

CITY OF WOODLAND
WOODLAND, MINNESOTA

ANNUAL FINANCIAL REPORT

YEAR ENDED
DECEMBER 31, 2010

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CITY OF WOODLAND, MINNESOTA
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INTRODUCTORY SECTION

CITY OF WOODLAND
WOODLAND, MINNESOTA

YEAR ENDED
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CITY OF WOODLAND, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2010

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires December 31,</u>
James Doak	Mayor	2012
Sliv Carlson	Council Member	2012
Michael Jilek	Council Member	2012
Tom Newberry	Council Member	2010

APPOINTED

Chris Rich	Council Member	2010
Shelley Souers	City Clerk	

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FINANCIAL SECTION

**CITY OF WOODLAND
WOODLAND, MINNESOTA**

**YEAR ENDED
DECEMBER 31, 2010**

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5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Woodland, Minnesota

We have audited the accompanying financial statements of each major fund of the governmental and proprietary funds of the City of Woodland, Minnesota (the City), as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated February 11, 2010, we expressed unqualified opinions on the respective proprietary fund financial statements.

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

As described more fully in Note 1B, the City has prepared these financial statements using practices prescribed or permitted by the State of Minnesota, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City, as of December 31, 2010 or changes in financial position, or where applicable, its cash flows, for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each governmental fund of the City, as of December 31, 2010, and their respective cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1B. Also, in our opinion, the proprietary fund financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended, on the basis of accounting described in Note 1B.

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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 introductory section, individual fund financial schedules, and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

February 23, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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**FINANCIAL STATEMENTS
REGULATORY BASIS**

CITY OF WOODLAND
WOODLAND, MINNESOTA

YEAR ENDED
DECEMBER 31, 2010

CITY OF WOODLAND, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Street Improvement	Total
ASSETS			
Cash and temporary investments	\$ 227,906	\$ 30,844	\$ 258,750
CASH FUND BALANCES			
Unreserved			
Designated for street improvement	\$ -	\$ 30,844	\$ 30,844
Undesignated, reported in			
General fund	227,906	-	227,906
TOTAL CASH FUND BALANCES	\$ 227,906	\$ 30,844	\$ 258,750

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

CITY OF WOODLAND, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Street Improvement	Governmental Funds
RECEIPTS			
Taxes	\$ 306,216	\$ -	\$ 306,216
Licenses and permits	13,661	-	13,661
Intergovernmental	1,618	-	1,618
Charges for services	2,750	-	2,750
Fines and forfeitures	8,026	-	8,026
Interest on investments	252	32	284
Miscellaneous	2,031	-	2,031
	<hr/>	<hr/>	<hr/>
TOTAL RECEIPTS	334,554	32	334,586
	<hr/>	<hr/>	<hr/>
DISBURSEMENTS			
Current			
General government	73,283	-	73,283
Public safety	121,878	-	121,878
Public works	71,047	33,550	104,597
Miscellaneous	11,676	-	11,676
	<hr/>	<hr/>	<hr/>
TOTAL DISBURSEMENTS	277,884	33,550	311,434
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	56,670	(33,518)	23,152
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	40,000	40,000
Transfers out	(40,000)	-	(40,000)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(40,000)	40,000	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH FUND BALANCES	16,670	6,482	23,152
	<hr/>	<hr/>	<hr/>
CASH FUND BALANCES, JANUARY 1	211,236	24,362	235,598
	<hr/>	<hr/>	<hr/>
CASH FUND BALANCES, DECEMBER 31	<u>\$ 227,906</u>	<u>\$ 30,844</u>	<u>\$ 258,750</u>

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

CITY OF WOODLAND, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	601	
	Water	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and temporary investments	\$ 3,476	\$ 20,618
Receivables		
Accounts	3,910	3,223
Special assessments		
Delinquent	1,916	444
Current	9,450	3,300
TOTAL CURRENT ASSETS	18,752	27,585
NONCURRENT ASSETS		
Deferred special assessments	61,650	24,750
Capital assets		
Infrastructure	194,539	194,539
Less accumulated depreciation	(63,200)	(58,300)
Total capital assets (net of accumulated depreciation)	131,339	136,239
TOTAL NONCURRENT ASSETS	192,989	160,989
TOTAL ASSETS	211,741	188,574
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	3,499	1,913
Accrued interest payable	2,344	2,637
Current portion of bonds payable	12,500	12,500
TOTAL CURRENT LIABILITIES	18,343	17,050
LONG-TERM LIABILITIES		
Bonds payable	87,500	100,000
TOTAL LIABILITIES	105,843	117,050
NET ASSETS		
Invested in capital assets, net of related debt	31,339	23,739
Restricted for		
Debt service	28,826	28,711
Unrestricted	45,733	19,074
TOTAL NET ASSETS	\$ 105,898	\$ 71,524

