



Financial Statements  
December 31, 2019

# City of Glyndon, Minnesota

Elected and Appointed Officials (Unaudited) ..... 1

Independent Auditor’s Report ..... 2

Basic Financial Statements

    Government-Wide Financial Statements

        Statement of Net Position ..... 5

        Statement of Activities ..... 6

    Fund Financial Statements

        Government Funds

            Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis ..... 7

        Proprietary Funds

            Statement of Net Position ..... 9

            Statement of Changes in Net Position ..... 10

            Statement of Cash Flows ..... 11

    Notes to Financial Statements ..... 12

Other Supplementary Information

    Budgetary Comparison Schedule, General Fund – Cash Basis ..... 24

    Nonmajor Governmental Funds

        Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis ..... 25

    General Fund by Department

        Statement of Receipts, Disbursements, and Changes in Fund Balances - Cash Basis (General Fund by Department) ..... 27

    Schedule of Accounts Receivable ..... 28

    Schedule of Accounts Payable ..... 29

Additional Reports

    Independent Auditors 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* ..... 30

*Minnesota Legal Compliance* Independent Auditor’s Report ..... 32

    Schedule of Findings ..... 33

City of Glyndon, Minnesota  
Listing of Elected and Appointed Officials (Unaudited)  
December 31, 2019

---

<u>Name</u>	<u>Position</u>	<u>Term Expires December 31,</u>
Council		
Cecil Johnson	Mayor	2020
David Owings	Council Member	2022
Justin Schreiber	Council Member	2020
Kimberly Savageau	Council Member	2022
Joseph Olson	Council Member	2020
Officials		
Wendy Affield	Clerk-Treasurer	
Michael Cline	Chief of Police	
Ken Norman	City Attorney	



## Independent Auditor's Report

To the Honorable Mayor,  
City Council, and Clerk Treasurer  
City of Glyndon, Minnesota

### Report on the Financial Statements

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, 2019, 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 basis of accounting described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 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 the *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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of financial reporting provisions permitted by 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.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City as of December 31, 2019, or changes in financial position and, where applicable, cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the City, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s financial statements as a whole. The listing of elected and appointed officials; budgetary comparison schedule, cash basis – general fund; statement of receipts, disbursements, and changes in fund balances – cash basis (nonmajor governmental funds); statement of receipts, disbursements, changes in fund balance – cash basis (general fund, by department); schedule of accounts receivable; and schedule of accounts payable are presented for purposes of additional analysis and are not a required part of the financial statements.

The budgetary comparison schedule, cash basis – general fund; statement of receipts, disbursements, and changes in fund balances – cash basis (nonmajor governmental funds); statement of receipts, disbursements, changes in fund balance – cash basis (general fund, by department); schedule of accounts receivable, and schedule of 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 listing of elected and appointed officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 14, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* audit in considering the City's internal control over financial reporting and compliance.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated May 14, 2020, on our consideration of the City's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Cities. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Cities in considering the City's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Fargo, North Dakota  
May 14, 2020

City of Glyndon, Minnesota  
Statement of Net Position  
December 31, 2019

	Cash Basis Governmental Activities	Business-Type Activities
<b>Assets</b>		
Cash	\$ 5,065,184	\$ 1,118,452
Accounts receivable	-	81,239
Special assessments receivable	-	471,220
	5,065,184	1,670,911
<b>Capital assets</b>		
Construction in progress	-	101,600
Buildings and equipment	-	3,316,924
Land improvements	-	1,795,723
Less accumulated depreciation	-	(844,375)
Total capital assets, net of depreciation	-	4,369,872
Total assets	5,065,184	6,040,783
<b>Liabilities</b>		
Accounts payable	-	20,468
Accrued interest	-	19,226
<b>Noncurrent liabilities</b>		
Due within one year	-	184,770
Due in more than one year	-	1,890,408
Total liabilities	-	2,114,872
<b>Net Position</b>		
Net investment in capital assets	-	2,303,832
Restricted	4,340,689	-
Unrestricted	724,495	1,622,079
Total net position	\$ 5,065,184	\$ 3,925,911

