economic Development Fund - The City accounts for cash receipts and disbursements related to the 2000 economic development of the City of Glyndon.

Fire Department – The City accounts for cash receipts and disbursements related to the fire department of the City of Glyndon.

The City reports the following major proprietary funds:

Water Fund - The City accounts for revenue and expenses relating to the furnishing of water service to residents of the City in this fund.

Sewer Fund - The City accounts for cash receipts and disbursements relating to the furnishing of sewer service to residents of the City in this fund. The general property taxes and special assessments levied to retire the bonded indebtedness relating to the construction of the sewer system are also accounted for in this fund.

Storm Water Utility Fund - The City accounts for cash receipts and disbursements relating to charging residents for the use of the storm water utility and the payment of special assessments to the County. The City charges the residents a flat fee each month to cover the cost of their special assessment payment to the County each year relating to improvements that the County made to the storm water system.

NOTES TO FINANCIAL STATEMENTS

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs 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.

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

D. OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash and Investments

The City maintains cash pools that are used by substantially all of the City funds. The City considers cash equivalents to include cash, savings accounts, and money market accounts. These are separately held for each fund and are stated at fair value. Investments consist of asset backed securities, corporate backed trust, developers diversified realty, and certificates of deposits with original maturities of over three months. These are separately held for each fund and are stated at fair value as of the balance sheet date.

Capital Assets

Capital assets of the water fund are stated at cost if purchased or at fair market value on the date received if donated, less accumulated depreciation. Major renewals and improvements are charged to the capital asset accounts and depreciated accordingly. Replacements, maintenance, and repairs are expensed currently. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized at that time.

Depreciation is provided for the capital assets of the water fund using the straight-line method over the estimated useful life of 50 years.

The City's threshold amount for determining which purchases to include in the capital assets is items greater than \$5,000.

Compensated Absences

Vacations is earned at the following rates for full time employees: 1) during the first year of employment: 56 hours of vacation are earned; 2) beginning the second year of employment: 96 hours are earned; 3) beginning the third year, and each year thereafter, 8 additional hours are added to the vacation earned rate until a maximum of 176 hours per year is reached. The maximum vacation earned is reached in the 12th year of employment. Vacation is accrued in the Water fund and is considered long-term for reporting purposes. In all other funds, vacation is recorded as an expenditure when used.

NOTES TO FINANCIAL STATEMENTS

Sick pay is earned and may be accumulated by City employees up to 130 days. Employees can use 33 percent of unused sick leave for severance pay upon retirement. Severance pay of 33 percent of sick pay is accrued in the Water fund and is considered long-term for reporting purposes. In all other funds, sick pay is recorded as an expenditure when used.

Fund Balance

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Undesignated indicates the portion of fund balance that is available for appropriation in future periods.

Net Assets

Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bond or debt that are attributable to the acquisition, construction, or improvements of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation.

Property Taxes

Property tax levies are set by the City Council in October each year and are certified to Clay County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over assessable property. Such taxes become a lien on January 1 and receivable by the City at that date. Property taxes may be paid by taxpayers in two equal installments, on May 15 and October 15. The county provides tax settlements to the City in April, June, and November.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. Special assessments are generally collected by county and remitted to the City at the same time property tax settlements are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - COMPLIANCE

Deficit Fund Equity

As of December 31, 2009, the following funds have deficit fund balances: General Fund \$220,186; Storm Water Utility Fund \$20,644; 1998 Street Improvements Fund \$174,443; and Drainage Improvements Construction Fund \$56,398. To address the deficit in the General Fund, if cash flow allows, the City will transfer \$100,000 from the Sewer Fund to the General Fund. The remaining deficit will be addressed during the 2011 budget planning process by budgeting receipts over disbursements to reduce the deficit fund balance. To address the deficit in the 1998 Street Improvements Fund, if cash flow allows, the City will pay off the bonds in the Sewer/Street Lights Fund and transfer the remainder to the 1998 Street Improvements Fund. To address the deficit in the Drainage Improvements Construction Fund, the City will be issuing bonds in 2010 to fund the project.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the General Fund by \$57,491. This over expenditure was funded by receipts in excess of the budgeted amounts.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

In accordance with Minnesota statutes, the City maintains deposits at those depository banks and brokerages authorized by the City Council, all of which are covered by Federal Depository Insurance.