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

Business-type Activities -
Enterprise Funds - Continued

602			
Sewer		Totals	
2010	2009	2010	2009
\$ 178,159	\$ 200,411	\$ 181,635	\$ 221,029
7,431	7,114	11,341	10,337
2,192	948	4,108	1,392
3,150	9,900	12,600	13,200
190,932	218,373	209,684	245,958
20,550	74,250	82,200	99,000
697,666	697,666	892,205	892,205
(184,300)	(170,300)	(247,500)	(228,600)
513,366	527,366	644,705	663,605
533,916	601,616	726,905	762,605
724,848	819,989	936,589	1,008,563
3,037	2,999	6,536	4,912
2,589	2,916	4,933	5,553
31,828	31,931	44,328	44,431
37,454	37,846	55,797	54,896
246,314	281,292	333,814	381,292
283,768	319,138	389,611	436,188
235,224	214,143	266,563	237,882
116,217	141,433	145,043	170,144
89,639	145,275	135,372	164,349
<u>\$ 441,080</u>	<u>\$ 500,851</u>	<u>\$ 546,978</u>	<u>\$ 572,375</u>

CITY OF WOODLAND, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	601	
	Water	
	2010	2009
OPERATING REVENUES		
Charges for services	\$ 17,671	\$ 13,334
OPERATING EXPENSES		
Professional services	19,872	6,153
Utilities	11,853	8,119
Depreciation	4,900	4,900
TOTAL OPERATING EXPENSES	36,625	19,172
OPERATING INCOME (LOSS)	(18,954)	(5,838)
NONOPERATING REVENUES (EXPENSES)		
Other revenue	-	18
Special assessments	4,768	1,918
Interest income	14	142
Interest expense	(5,684)	(6,387)
TOTAL NONOPERATING REVENUES (EXPENSES)	(902)	(4,309)
NET LOSS BEFORE TRANSFERS	(19,856)	(10,147)
TRANSFERS IN	54,230	-
TRANSFERS OUT	-	-
CHANGE IN NET ASSETS	34,374	(10,147)
NET ASSETS, JANUARY 1	71,524	81,671
NET ASSETS, DECEMBER 31	\$ 105,898	\$ 71,524

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

Business-type Activities -
Enterprise Funds - Continued

602			
Sewer		Totals	
2010	2009	2010	2009
<u>\$ 34,687</u>	<u>\$ 27,860</u>	<u>\$ 52,358</u>	<u>\$ 41,194</u>
2,637	373	22,509	6,526
17,721	11,893	29,574	20,012
<u>14,000</u>	<u>14,000</u>	<u>18,900</u>	<u>18,900</u>
<u>34,358</u>	<u>26,266</u>	<u>70,983</u>	<u>45,438</u>
<u>329</u>	<u>1,594</u>	<u>(18,625)</u>	<u>(4,244)</u>
-	-	-	18
1,463	5,668	6,231	7,586
217	991	231	1,133
<u>(7,550)</u>	<u>(8,395)</u>	<u>(13,234)</u>	<u>(14,782)</u>
<u>(5,870)</u>	<u>(1,736)</u>	<u>(6,772)</u>	<u>(6,045)</u>
(5,541)	(142)	(25,397)	(10,289)
-	-	54,230	-
<u>(54,230)</u>	<u>-</u>	<u>(54,230)</u>	<u>-</u>
(59,771)	(142)	(25,397)	(10,289)
<u>500,851</u>	<u>500,993</u>	<u>572,375</u>	<u>582,664</u>
<u><u>\$ 441,080</u></u>	<u><u>\$ 500,851</u></u>	<u><u>\$ 546,978</u></u>	<u><u>\$ 572,375</u></u>

CITY OF WOODLAND, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities Enterprise Funds	
	601	
	Water	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users		
City of Minnetonka minimum usage charges	\$ 11,196	\$ 8,354
User fee revenue	3,528	3,665
Maintenance fee revenue	1,328	1,410
Delinquent utility revenue	358	390
Payments to suppliers		
Remittance to City of Minnetonka	(11,903)	(8,031)
Maintenance and other expenses	(18,236)	(6,329)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(13,729)	(541)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Collection of special assessments	15,050	5,240
Interest paid on bonds	(5,977)	(6,680)
Principal paid on bonds	(12,500)	(12,500)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,427)	(13,940)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	14	142
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,142)	(14,339)
CASH AND CASH EQUIVALENTS, JANUARY 1	20,618	34,957
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 3,476	\$ 20,618