City of Glyndon, Minnesota  
Statement of Activities  
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Cash Basis Governmental Activities	Business-Type Activities
<b>Primary Government</b>						
Governmental activities - cash basis:						
General government	\$ 1,198,553	\$ 462,140	\$ -	\$ -	\$ (736,413)	\$ -
Public safety	410,199	34,144	40,013	-	(336,042)	-
Sanitation	146,038	154,320	-	-	8,282	-
Streets and highways	71,790	-	-	-	(71,790)	-
Culture and recreation	9,806	-	-	-	(9,806)	-
Debt service	430,029	245,552	-	-	(184,477)	-
TIF repayments	253,152	168,383	-	-	(84,769)	-
Total governmental activities - cash basis	2,519,567	1,064,539	40,013	-	(1,415,015)	-
Business-type activities						
Water	352,234	368,507	-	10,000	-	26,273
Sewer	229,510	342,924	-	-	-	113,414
Total business-type activities	581,744	711,431	-	10,000	-	139,687
Total Primary Government	\$ 3,101,311	\$ 1,775,970	\$ 40,013	\$ 10,000	(1,415,015)	139,687
General revenues						
Property taxes					235,873	-
Licenses, permits, fines, and forfeitures					54,214	-
Intergovernmental					433,466	-
Interest earnings					41,995	-
Bond proceeds					4,660,000	-
Miscellaneous					70,256	1,696
Total general revenues					5,495,804	1,696
Change in net position					4,080,789	141,383
Net position - beginning of year					984,395	3,784,528
Net position - end of year					\$ 5,065,184	\$ 3,925,911



City of Glyndon, Minnesota  
Governmental Funds

Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis  
Year Ended December 31, 2019

	General	G.O. Refunding Bonds 2014A	G.O. Improvement Bonds 2017A	Parke Avenue	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property taxes	\$ 235,873	\$ 219,829	\$ -	\$ -	\$ 25,723	\$ 481,425
Special assessments	138,823	73,783	249,534	-	-	462,140
Licenses and permits	21,851	-	-	-	-	21,851
Intergovernmental	473,479	-	-	-	-	473,479
Charges for services	188,464	-	-	-	-	188,464
Fines and forfeits	32,363	-	-	-	-	32,363
TIF increments	-	-	-	-	168,383	168,383
Interest earnings	2,292	39,703	-	-	-	41,995
Miscellaneous	70,256	-	-	-	-	70,256
<b>Total receipts</b>	<b>1,163,401</b>	<b>333,315</b>	<b>249,534</b>	<b>-</b>	<b>194,106</b>	<b>1,940,356</b>
<b>Disbursements</b>						
<b>Current</b>						
General government	457,940	-	-	-	-	457,940
Public safety	410,199	-	-	-	-	410,199
Streets and parks	71,790	-	-	-	-	71,790
Sanitation	146,038	-	-	-	-	146,038
Culture and recreation	9,806	-	-	-	-	9,806
<b>Debt service</b>						
Principal	-	235,000	-	-	22,000	257,000
Interest and other charges	-	31,660	104,991	32,258	4,120	173,029
Capital outlay	2,987	-	-	737,626	-	740,613
TIF repayments	-	-	-	-	253,152	253,152
<b>Total disbursements</b>	<b>1,098,760</b>	<b>266,660</b>	<b>104,991</b>	<b>769,884</b>	<b>279,272</b>	<b>2,519,567</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	64,641	66,655	144,543	(769,884)	(85,166)	(579,211)
<b>Other Financing Sources</b>						
Bond proceeds	-	-	-	4,660,000	-	4,660,000
<b>Net Change in Cash Basis Fund Balances</b>	<b>64,641</b>	<b>66,655</b>	<b>144,543</b>	<b>3,890,116</b>	<b>(85,166)</b>	<b>4,080,789</b>
Cash Basis Fund Balances, Beginning	659,854	107,478	67,802	-	149,261	984,395
<b>Cash Basis Fund Balances, Ending</b>	<b>\$ 724,495</b>	<b>\$ 174,133</b>	<b>\$ 212,345</b>	<b>\$ 3,890,116</b>	<b>\$ 64,095</b>	<b>\$ 5,065,184</b>

City of Glyndon, Minnesota

Governmental Funds

Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis  
Year Ended December 31, 2019