Minnesota statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

At December 31, 2009, all deposits were insured or collateralized by securities held by the City's agent in the City's name.

The following are considered the most significant risks associated with deposits and investments:

Custodial Credit Risk – This is the risk that in the event of a bank failure, the City's deposits may be lost.

Interest Rate Risk – The City does not have a formal policy that limits investment maturities. However, the City does limit the maturities of certificates of deposit to less than one year as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

Investments

Minnesota statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

The following table presents the City's deposit and investment balances at December 31, 2009:

Investment Type	Fair Value	Investment Maturities (in Years)				
		Not Applicable	< 1	1 - 5	5 - 10	+ 10
Asset backed securities	\$ 8,215	\$ -	\$ 3,915	\$ -	\$ 3,304	\$ 996
Corporate backed trust	2,152	-	2,152	-	-	-
Developers diversified realty	2,249	-	2,249	-	-	-
Certificates of deposit	64,088	-	64,088	-	-	-
Money market	27,895	27,895	-	-	-	-
Deposits	598,496	598,496	-	-	-	-
	<u>\$ 703,095</u>	<u>\$ 626,391</u>	<u>\$ 72,404</u>	<u>\$ -</u>	<u>\$ 3,304</u>	<u>\$ 996</u>

Credit Risk – Investments

State statutes authorize investments in U.S. treasuries, U.S. agencies, state and municipal bonds, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The City has no investment policy that would further limit its investment choices. As of December 31, 2009, the City's investments do not consist of the aforementioned securities and are not rated.

NOTE 4 - CAPITAL ASSETS

	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Capital assets, being depreciated				
Water plant and tower	\$ 918,829	\$ -	\$ -	\$ 918,829
Less accumulated depreciation				
Water plant and tower	218,241	18,376	-	236,617
Total capital assets, being depreciated, net	<u>\$ 700,588</u>	<u>\$ (18,376)</u>	<u>\$ -</u>	<u>\$ 682,212</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CITY INDEBTEDNESS

Changes in long-term debt were as follows:

	Balance 12/31/08	Additions	Retired	Balance 12/31/09	Balance Due Within One Year
Governmental activities:					
Notes payable	\$ 62,450	\$ -	\$ 22,425	\$ 40,025	\$ 24,150
Governmental lease/ purchase agreement	225,588	-	8,537	217,051	8,996
General obligation improvement bonds	1,905,000	-	35,000	1,870,000	40,000
Special assessment improvement bonds	792,136	-	146,327	645,809	126,848
Governmental activities long-term debt	<u>\$ 2,985,174</u>	<u>\$ -</u>	<u>\$ 212,289</u>	<u>\$ 2,772,885</u>	<u>\$ 199,994</u>
Business-type activities:					
General obligation revenue notes	\$ 828,493	\$ -	\$ 77,910	\$ 750,583	\$ 80,303
Compensated absences	-	7,559	-	7,559	-
Business-type activities long-term debt	<u>\$ 828,493</u>	<u>\$ 7,559</u>	<u>\$ 77,910</u>	<u>\$ 758,142</u>	<u>\$ 80,303</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term debt as of December 31, 2009:

	Debt Service Fund	Original Amount	Maturity Date	Interest Rate	Balance 12/31/09
Governmental activities:					
Notes Payable					
Capital equipment	General	\$ 145,000	2010	5.58	\$ 16,984
Capital equipment	General	36,000	2012	5.90	23,041
Total notes payable					<u>40,025</u>
Governmental lease/ purchase agreement	General	250,000	2025	5.25	<u>217,051</u>
General Obligation Improvement Bonds					
	2002 Economic Development				
2004A		630,000	2019	1.85 - 4.15	455,000
	2007 Improvements				
2007		1,415,000	2025	3.85-4.45	1,415,000
Total general obligation improvement bonds					<u>1,870,000</u>
General Obligation Special Assessment Improvement Bonds					
	Sewer/Street Lights				
2005 Refunding Bonds		180,000	2011	2.25 - 3.25	55,000
	1998 Street Improvements				
Centennial and Sewer Improvement		1,150,000	2014	4.10 - 4.90	475,000
	2001 Economic Development				
Street Improvements		105,000	2013	5.50	42,809
	2000 Economic Development				
Street and Sewer Improvements		175,000	2016	5.50 - 6.00	73,000
Total assessment improvement bonds					<u>645,809</u>
Total governmental activities					<u>2,772,885</u>
Business-type activities:					
General Obligation Revenue Notes					
Wastewater					
Treatment facility	Sewer	671,323	2013	3.64	143,512
Drinking Water					
Revolving Fund	Water	851,262	2022	2.38	607,071
Total business-type activities					<u>750,583</u>
Total long-term debt					<u>\$ 3,523,468</u>