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

Business-type Activities -
Enterprise Funds - Continued

602			
Sewer		Totals	
2010	2009	2010	2009
\$ 16,905	\$ 11,424	\$ 28,101	\$ 19,778
9,878	10,318	13,406	13,983
5,562	5,811	6,890	7,221
817	696	1,175	1,086
(17,683)	(11,660)	(29,586)	(19,691)
(2,637)	(373)	(20,873)	(6,702)
12,842	16,216	(887)	15,675
7,647	15,582	22,697	20,822
(7,877)	(8,685)	(13,854)	(15,365)
(35,081)	(31,123)	(47,581)	(43,623)
(35,311)	(24,226)	(38,738)	(38,166)
217	991	231	1,133
(22,252)	(7,019)	(39,394)	(21,358)
200,411	207,430	221,029	242,387
<u>\$ 178,159</u>	<u>\$ 200,411</u>	<u>\$ 181,635</u>	<u>\$ 221,029</u>

CITY OF WOODLAND, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities Enterprise Funds - Continued	
	601	
	Water	
	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (18,954)	\$ (5,838)
Adjustments to reconcile operating income (loss)		
to net cash provided (used) by operating activities:		
Depreciation	4,900	4,900
Other income related to operations	-	18
(Increase) decrease in assets:		
Receivables		
Accounts	(687)	455
Delinquent special assessments	(574)	12
Increase (decrease) in liabilities:		
Accounts payable	1,586	(88)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (13,729)</u>	<u>\$ (541)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer of special assessment receivable from (to) other funds	<u>\$ 54,230</u>	<u>\$ -</u>

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

Business-type Activities -
Enterprise Funds - Continued

602			
Sewer		Totals	
2010	2009	2010	2009
\$ 329	\$ 1,594	\$ (18,625)	\$ (4,244)
14,000	14,000	18,900	18,900
-	-	-	18
(317)	394	(1,004)	849
(1,208)	(5)	(1,782)	7
<u>38</u>	<u>233</u>	<u>1,624</u>	<u>145</u>
<u>\$ 12,842</u>	<u>\$ 16,216</u>	<u>\$ (887)</u>	<u>\$ 15,675</u>
<u>\$ (54,230)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

B. Measurement focus, basis of accounting and basis of presentation

The accompanying financial statements have been prepared on the regulatory basis of accounting as described in the Minnesota Office of the State Auditor’s Reporting and Publishing Requirements for Cities under 2,500 in population published on December 17, 2004. Under that basis, governmental fund receipts are recognized when received rather than when measurable and available, and disbursements are recognized when paid rather than when the obligation is incurred. That basis differs from generally accepted accounting principles in the United States of America (GAAP) primarily because the City has not provided a management discussion and analysis letter, government-wide statement of net assets and government-wide statement of activities and the City does not recognize governmental fund receipts and disbursements in accordance with the modified accrual basis of accounting.

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

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

The City has the following fund types:

Governmental funds are used to account for the City’s general government activities and are accounted for using the regulatory basis of accounting. Their revenue is recognized when received in cash and expenditures are recognized when paid in cash. The regulatory basis of accounting is a comprehensive basis of accounting other than GAAP. Under GAAP, governmental funds use the modified accrual method of accounting. The difference between the regulatory basis and modified accrual basis of accounting is that under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The City reports the following major proprietary funds:

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

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

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accordance with the provisions of the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the City applies all applicable GASB pronouncements plus all FASB Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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

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

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

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

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds. Investments for the City are reported at fair value.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property taxes

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

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Account receivable

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

Special assessments

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

Capital assets

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

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the proprietary funds.

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

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

Long-term obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City has designated the \$30,844 cash fund balance in the street improvement fund for future street improvement projects.

Net assets

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

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

Comparative data/reclassifications

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

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

In August of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. There were no budget amendments in 2010.

B. Excess of disbursements over appropriations

For the year then ended December 31, 2010, expenditures exceeded appropriations in the General fund by \$3,359. These excess disbursements were funded by greater than anticipated receipts.

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$9,918 and the bank balance was \$10,000. The bank balance was covered by federal depository insurance.