	General	G.O. Refunding Bonds 2014A	G.O. Improvement Bonds 2017A	Parke Avenue	Other Governmental Funds	Total Governmental Funds
Cash Basis Assets - End of Year						
Cash	\$ 724,495	\$ 174,133	\$ 212,345	\$ 3,890,116	\$ 64,095	\$ 5,065,184
Cash Basis Fund Balances						
Restricted for TIF repayments	\$ -	\$ -	\$ -	\$ -	\$ 9,024	\$ 9,024
Restricted for debt service	-	174,133	212,345	-	55,071	441,549
Restricted for capital projects	-	-	-	3,890,116	-	3,890,116
Unassigned	724,495	-	-	-	-	724,495
	<u>\$ 724,495</u>	<u>\$ 174,133</u>	<u>\$ 212,345</u>	<u>\$ 3,890,116</u>	<u>\$ 64,095</u>	<u>\$ 5,065,184</u>

City of Glyndon, Minnesota

Proprietary Funds  
Statement of Net Position  
December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 220,814	\$ 897,638	\$ 1,118,452
Accounts receivable	42,123	39,116	81,239
Special assessments receivable, current portion	-	69,518	69,518
Total current assets	<u>262,937</u>	<u>1,006,272</u>	<u>1,269,209</u>
<b>Noncurrent Assets</b>			
<b>Capital assets</b>			
Construction in progress	25,938	75,662	101,600
Buildings and equipment	3,305,344	11,580	3,316,924
Land improvements	-	1,795,723	1,795,723
Accumulated depreciation	<u>(591,337)</u>	<u>(253,038)</u>	<u>(844,375)</u>
Net capital assets	<u>2,739,945</u>	<u>1,629,927</u>	<u>4,369,872</u>
<b>Other assets</b>			
Special assessments receivable, net of current portion	<u>-</u>	<u>401,702</u>	<u>401,702</u>
Total assets	<u>3,002,882</u>	<u>3,037,901</u>	<u>6,040,783</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	998	19,470	20,468
Accrued interest	16,097	3,129	19,226
Current portion of long-term debt	122,632	53,000	175,632
Accrued compensated absences	<u>4,569</u>	<u>4,569</u>	<u>9,138</u>
Total current liabilities	<u>144,296</u>	<u>80,168</u>	<u>224,464</u>
<b>Noncurrent Liabilities</b>			
Long-term debt, net of current portion	<u>1,330,408</u>	<u>560,000</u>	<u>1,890,408</u>
Total liabilities	<u>1,474,704</u>	<u>640,168</u>	<u>2,114,872</u>
<b>Net Position</b>			
Net investment in capital assets	1,286,905	1,016,927	2,303,832
Unrestricted	<u>241,273</u>	<u>1,380,806</u>	<u>1,622,079</u>
Total net position	<u>\$ 1,528,178</u>	<u>\$ 2,397,733</u>	<u>\$ 3,925,911</u>

City of Glyndon, Minnesota  
Proprietary Funds  
Statement of Changes in Net Position  
Year Ended December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenue			
Sales	<u>\$ 368,507</u>	<u>\$ 341,560</u>	<u>\$ 710,067</u>
Operating Expenses			
Cost of sales and services	103,002	58,626	161,628
Administration	116,650	116,717	233,367
Depreciation	<u>91,987</u>	<u>47,128</u>	<u>139,115</u>
Total operating expenses	<u>311,639</u>	<u>222,471</u>	<u>534,110</u>
Operating Income	56,868	119,089	175,957
Nonoperating Revenue (Expense)			
Special assessments	-	1,364	1,364
Intergovernmental	10,000	-	10,000
Interest income	-	1,431	1,431
Miscellaneous revenue	265	-	265
Interest expense	<u>(40,595)</u>	<u>(7,039)</u>	<u>(47,634)</u>
Total nonoperating revenue (expense)	<u>(30,330)</u>	<u>(4,244)</u>	<u>(34,574)</u>
Change in Net Position	26,538	114,845	141,383
Net Position - Beginning	<u>1,501,640</u>	<u>2,282,888</u>	<u>3,784,528</u>
Net Position - Ending	<u>\$ 1,528,178</u>	<u>\$ 2,397,733</u>	<u>\$ 3,925,911</u>

City of Glyndon, Minnesota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2019