(continued on next page)

NOTES TO FINANCIAL STATEMENTS

Estimated principal and interest requirements to maturity will be as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 199,994	\$ 117,350	\$ 80,303	\$ 19,317
2011	259,471	107,212	81,746	16,898
2012	240,840	96,427	84,243	14,426
2013	264,115	85,019	64,220	11,883
2014	261,093	73,126	44,000	10,474
2015 - 2019	770,080	257,930	189,000	39,780
2020 - 2024	634,569	106,234	207,071	3,810
2025	142,723	3,258	-	-
	<u>\$ 2,772,885</u>	<u>\$ 846,556</u>	<u>\$ 750,583</u>	<u>\$ 116,588</u>

Notes Payable

In 1999 and 2003 the City issued Capital Equipment notes for purchasing equipment.

Governmental Lease/Purchase Agreement

The City of Glyndon entered into a governmental lease agreement with Northwestern State Bank for the purpose of building a new City hall facility. The City of Glyndon will own such property upon the final payment under the terms of this agreement. Northwestern State bank has a security interest in this property for the full term of this lease agreement. The total cost of this lease agreement was \$250,000 with total accumulated depreciation of \$32,949 as of December 31, 2009.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligations issued for general government are payable from the debt service funds primarily through special assessments and property taxes levied and collected. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

Subsequent to year end, the City issued \$135,000 general obligation improvement bonds to fund a drainage project.

General Obligation Revenue Bonds

General obligation revenue bonds are payable from utility revenues and, if required, by ad valorem tax levies.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of Glyndon, Minnesota, Minnesota are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

NOTES TO FINANCIAL STATEMENTS

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. PECF members are required to contribute 5.83% of their annual covered salary. The City of Glyndon, Minnesota, is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, 14.1% for PEPFF members, and 8.75% for PECF members. The City’s contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$31,488, \$28,568, and \$23,326, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables/payables are used to record accrued obligations between funds. During the year ended December 31, 2009, the City had the following Due from/to other funds:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Sewer	Water	<u>\$ 37,771</u>

During 2009, the transfers were made for funding various projects. A summary of the City’s interfund transfers is as follows:

	<u>Transfer Out</u>
	<u>General</u>
Transfer In	
Fire Department	\$ 10,940
Rescue Squad	<u>5,000</u>
	<u>\$ 15,940</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RESERVED AND DESIGNATED FUND BALANCES AND RESTRICTED NET ASSETS

Certain portions of fund balances are reserved because they are not available for appropriation.

As of December 31, 2009, the City had restricted net assets of \$572,602, which represents amounts required to be restricted for debt service.

NOTE 9 - STATEMENT OF ORDERS ISSUED

The City posts its City Council meetings monthly so Schedule 5, Statement of Orders Issued, is not required for the MN State Auditor's Office.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLYNDON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for December 31, 2008)

Exhibit B-1

	2009		Variance with Final Budget	2008
	Original and Final Budget	Actual		Actual
RECEIPTS				
Taxes - general property	\$ 234,280	\$ 237,620	\$ 3,340	\$ 239,526
Licenses and permits				
Liquor license	4,400	4,350	(50)	4,355
Building permits	12,000	15,288	3,288	15,131
Non-business - other	6,456	6,046	(410)	6,168
	22,856	25,684	2,828	25,654
Intergovernmental receipts				
Local government aid	302,056	279,860	(22,196)	280,043
Market value credit	22,362	22,651	289	24,540
County highway aid	5,443	5,475	32	5,443
Sales tax	11,100	11,574	474	10,911
Police relief aid	8,775	15,345	6,570	10,754
Fire relief aid	12,426	9,629	(2,797)	23,056
Federal aid	-	22,213	22,213	-
Clay County - recycling money	14,000	11,316	(2,684)	8,530
	376,162	378,063	1,901	363,277
Charges for services				
Garbage collections	94,470	89,132	(5,338)	86,169
Public safety	-	7,230	7,230	1,764
Other	3,490	3,366	(124)	4,777
	97,960	99,728	1,768	92,710
Fines and forfeits	30,000	33,131	3,131	25,850
TIF increments	-	11,473	11,473	-
Miscellaneous				
Interest	-	14,426	14,426	14,949
Community hall rental	3,600	2,982	(618)	3,102
Administrative citations	-	-	-	125
Insurance reimbursement	-	4,249	4,249	-
Other	1,800	8,007	6,207	9,746
	5,400	29,664	24,264	27,922
Total receipts	766,658	815,363	48,705	774,939