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

At December 31, 2010, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Government Securities			
Repurchase Investment Sweep	N/A	< 6 months	<u>\$ 430,417</u>

1. Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
 2. Interest rate risk is disclosed using the segmented time distribution method.
- N/A Indicates not applicable or available.

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

Deposits	\$ 9,918
Petty cash	50
Investments	<u>430,417</u>
 Total cash and temporary investments	 <u>\$ 440,385</u>
 Governmental funds	 \$ 258,750
Proprietary funds	<u>181,635</u>
 Total cash and temporary investments	 <u>\$ 440,385</u>

The investments of the City are subject to the following risks:

- *Credit Risk.* Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City's investments to the list on page 25 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with the City's investment policy, the City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements.
- *Interest rate risk.* The interest rate risk for investments is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the City's investment policy, extended maturities may be utilized to take advantage of higher yields; however, no more than 30 percent of the total investments should extend beyond five years and in no circumstance should any extend beyond twenty years.

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Infrastructure	\$ 892,205	\$ -	\$ -	\$ 892,205
Less accumulated depreciation for				
Infrastructure	<u>(228,600)</u>	<u>(18,900)</u>	<u>-</u>	<u>(247,500)</u>
Business-type activities				
capital assets, net	<u>\$ 663,605</u>	<u>\$ (18,900)</u>	<u>\$ -</u>	<u>\$ 644,705</u>

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

Business-type activities	
Water	\$ 4,900
Sewer	<u>14,000</u>
Total depreciation expense - business-type activities	<u>\$ 18,900</u>

C. Interfund transfers

The General fund transferred \$40,000 to the Street Improvement fund for future street repair projects.

The Water fund transferred \$54,230 to the Sewer fund to account for the change in allocation of assessment revenue between the Water and Sewer funds.

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long - term debt

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

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

Enterprise fund debt

General obligation revenue bonds

The following bond issues will be repaid primarily from special assessments and utility revenue:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Improvement Bonds, Series 1997B	\$ 250,000	5.625 %	08/01/97	02/01/18	\$ 100,000
General Obligation Revenue Bonds, Series 1997A	698,775	2.580	04/15/97	08/20/18	278,142
Total G.O. Revenue Bonds					<u>\$ 378,142</u>

The annual requirement to amortize all bonds outstanding as of December 31, 2010 through maturity follows:

Year Ending December 31,	Business - type Activities		
	Principal	Interest	Total
2011	\$ 44,328	\$ 12,246	\$ 56,574
2012	45,154	10,716	55,870
2013	46,002	9,165	55,167
2014	46,872	7,591	54,463
2015	47,765	5,996	53,761
2016-2018	148,021	8,180	156,201
Total	<u>\$ 378,142</u>	<u>\$ 53,894</u>	<u>\$ 432,036</u>

CITY OF WOODLAND, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in Long-term Liabilities. During the year ended December 31, 2010, the following changes occurred in long-term liabilities.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
General obligation improvement and revenue bonds	<u>\$ 425,723</u>	<u>\$ -</u>	<u>\$ (47,581)</u>	<u>\$ 378,142</u>	<u>\$ 44,328</u>

Note 4: OTHER INFORMATION

A. Legal debt margin

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

B. Risk management

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

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

**INDIVIDUAL FUND FINANCIAL
SCHEDULES**

**CITY OF WOODLAND
WOODLAND, MINNESOTA**

**YEAR ENDED
DECEMBER 31, 2010**

CITY OF WOODLAND, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
BUDGETARY FUND BALANCES, JANUARY 1	\$ 211,236	\$ 211,236	\$ 211,236	\$ -	\$ 228,624
RECEIPTS					
Taxes					
Property taxes	299,975	299,975	306,216	6,241	291,081
Licenses and permits	6,250	6,250	13,661	7,411	10,739
Intergovernmental County County grants	1,500	1,500	1,618	118	1,578
Charges for services Zoning and other	2,200	2,200	2,750	550	3,375
Fines and forfeitures	1,000	1,000	8,026	7,026	1,490
Interest on investments	3,000	3,000	252	(2,748)	1,064
Miscellaneous Other	600	600	2,031	1,431	1,842
TOTAL RECEIPTS	314,525	314,525	334,554	20,029	311,169
AMOUNTS AVAILABLE FOR APPROPRIATION	525,761	525,761	545,790	20,029	539,793