	Water	Sewer	Total
<b>Operating Activities</b>			
Receipts from customers	\$ 369,942	\$ 342,969	\$ 712,911
Payments to suppliers	(103,002)	(58,626)	(161,628)
Payments to employees	(119,111)	(119,178)	(238,289)
Net cash from operating activities	<u>147,829</u>	<u>165,165</u>	<u>312,994</u>
<b>Capital and Related Financing Activities</b>			
Principal payments on debt	(114,035)	(52,000)	(166,035)
Interest paid on debt	(42,023)	(6,526)	(48,549)
Special assessments received	-	41,905	41,905
Acquisition of capital assets	(15,603)	(2,997)	(18,600)
Proceeds from disposal of capital assets	9,018	2,869	11,887
Interest received	-	1,431	1,431
Grants received	10,000	-	10,000
Miscellaneous revenue	265	-	265
Net cash used for capital and related financing activities	<u>(152,378)</u>	<u>(15,318)</u>	<u>(167,696)</u>
Change in Cash	(4,549)	149,847	145,298
Cash Balance, Beginning	<u>225,363</u>	<u>747,791</u>	<u>973,154</u>
Cash Balance, Ending	<u>\$ 220,814</u>	<u>\$ 897,638</u>	<u>\$ 1,118,452</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 56,868	\$ 119,089	\$ 175,957
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation	91,987	47,128	139,115
Changes in assets and liabilities			
Accounts receivable	1,435	1,409	2,844
Accrued compensated absences	(2,461)	(2,461)	(4,922)
Net cash from operating activities	<u>\$ 147,829</u>	<u>\$ 165,165</u>	<u>\$ 312,994</u>
<b>Schedule of Noncash Capital and Related Financing Activity</b>			
Capital asset acquired through capital lease	<u>\$ 29,969</u>	<u>\$ -</u>	<u>\$ 29,969</u>

## **Note 1 - Summary of Significant Accounting Policies**

The City's financial statements are prepared using accounting practices prescribed or permitted by the State of Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. Governmental fund financial statements are reported using the cash basis and proprietary fund financial statements are reported on the full accrual basis. The more significant accounting policies used by the City are discussed below.

### **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.

### **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 position and the statement of activities. The effect of interfund activity has been removed from these statements. 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.

### Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental funds 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 for informational purposes.

Proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.
- *G.O. Refunding Bonds 2014A Fund* – The City accounts for cash receipts and disbursements related to the debt service on these bonds, which were issued for the refunding of the 2004A and 2007 bonds.
- *G.O. Improvement Bonds 2017A Fund* – The City accounts for cash receipts and disbursements related to the debt service on these bonds, which were issued for the Southview Addition capital project.
- *Parke Avenue Fund* – The City accounts for cash receipts and disbursements related to the Parke Avenue capital project.

The City reports the following major proprietary funds:

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

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.

### 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, mutual funds, preferred securities, 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.

#### Receivables

All receivables are shown net of any allowance for uncollectibles, if applicable. There were no allowances recorded in the proprietary funds as of December 31, 2019.

#### Capital Assets

Capital assets of the proprietary funds 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 proprietary funds using the straight-line method over the following estimated useful lives:

Years Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 213,000	\$ 289,242	\$ 175,632	\$ 50,753
2021	418,000	239,391	176,804	43,422
2022	424,000	230,104	180,051	39,608
2023	425,000	219,936	131,162	36,133
2024	476,000	208,853	132,391	33,670
2025 - 2029	2,475,000	874,072	665,000	129,288
2030 - 2034	2,800,000	516,074	494,000	61,612
2035 - 2039	1,690,000	148,197	111,000	5,769
2040	290,000	1,250	-	-
	<u>\$ 9,211,000</u>	<u>\$ 2,727,119</u>	<u>\$ 2,066,040</u>	<u>\$ 400,255</u>

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



### Compensated Absences

Vacation 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 225 hours per year is reached. The maximum vacation earned is reached in the 12th year of employment. Vacation is accrued in the proprietary funds and is considered long-term for reporting purposes. In all other funds, vacation is recorded as an expenditure when used.

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 and sewer funds and is considered long-term for reporting purposes. In all other funds, sick pay is recorded as an expenditure when used.

### Fund Equity

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable Fund Balance* – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- *Assigned Fund Balance* – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- *Unassigned Fund Balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

### Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred by outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **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.

### **Budgets**

Annual budgets are adopted for the General 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.

## **Note 2 - Deposits and Investments**

### **Deposits**

In accordance with Minnesota statutes, the City maintains deposits at those depositories authorized by the City Council. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

- *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.