(continued on next page)

BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND – Page 2
(With Comparative Totals for December 31, 2008)

Exhibit B-1, continued

	2009		2008	
	Original and Final Budget	Actual	Variance with Final Budget	Actual
DISBURSEMENTS				
General government				
Mayor and council				
Salary and benefits	23,387	21,567	1,820	19,924
Other current charges	7,550	8,255	(705)	6,648
	<u>30,937</u>	<u>29,822</u>	<u>1,115</u>	<u>26,572</u>
Finance				
Salary and benefits	32,322	32,380	(58)	31,169
Supplies and telephone	9,150	7,794	1,356	7,762
Other current charges	18,350	11,747	6,603	18,022
	<u>59,822</u>	<u>51,921</u>	<u>7,901</u>	<u>56,953</u>
Assessor	2,200	2,167	33	-
Audit and accounting	10,500	10,930	(430)	10,350
Legal	26,000	33,543	(7,543)	26,001
Debt service	11,677	14,303	(2,626)	12,844
Contracted service	5,400	6,415	(1,015)	8,257
City hall capital outlay	6,000	-	6,000	12,353
Other - city hall	3,000	2,223	777	2,249
	<u>64,777</u>	<u>69,581</u>	<u>(4,804)</u>	<u>72,054</u>
Total general government	<u>155,536</u>	<u>151,324</u>	<u>4,212</u>	<u>155,579</u>
Public safety				
Police protection				
Salary and benefits	135,275	142,258	(6,983)	142,135
Supplies and telephone	8,000	8,316	(316)	7,080
Other current charges	61,999	69,653	(7,654)	50,058
Capital outlay	2,000	-	2,000	26,638
	<u>207,274</u>	<u>220,227</u>	<u>(12,953)</u>	<u>225,911</u>
Miscellaneous public safety				
Personal services	17,426	14,375	3,051	17,441
Fire relief	-	9,629	(9,629)	32,606
Other current charges	-	393	(393)	137
	<u>17,426</u>	<u>24,397</u>	<u>(6,971)</u>	<u>50,184</u>
Total public safety	<u>224,700</u>	<u>244,624</u>	<u>(19,924)</u>	<u>276,095</u>

(continued on next page)

BUDGETARY COMPARISON SCHEDULE – CASH BASIS
GENERAL FUND – Page 3
(With Comparative Totals for December 31, 2008)

Exhibit B-1, continued

	2009		2008	
	Original and Final Budget	Actual	Variance with Final Budget	Actual
Streets and highways				
Maintenance				
Salary and benefits	40,594	43,378	(2,784)	40,012
Other services and charges	77,100	129,185	(52,085)	72,700
Street lighting	17,000	20,148	(3,148)	19,129
	<u>134,694</u>	<u>192,711</u>	<u>(58,017)</u>	<u>131,841</u>
Community center				
Electricity and fuel	16,800	12,265	4,535	13,591
Other current charges	7,400	7,916	(516)	5,633
	<u>24,200</u>	<u>20,181</u>	<u>4,019</u>	<u>19,224</u>
Parks and recreation				
Community Ed programs	-	1,908	(1,908)	-
Buildings and structures	-	-	-	86
Other current charges	9,200	2,580	6,620	3,884
	<u>9,200</u>	<u>4,488</u>	<u>4,712</u>	<u>3,970</u>
Sanitation and waste removal	<u>80,820</u>	<u>81,678</u>	<u>(858)</u>	<u>79,138</u>
Miscellaneous				
Insurance	41,319	45,641	(4,322)	43,386
Bond principal	24,612	30,962	(6,350)	29,645
Interest expense	1,624	1,175	449	3,954
Recycling center	49,080	24,975	24,105	45,667
	<u>116,635</u>	<u>102,753</u>	<u>13,882</u>	<u>122,652</u>
Total disbursements	<u>745,785</u>	<u>797,759</u>	<u>(51,974)</u>	<u>788,499</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	20,873	17,604	(3,269)	(13,560)
OTHER FINANCING USES				
Transfers out	-	(15,940)	(15,940)	(15,726)
NET CHANGE IN FUND BALANCE (DEFICIT)	20,873	1,664	(19,209)	(29,286)
FUND DEFICIT, BEGINNING OF YEAR	(221,850)	(221,850)	-	(192,564)
FUND DEFICIT, END OF YEAR	<u>\$ (200,977)</u>	<u>\$ (220,186)</u>	<u>\$ (19,209)</u>	<u>\$ (221,850)</u>