CITY OF WOODLAND, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
DISBURSEMENTS					
Current					
General government					
Mayor and council					
Personal services	\$ 260	\$ 260	\$ 258	\$ 2	\$ 258
Other services and charges	600	600	85	515	334
Total	860	860	343	517	592
City clerk					
Personal services	38,192	38,192	38,116	76	36,892
Supplies	1,350	1,350	975	375	1,005
Other services and charges	4,435	4,435	4,589	(154)	4,372
Total	43,977	43,977	43,680	297	42,269
Assessor					
Other services and charges	8,500	8,500	8,739	(239)	8,501
Legal					
Other services and charges	12,000	12,000	6,914	5,086	13,518
Audit and accounting					
Other services and charges	10,410	10,410	13,607	(3,197)	9,813
Total general government	75,747	75,747	73,283	2,464	74,693
Public safety					
Police					
Other services and charges	98,370	98,370	98,370	-	98,370
Fire					
Personal services	23,508	23,508	23,508	-	36,146

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CITY OF WOODLAND, MINNESOTA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
DISBURSEMENTS - CONTINUED					
Current - continued					
Public safety - continued					
Total public safety	\$ 121,878	\$ 121,878	\$ 121,878	\$ -	\$ 134,516
Public works					
Streets and highways					
Supplies	200	200	-	200	125
Other services and charges	11,500	11,500	14,904	(3,404)	9,546
Total	11,700	11,700	14,904	(3,204)	9,671
Snow and ice removal					
Other services and charges	25,000	25,000	30,744	(5,744)	21,031
Sanitation and recycling					
Other services and charges	14,650	14,650	15,782	(1,132)	13,384
Engineering					
Other services and charges	13,000	13,000	9,617	3,383	15,249
Total public works	64,350	64,350	71,047	(6,697)	59,335
Miscellaneous					
Unallocated					
Other services and charges	12,550	12,550	11,676	874	10,013
Total miscellaneous	12,550	12,550	11,676	874	10,013
TOTAL DISBURSEMENTS	274,525	274,525	277,884	(3,359)	278,557
OTHER FINANCING USES					
Transfers out	40,000	40,000	40,000	-	50,000
TOTAL DISBURSEMENTS AND OTHER FINANCING USES	314,525	314,525	317,884	(3,359)	328,557
BUDGETARY FUND BALANCES, DECEMBER 31	\$ 211,236	\$ 211,236	\$ 227,906	\$ 16,670	\$ 211,236

CITY OF WOODLAND, MINNESOTA
SCHEDULE OF DEBT SERVICE CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type Activities - Enterprise Funds		
	601		
	Water		
	Prior Years	2010	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
User fees	\$ 43,586	\$ 3,528	\$ 47,114
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Proceeds of bonds issued	250,000	-	250,000
Principal paid on bonds	(137,500)	(12,500)	(150,000)
Interest paid on bonds	(125,977)	(5,977)	(131,954)
Collections of special assessments	156,717	15,050	171,767
Contributed capital from General fund	-	-	-
Purchase of and payment on property and equipment	(187,986)	-	(187,986)
NET CASH PROVIDED (USED)			
BY CAPITAL FINANCING ACTIVITIES	(44,746)	(3,427)	(48,173)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	29,871	14	29,885
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,711	115	28,826
CASH AND CASH EQUIVALENTS, JANUARY 1	-	28,711	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 28,711</u>	<u>\$ 28,826</u>	<u>\$ 28,826</u>

Business-type Activities - Enterprise Funds - Continued

602					
Sewer			Totals		
Prior Years	2010	Total	Prior Years	2010	Total
\$ 123,935	\$ 9,878	\$ 133,813	\$ 167,521	\$ 13,406	\$ 180,927
698,775	-	698,775	948,775	-	948,775
(385,591)	(35,081)	(420,672)	(523,091)	(47,581)	(570,672)
(151,238)	(7,877)	(159,115)	(277,215)	(13,854)	(291,069)
458,070	7,647	465,717	614,787	22,697	637,484
18,000	-	18,000	18,000	-	18,000
(697,666)	-	(697,666)	(885,652)	-	(885,652)
(59,650)	(35,311)	(94,961)	(104,396)	(38,738)	(143,134)
77,148	217	77,365	107,019	231	107,250
141,433	(25,216)	116,217	170,144	(25,101)	145,043
-	141,433	-	-	170,144	-
\$ 141,433	\$ 116,217	\$ 116,217	\$ 170,144	\$ 145,043	\$ 145,043