Minnesota statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 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, 2019, all deposits were insured or collateralized by securities held by the City's agent in the City's name.

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

Investment Type	Fair Value	Investment Maturities (in Years)	
		Not Applicable	< 1
Deposits	\$ 6,183,636	\$ 6,183,636	\$ -

### 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. As of and during the year ended December 31, 2019, the City did not have any investments.

### Note 3 - Capital Assets

#### Proprietary funds

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19
Capital assets not being depreciated				
Construction in progress	\$ 101,600	\$ -	\$ -	\$ 101,600
Capital assets being depreciated				
Buildings and equipment	2,291,551	48,569	14,858	3,316,924
Land improvements	2,787,385	-	-	1,795,723
Total capital assets, being depreciated	5,078,936	48,569	14,858	5,112,647
Less: accumulated depreciation				
Buildings and equipment	501,605	61,249	2,972	591,337
Land improvements	206,626	77,866	-	253,038
Total accumulated depreciation	708,231	139,115	2,972	844,375
Total capital assets, being depreciated, net	4,370,705	(90,546)	11,886	4,268,272
Total capital assets, net	\$ 4,472,305	\$ (90,546)	\$ 11,886	\$ 4,369,872

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

Years Ending December 31,	Principal
2020	\$ 5,151

**Note 4 - City Indebtedness**

Changes in long-term debt were as follows:

	Balance 12/31/18	Additions	Retired	Balance 12/31/19	Balance Due Within One Year
Governmental activities					
General obligation bonds	\$ 4,808,000	\$ 4,660,000	\$ 257,000	\$ 9,211,000	\$ 213,000
Business-type activities					
General obligation revenue bonds	\$ 1,215,000	\$ -	\$ 60,000	\$ 1,155,000	\$ 60,000
Capital lease - direct borrowing	-	29,969	-	29,969	5,632
Notes payable	987,106	-	106,035	881,071	110,000
Compensated absences	14,060	9,500	14,422	9,138	9,138
Business-type activities long-term debt	\$ 2,216,166	\$ 39,469	\$ 180,457	\$ 2,075,178	\$ 184,770

The following is a summary of long-term debt as of December 31, 2019:

Type	Authorized and Issued	Final Year of Maturity	Interest Rate	Outstanding
Governmental activities				
General obligation bonds				
2014A refunding bond	\$ 1,995,000	2025	2.00% - 3.00%	\$ 1,125,000
2016A tax abatement note	164,000	2024	2.25%	121,000
2017A improvement bond	3,305,000	2039	2.00% - 3.75%	3,305,000
2019A general obligation bond	4,660,000	2040	2.00 - 3.125%	4,660,000
Total governmental activities				\$ 9,211,000
Business-Type Activities				
General obligation revenue bonds				
2014B water revenue bonds	\$ 1,370,000	2035	3.00% - 3.25%	\$ 1,155,000
Notes payable				
Clean water revolving fund	1,170,000	2030	1.09%	613,000
Drinking water revolving fund	867,071	2022	2.38%	157,071
Drinking water revolving fund 2018A	115,035	2037	1.00%	111,000
				881,071
Capital lease				
Butler Machinery - Generator	29,969	2024	3.00%	29,969
Total business-type activities				\$ 2,066,040

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

Years Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 213,000	\$ 289,242	\$ 175,632	\$ 50,753
2021	418,000	239,391	176,804	43,422
2022	424,000	230,104	180,051	39,608
2023	425,000	219,936	131,162	36,133
2024	476,000	208,853	132,391	33,670
2025 - 2029	2,475,000	874,072	665,000	129,288
2030 - 2034	2,800,000	516,074	494,000	61,612
2035 - 2039	1,690,000	148,197	111,000	5,769
2040	290,000	1,250	-	-
	<u>\$ 9,211,000</u>	<u>\$ 2,727,119</u>	<u>\$ 2,066,040</u>	<u>\$ 400,255</u>

### 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.

During 2019, the City issued \$4,660,000 in general obligation bonds with an interest rate of 2.00-3.125%. The issuance of the bonds was for infrastructure improvements, including watermain, sanitary sewer, storm sewer, and street items, on Parke Avenue.

### General Obligation Revenue Bonds

General obligation revenue bonds are payable from the water and sewer fund's utility revenues and, if required, by ad valorem tax levies.