CITY OF GLYNDON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – CASH BASIS
FIRE DEPARTMENT
YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for December 31, 2008)

Exhibit B-2

	2009		Variance with Final Budget	2008
	Original and Final Budget	Actual		Actual
RECEIPTS				
Taxes - general property	\$ -	\$ 3,509	\$ 3,509	\$ 20,874
Charges for services				
Fire services	20,664	31,974	11,310	9,115
Total receipts	20,664	35,483	14,819	29,989
DISBURSEMENTS				
Public safety	15,195	17,060	1,865	24,532
Capital outlay	16,368	14,546	(1,822)	13,777
Total disbursements	31,563	31,606	43	38,309
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(10,899)	3,877	14,862	(8,320)
OTHER FINANCING SOURCES				
Transfers in	10,940	10,940	-	10,726
NET CHANGE IN FUND BALANCE				
	41	14,817	14,862	2,406
FUND BALANCE, BEGINNING OF YEAR				
	81,499	81,499	-	79,093
FUND BALANCE, END OF YEAR				
	\$ 81,540	\$ 96,316	\$ 14,776	\$ 81,499

CITY OF GLYNDON, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009

Budgets

Annual budgets are adopted for the general fund, fire protection fund, and rescue fund on the cash basis. Budgetary comparisons presented in this report are on this budgetary basis.

Appropriations are authorized by the city council at the fund level, which are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. All unexpended appropriations lapse at year-end.

Any changes in the total budget of each fund must be approved by a majority vote of the city council.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GLYNDON, MINNESOTA
BALANCE SHEET – CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

Exhibit C-1

	Centennial Addition	1998 Street Improvements	Rescue Squad	Drainage Improvements Construction	Total Other Governmental Funds
ASSETS					
Cash and investments (deficit)	\$ 42,722	\$ (174,443)	\$ 15,221	\$ (56,398)	\$ (172,898)
FUND BALANCE (DEFICIT)					
Unreserved, reported in					
Special revenue funds	\$ -	\$ -	\$ 15,221	\$ (56,398)	\$ (41,177)
Reserved for debt service	42,722	(174,443)	-	-	(131,721)
Total fund balance (deficit)	\$ 42,722	\$ (174,443)	\$ 15,221	\$ (56,398)	\$ (172,898)

CITY OF GLYNDON, MINNESOTA
SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES – CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

Exhibit C-2

	Centennial Addition	1998 Street Improvements	Rescue Squad	Drainage Improvements Construction	Total Other Governmental Funds
RECEIPTS					
Property taxes	\$ -	\$ 30,635	\$ -	\$ -	\$ 30,635
Special assessments	-	20,933	-	-	20,933
Intergovernmental	10,883	4,401	-	-	15,284
TIF increments	108,678	-	-	-	108,678
Charges for services	-	-	10,093	-	10,093
Total receipts	<u>119,561</u>	<u>55,969</u>	<u>10,093</u>	<u>-</u>	<u>185,623</u>
DISBURSEMENTS					
Current					
Public safety	-	-	9,008	-	9,008
Capital outlay	-	-	-	56,398	56,398
Debt service					
Principal	-	100,000	-	-	100,000
Interest and other charges	-	25,325	-	-	25,325
TIF repayments	119,561	-	-	-	119,561
Total disbursements	<u>119,561</u>	<u>125,325</u>	<u>9,008</u>	<u>56,398</u>	<u>310,292</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(69,356)	1,085	(56,398)	(124,669)
OTHER FINANCING SOURCES					
Transfers in	-	-	5,000	-	5,000
NET CHANGE IN FUND BALANCE	-	(69,356)	6,085	(56,398)	(119,669)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>42,722</u>	<u>(105,087)</u>	<u>9,136</u>	<u>-</u>	<u>(53,229)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 42,722</u>	<u>\$ (174,443)</u>	<u>\$ 15,221</u>	<u>\$ (56,398)</u>	<u>\$ (172,898)</u>