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SUPPLEMENTARY INFORMATION

CITY OF WOODLAND
WOODLAND, MINNESOTA

YEAR ENDED
DECEMBER 31, 2010

CITY OF WOODLAND, MINNESOTA
SUMMARY FINANCIAL REPORT (UNAUDITED)
RECEIPTS AND DISBURSEMENTS FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total		Percent Increase (Decrease)
	2010	2009	
RECEIPTS			
Taxes	\$ 306,216	\$ 291,081	5.20 %
Licenses and permits	13,661	10,739	27.21
Intergovernmental	1,618	5,807	(72.14)
Charges for services	2,750	3,375	(18.52)
Fines and forfeits	8,026	1,490	438.66
Investment earnings	284	1,229	(76.89)
Miscellaneous	2,031	1,842	10.26
TOTAL RECEIPTS	<u>\$ 334,586</u>	<u>\$ 315,563</u>	6.03 %
Per Capita	\$ 665	\$ 622	6.87 %
DISBURSEMENTS			
Current			
General government	\$ 73,283	\$ 74,693	(1.89) %
Public safety	121,878	134,516	(9.40)
Streets and highways	104,597	129,367	(19.15)
Miscellaneous	11,676	10,013	16.61
TOTAL DISBURSEMENTS	<u>\$ 311,434</u>	<u>\$ 348,589</u>	(10.66) %
Per Capita	\$ 619	\$ 688	(9.95) %
General Fund Balance - December 31	\$ 227,906	\$ 211,236	7.89 %
Per Capita	\$ 453	\$ 417	8.75

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

CITY OF WOODLAND, MINNESOTA
UNAUDITED SCHEDULES
AS OF DECEMBER 31, 2010

SCHEDULE OF ACCOUNTS RECEIVABLE

<u>FUND</u>	<u>SOURCE OF REVENUE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
General	City of Deephaven	Building Permits	\$ 16,625
General	Hennepin County	Tax Settlement	3,616
General	League of Minnesota Cities	Insurance Dividend	1,017
General	Pam Vazquez	2010 Fire Call	<u>250</u>
	TOTAL		<u><u>\$ 21,508</u></u>

SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES

<u>FUND</u>	<u>VENDOR NAME</u>	<u>ITEM AND PURPOSE</u>	<u>AMOUNT</u>
General	Bolton and Menk	Engineer	\$ 326
General	Campbell Knutson	Legal Services	44
General	Cornerstone	Snowplowing	8,906
General	Hennepin County	2010 Ballot Notices	82
General	Sun Sailor	Legal Notices	164
General	Tallen and Baertschi	Prosecution Charges (4th Quarter)	<u>324</u>
	TOTAL		<u><u>\$ 9,846</u></u>

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OTHER REQUIRED REPORTS

CITY OF WOODLAND
WOODLAND, MINNESOTA

YEAR ENDED
DECEMBER 31, 2010



5201 Eden Avenue
Suite 250
Edina, MN 55436

REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Council
City of Woodland, Minnesota

We have audited the financial statements of each major fund of the governmental and proprietary funds of the City of Woodland, Minnesota (the City), as of and for the year ended December 31, 2010, and have issued our report thereon dated February 23, 2011. In our report, our opinion was modified because the City prepares its governmental fund financial statements on the regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 Minnesota Office of the State Auditor pursuant to Minnesota statute section 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* covers seven main 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 except that we did not test for compliance in tax increment financing because the City has not established a tax increment financing district.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of management, the City Council, others within the organization, and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

5201 Eden Avenue
Suite 250
Edina, MN 55436

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS

Honorable Mayor and City Council
City of Woodland, Minnesota

In planning and performing our audit of the financial statements of each major fund of the governmental and proprietary funds of the City of Woodland, Minnesota (the City) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we consider the City's internal control over financial reporting as a basis for designing our auditing 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 such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

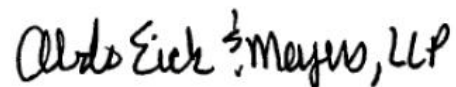
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency presented as finding 2010-1 in the Schedule of Findings and Responses to be a significant deficiency in internal control over financial reporting.

We noted certain matters that we reported to management of the City in a separate letter dated February 23, 2011.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the organization, and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

February 23, 2011
Minneapolis, Minnesota



ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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CITY OF WOODLAND, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010

<u>Finding</u>	<u>Description</u>
2010-1	Preparation of Financial Statements (Finding since 2007)
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision to accept the degree of risk associated with this condition because of cost or other considerations. Regarding the specific situations listed above, we would offer the following recommendations: 1) Utilize a disclosure checklist to ensure that all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your financial software to the amounts reported in the financial statements.
<i>Management Response:</i>	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.