### Notes Payable

Notes payable are payable from the water and sewer fund's utility revenues and, if required, by ad valorem tax levies.

### Capital Lease

During the year ended December 31, 2019, the City entered into a capital lease agreement to finance the purchase of a generator. The terms of the lease call for annual payments of principal and interest at 3.0% commencing February 2020 through 2024. Payments will be made from the water fund. The original cost of the capital leased generator is \$36,513 with total accumulated depreciation of \$837 as of December 31, 2019.

**Note 5 - Operating Leases**

The City has an agreement in place for leasing copier equipment. Future lease payments are as follows:

Years Ending December 31,	Principal
2020	\$ 5,151

The City made copier lease payments of \$5,895 in the year ended December 31, 2019.

**Note 6 - Defined Benefit Pension Plans - Statewide**

**Plan Description**

All full-time and certain part-time employees of the City of Glyndon, Minnesota, are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (accounted for in the General Employees Fund) and the Public Employees Police and Fire Retirement Plan (accounted for in the Police and Fire Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the Police and Fire Plan.

PERA provides retirement benefits as well as disability benefits to members and survivor benefits upon death of eligible members. Benefits are established by state statute. Benefits for members of the General Employees Plan vest after five years of credited service. Benefits for the Police and Fire Plan vest on a prorated basis from 50 percent after 10 years up to 100 percent after 20 years. The defined benefit retirement plan benefits are based on a member's highest average salary for any 5 years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

For all General Employee Plan 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. Method 2 provides for unreduced retirement benefits at age 65 for members first hired prior to July 1, 1989 or age 66 (the age for unreduced Social Security benefits), for those first hired on or after that date. Early retirement may begin at age 55 with an actuarial reduction (about six percent per year) for members retiring prior to full retirement age.

Normal retirement age is 55 for Police and Fire plan 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 with an actuarial reduction in the member's benefit.

A full unreduced pension is earned when Police and Fire plan members meet the following conditions: age 55 and vested or age plus years of service total at least 90 if first hired prior to July 1, 1989.

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 before retirement benefits begin.

The benefit provisions stated in the preceding paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees, Police and Fire, and Correctional plans. That report may be obtained on the PERA's website at [www.mnpera.org/about/financial/](http://www.mnpera.org/about/financial/).

### **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. General Employees Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.3 percent of their annual covered salary in 2019. In 2019, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.5 percent for Coordinated Plan members, and 16.95 percent for Police and Fire Plan members.

The City's contributions to the General Employees Fund for the years ending December 31, 2019, 2018 and 2017, were \$17,453, \$18,920, and \$19,189, respectively. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017, were \$30,776, \$31,813, and \$24,133, respectively.

**Note 7 - Defined Contribution Plan**

Six general employees, two part time and four full time police officers of the City are covered by the Public Employees Defined Contribution Plan (Defined Contribution Plan accounted for in the Defined Contribution Fund), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share.

Employer and employee contributions are combined and used to purchase shares in one or more of the six accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 683	\$ 683	5%	5%	5%



**Note 8 - Construction Commitments**

As of December 31, 2019, the city had incurred costs of approximately \$840,000 related to the Parke Avenue project. The project is expected to be completed during 2020 at an additional cost of approximately \$3,618,000.

**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 Minnesota State Auditor's Office.

**Note 10 - Subsequent Events**

Subsequent to year-end, the City has been impacted by the effects of the world-wide coronavirus pandemic. The City is closely monitoring its operations and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the City's management does not expect the pandemic to have a significant impact on operations and reserves.



Other Supplementary Information  
December 31, 2019

**City of Glyndon, Minnesota**

City of Glyndon, Minnesota  
 Budgetary Comparison Schedule, General Fund – Cash Basis  
 Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Receipts</b>			
Property taxes	\$ 274,680	\$ 235,873	\$ (38,807)
Special assessments	110,000	138,823	28,823
Licenses and permits	11,200	21,851	10,651
Intergovernmental	480,777	473,479	(7,298)
Charges for services	177,810	188,464	10,654
Interest earnings	825	2,292	1,467
Fines and forfeits	30,000	32,363	2,363
Miscellaneous	142,204	70,256	(71,948)
	<u>1,227,496</u>	<u>1,163,401</u>	<u>(64,095)</u>
<b>Disbursements</b>			
General government	480,121	457,940	22,181
Public safety	380,535	410,199	(29,664)
Streets and parks	86,430	71,790	14,640
Sanitation	148,144	146,038	2,106
Community center	13,600	9,806	3,794
Capital outlay	2,000	2,987	(987)
	<u>1,110,830</u>	<u>1,098,760</u>	<u>12,070</u>
Net Change in Cash Basis Fund Balances	<u>\$ 116,666</u>	64,641	<u>\$ (52,025)</u>
Cash Basis Fund Balance - Beginning		<u>659,854</u>	
Cash Basis Fund Balance - Ending		<u>\$ 724,495</u>	