CITY OF GLYNDON, MINNESOTA
SCHEDULE OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2009

Exhibit C-3

Fund and Source	Purpose	Amount
GENERAL FUND		
Clay County Treasurer	December distribution	\$ 10,092
State of Minnesota	December court fines	2,670
Utility Customers	Utilities	7,284
		<u>20,046</u>
SEWER/STREET LIGHT		
Clay County Treasurer	December distribution	<u>613</u>
SEWER FUND		
Clay County Treasurer	December distribution	489
Utility Customers	Utilities	13,503
		<u>13,992</u>
STORM WATER UTILITY FUND		
Clay County Treasurer	December distribution	284
Utility Customers	Utilities	3,020
		<u>3,304</u>
1998 STREET IMPROVEMENTS FUND		
Clay County Treasurer	December distribution	<u>2,809</u>
		<u>\$ 40,764</u>

CITY OF GLYNDON, MINNESOTA
SCHEDULE OF ACCOUNTS PAYABLE
DECEMBER 31, 2009

Exhibit C-4

Fund and Source	Purpose	Amount
GENERAL FUND		
Fuchs Sanitation	December usage	\$ 5,927
Miller, Norman, & Associates	Legal services	2,604
FM Metro Council of Governments	Comprehensive plan update	2,848
Hough, Inc.	Storm repair	7,984
Ulteig Engineers	Engineering services	20,303
Holm Inspections, LLC	Permits	1,492
Service Oil, Inc.	Fire and police fuel	2,275
Cardmember Services	Office supplies	544
Clay County Sheriff's Department	Equipment	1,085
Xcel Energy	Utilities	4,853
		<hr/>
Total general fund		\$ 49,915
		<hr/> <hr/>

ADDITIONAL REPORTS



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
AND *THE MINNESOTA LEGAL COMPLIANCE AUDIT GUIDE***

The Honorable Mayor,
City Council and Clerk/Treasurer
City of Glyndon, Minnesota

We have audited the financial statements of the City of Glyndon, Minnesota, as of and for the year ended December 31, 2009, and have issued our report thereon dated May 10, 2010, which included an explanatory paragraph describing the other comprehensive basis of accounting used by the City. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 09-1, 09-2, 09-3, and 09-4 described in the accompanying schedule of audit findings to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 09-5 described in the accompanying schedule of audit findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* 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 study included all of the listed categories. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Minnesota Legal Compliance Audit Guide for Local Government*.

The City's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City council, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Fargo, North Dakota
May 10, 2010

CITY OF GLYNDON, MINNESOTA
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2009

FINDINGS – FINANCIAL STATEMENT AUDIT

Material Weaknesses

09-1 Segregation of Duties

Condition: The City has a lack of segregation of duties due to a limited staff.

Criteria or Specific Requirement: A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Effect: Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: There is a limited number of office employees involved in the internal control process.

Recommendation: While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. As an additional service, Eide Bailly has a Forensic Department that can assist in a review of the City's internal controls to find ways to mitigate the lack of segregation of duties to a higher degree.

Management's Response: Due to cost constraints, there will be no further administrative employees added.

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* No action is planned on the finding. The City feels that the additional costs to the City would not be significantly beneficial. The City does mitigate this situation through the Council's review of the draft financial statements, accompanying notes and review and approval of the monthly expenses.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* None. See #1 above.
4. *Planned Completion Date for the Corrective Action:* None. See #1 above.
5. *Plan to Monitor Completion of Corrective Action:* None. See #1 above.

09-2 Preparation of Financial Statements

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This included formulating the proposal of necessary adjusting journal entries to convert the water fund from cash to accrual basis of accounting.

Criteria or Specific Requirement: A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements, and the ability to internally prepare their financial statements.

Effect: The financial disclosures in the financial statements could be incomplete.

Cause: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation: This circumstance is not unusual in a City of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response: Due to cost constraints, the City will continue to have the auditors draft the financial statements and accompanying notes to the financial statements, including the proposal of adjusting journal entries to convert the water fund from cash to accrual basis form of accounting.