City of Glyndon, Minnesota  
Nonmajor Governmental Funds

Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis

Year Ended December 31, 2019

	Special Revenue Funds		Debt Service Fund	Total Other Governmental Funds
	Centennial Addition	TIF District	Stockwood	
Receipts				
Property taxes	\$ -	\$ -	\$ 25,723	\$ 25,723
TIF increments	124,251	44,132	-	168,383
Total receipts	<u>124,251</u>	<u>44,132</u>	<u>25,723</u>	<u>194,106</u>
Disbursements				
TIF repayments	174,028	79,124	-	253,152
Debt service				
Principal	-	-	22,000	22,000
Interest and other charges	-	1,150	2,970	4,120
Total disbursements	<u>174,028</u>	<u>80,274</u>	<u>24,970</u>	<u>279,272</u>
Net Change in Cash Basis Fund Balance	(49,777)	(36,142)	753	(85,166)
Cash Basis Fund Balance, Beginning	<u>52,415</u>	<u>42,528</u>	<u>54,318</u>	<u>149,261</u>
Cash Basis Fund Balance, Ending	<u><u>\$ 2,638</u></u>	<u><u>\$ 6,386</u></u>	<u><u>\$ 55,071</u></u>	<u><u>\$ 64,095</u></u>

City of Glyndon, Minnesota  
 Nonmajor Governmental Funds  
 Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis  
 Year Ended December 31, 2019

---

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
	<u>Centennial Addition</u>	<u>TIF District</u>	<u>Stockwood</u>	
Cash Basis Assets - End of Year				
Cash	\$ 2,638	\$ 6,386	\$ 55,071	\$ 64,095
Cash Basis Fund Balance				
Restricted for TIF repayments	\$ 2,638	\$ 6,386	\$ -	\$ 9,024
Restricted for debt service	-	-	55,071	55,071
	<u>\$ 2,638</u>	<u>\$ 6,386</u>	<u>\$ 55,071</u>	<u>\$ 64,095</u>

City of Glyndon, Minnesota  
General Fund by Department

Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis  
Year Ended December 31, 2019

---

	General Operations Department	Rescue Squad Department	Fire Department	Total General Fund
<b>Receipts</b>				
Property taxes	\$ 213,828	\$ 4,753	\$ 17,292	\$ 235,873
Special assessments	138,823	-	-	138,823
Licenses and permits	21,851	-	-	21,851
Intergovernmental	444,473	-	29,006	473,479
Interest earnings	2,292	-	-	2,292
Charges for services	181,989	-	6,475	188,464
Fine and forfeits	32,363	-	-	32,363
Miscellaneous	53,656	8,100	8,500	70,256
	<b>1,089,275</b>	<b>12,853</b>	<b>61,273</b>	<b>1,163,401</b>
<b>Disbursements</b>				
<b>Current</b>				
General government	457,940	-	-	457,940
Public safety	353,246	4,064	52,889	410,199
Streets and parks	71,790	-	-	71,790
Sanitation	146,038	-	-	146,038
Culture and recreation	9,806	-	-	9,806
Capital outlay	2,987	-	-	2,987
	<b>1,041,807</b>	<b>4,064</b>	<b>52,889</b>	<b>1,098,760</b>
<b>Net Change in Cash</b>				
Basis Fund Balances	47,468	8,789	8,384	64,641
<b>Cash Basis Fund Balances,</b>				
Beginning	555,609	26,323	77,922	659,854
<b>Cash Basis Fund Balances,</b>				
Ending	\$ 603,077	\$ 35,112	\$ 86,306	\$ 724,495

City of Glyndon, Minnesota  
Schedule of Accounts Receivable  
December 31, 2019

---

<u>Fund and Source</u>	<u>Purpose</u>	<u>Amount</u>
General Fund		
Utility Customers	Garbage collection	\$ 22,987
Clay County	Special Assessments - current portion	<u>235,582</u>
		<u>\$ 258,569</u>

City of Glyndon, Minnesota  
 Schedule of Accounts Payable  
 December 31, 2019

Fund and Source	Purpose	Amount
General Fund		
Clay County	Special Assessment Interest	\$ 59,196
Clay County Highway Department	Parke Avenue Construction	2,861,484
Ulteig	Parke Avenue Construction	8,829
Fuchs Sanitation Inc.	Refuse/Garbage Disposal	9,531
Randalls Excavating Inc	Excavation	21,620
		<u>\$ 2,960,660</u>





Additional Reports  
December 31, 2019

# City of Glyndon, Minnesota



**Independent Auditors 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***

To the Honorable Mayor,  
City Council and Clerk Treasurer  
City of Glyndon, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of the City of Glyndon, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 14, 2020.

**Internal Control over Financial Reporting**

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2019-001, 2019-002, 2019-003, and 2019-004, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2019-005, to be a significant deficiency.

### **Compliance and Other Matters**

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

### **City's Response to Findings**

The City's responses to the findings identified in our audit are described in the separately issued corrective action plan and the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Fargo, North Dakota  
May 14, 2020



## ***Minnesota Legal Compliance Independent Auditor's Report***

To the Honorable Mayor,  
City Council and Clerk Treasurer  
City of Glyndon, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining funds of the City of Glyndon, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 14, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
May 14, 2020

---

**Section I – Financial Statement Findings**

---

**2019-001      Segregation of Duties  
Material Weakness**

*Criteria* – 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.

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

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

*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.

*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.

*Views of Responsible Officials* – Due to cost constraints, there will be no further administrative employees added.

**2019-002      Material Journal Entries  
                  Material Weakness**

*Criteria* – A good system of internal accounting control involves sufficient training of personnel to foster an adequate system for recording and processing entries material to the financial statements. In addition, a good system also involves adequate oversight by the Council.

*Condition* – During the course of our engagement, we proposed numerous material audit adjustments that would not have been identified as a result of the City’s existing internal controls, and therefore could have resulted in a material misstatement of the City’s financial statements.

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

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

*Recommendation* – The accounting staff and Council or council member should attend training and/or consult with a professional to identify and correct the inadequacies.

*Views of Responsible Officials* – The City will make an effort to review and reconcile all accounts in future years.

**2019-003      Preparation of Financial Statements  
                  Material Weakness**

*Criteria* – A good system of internal accounting control contemplates the ability to internally prepare their financial statements.

*Condition* – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the City’s financial statements and accompanying notes to the financial statements.

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

*Effect* – The financial disclosures in the financial statements could be incomplete.

*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.

*Views of Responsible Officials* – Due to cost constraints, the City will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

**2019-004      Failure to Comply with City Policy Manual Surrounding Vacation  
Material Weakness**

*Criteria* – A good system of internal accounting control ensures that each city employee does not exceed 225 vacation hours at the end of a fiscal year.

*Condition* – The City does not have an internal control system designed to ensure the maximum vacation time hours set forth in the city’s policy manual are followed.

*Cause* – The City does not have an internal control system designed to ensure that vacation time hours are in compliance with the requirements set forth in the city’s policy manual. One employee had excess vacation hours at the end of the fiscal year.

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

*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 or other considerations.

*Views of Responsible Officials* – The City will make an effort to monitor vacation hours for each employee in future years.

**2019-005      Incorrect Rates Billed to Customers  
Significant Deficiency**

*Criteria* – A good system of internal accounting control ensures that each customer is charged at the correct rate.

*Condition* – The City does not have an internal control system designed to ensure that all customers are being charged at the City’s approved rates.

*Cause:* – The City does not have an internal control system designed to ensure that all customers are being charged at the City’s approved rates. Multiple customers were charged at incorrect rates throughout the year.

*Effect* – This control deficiency could result in the City earning less revenues than it should.

*Recommendation* – The accounting staff should have a process in place to review customers billing rates periodically to ensure all are being charged at the City approved rates.

*Views of Responsible Officials* – The City will make an effort to review customer accounts to ensure the correct billing is being charged.

---

**Section II – Minnesota Legal Compliance Findings**

---

None reported.