Corrective Action Plan (CAP)

1. *Actions Planned in Response to the Finding:* No action is planned on the finding. The City feels that the additional costs to the City would not be significantly beneficial. The City does mitigate this situation through the review of the draft financial statements and accompanying notes to the financial statements by management.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* None. See #1 above.
4. *Planned Completion Date for the Corrective Action:* None. See #1 above.
5. *Plan to Monitor Completion of Corrective Action:* None. See #1 above.

09-3 Significant Journal Entries

Condition: The City does not have an internal control system designed to provide for the preparation of the adjusting journal entries to adjust the water fund from cash to accrual basis of accounting.

Criteria or Specific Requirement: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect: This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Cause: The City does not have an internal control system designed to identify all necessary adjustments.

Recommendation: It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost of other considerations.

Management's Response: Due to cost constraints, the City will continue to have the auditors prepare the adjusting journal entries to convert the water fund from the cash to accrual basis of accounting.

Corrective Action Plan (CAP)

1. *Action Planned in Response to the Finding:* Due to cost constraints, the City will continue to have the auditors prepare the adjusting journal entries to convert the water fund from the cash to accrual basis of accounting.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* None. See #1 above.
4. *Planned Completion Date for the Corrective Action:* None. See #1 above.
5. *Plan to Monitor Completion of Corrective Action:* None. See #1 above.

09-4 Bank Reconciliation Differences

Condition: During the course of our engagement, we noted that bank reconciliations had significant differences when compared to the financial statements. Not investigating the outstanding items means that errors or other problems might not be recognized and resolved on a timely basis. This finding has been reported in the past and has not been corrected.

Criteria of Specific Requirement: A good system of internal accounting control contemplates an adequate system for reconciling material balances to the financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause: The City does not have an internal control system designed to investigate differences between the bank reconciliation and the financial statements.

Recommendation: A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly and to discover bank errors. All differences between the reconciliation and the financial statements should be investigated and resolved on a timely basis.

Management's Response: The City will make an effort to investigate and resolve differences on the bank reconciliation.

Corrective Action Plan (CAP)

1. *Action Planned in Response to the Finding:* Management will make an effort to review, reconcile, and investigate any differences in the reconciliation of the cash accounts monthly and in a timely manner.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* David Peterson, City Clerk-Treasurer, is responsible for ensuring corrective action plan of the material weakness.
4. *Planned Completion Date for the Corrective Action:* December 31, 2010.
5. *Plan to Monitor Completion of Corrective Action:* The City Council will monitor the accounting function.

Significant Deficiency

09-5 Deficit and Excess Cash Balances of Debt Service Funds

Condition: The City has four general obligation special assessment improving bonds. Three of the bonds have cash in excess of the outstanding debt and the remaining bond is in cash deficit. The City has developed an action plan to account for the excess cash balances and deficit cash balance but has not implemented the plan.

Criteria or Specific Requirement: A good system of internal accounting controls contemplates an adequate system for properly levying special assessment to ensure an excess or deficit cash balance does not exist after repayment of bond principal.

Effect: The control deficiency could result in improper collection of special assessments (excess cash balances) or additional cash burden on the general fund (deficit cash balance).

Cause: Management and council members have not been properly monitoring the collection of special assessments.

Recommendation: Management and council members need to determine the requirements to ensure the proper handling of excess cash balances for general obligation special assessment improvement bonds and ensure proper collection of bonds in deficit cash balance.

Management's Response: The City will determine the requirements of the excess cash balances and ensure excess cash is accounted for according to the legal bond documents. The City will ensure proper amount of specials are being assessed for bond in cash deficit balance.

Corrective Action Plan (CAP)

1. *Action Planned in Response to the Finding:* Management will ensure proper handling for excess cash balances according to bond documents and ensure proper amount of specials are being assessed for bond in cash deficit balance.
2. *Explanation of Disagreement:* There is no disagreement with the audit finding.
3. *Official Responsible for Ensuring Corrective Action:* Dave Pedersen, Clerk, is responsible for ensuring corrective action plan.
4. *Planned Completion Date for the Corrective Action:* December 31, 2010.
5. *Plan to Monitor Completion of Corrective Action:* The City Council will monitor the accounting function.