

CITY OF WOODLAND  
WOODLAND, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2011

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CITY OF WOODLAND, MINNESOTA  
ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF WOODLAND  
WOODLAND, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF WOODLAND, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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
Chris Rich	Council Member	2014
John Massie	Council Member	2014

**APPOINTED**

Shelley Souers	City Clerk
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**FINANCIAL SECTION**

**CITY OF WOODLAND  
WOODLAND, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

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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, 2011, 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 2010 financial statements and, in our report dated February 23, 2011, 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 governmental fund 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, 2011 or changes in financial position 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, 2011, 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, 2011, 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.

As described in the Note 5 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

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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 16, 2012  
Minneapolis, Minnesota

*Abdo, Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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**FINANCIAL STATEMENTS  
REGULATORY BASIS**

CITY OF WOODLAND  
WOODLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF WOODLAND, MINNESOTA  
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	General	Street Improvement	Total
ASSETS			
Cash and temporary investments	\$ 251,305	\$ 39,968	\$ 291,273
LIABILITIES AND CASH FUND BALANCES			
LIABILITIES			
Deposits payable	\$ 2,500	\$ -	\$ 2,500
CASH FUND BALANCES			
Assigned for street improvement	-	39,968	39,968
Unassigned, reported in General fund	248,805	-	248,805
Total cash fund balances	248,805	39,968	288,773
TOTAL LIABILITIES AND CASH FUND BALANCES	\$ 251,305	\$ 39,968	\$ 291,273

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, 2011

	General	Street Improvement	Governmental Funds
RECEIPTS			
Taxes	\$ 295,572	\$ -	\$ 295,572
Licenses and permits	20,989	-	20,989
Intergovernmental	1,602	-	1,602
Charges for services	1,700	-	1,700
Fines and forfeitures	3,113	-	3,113
Interest on investments	187	28	215
Miscellaneous	4,158	-	4,158
	<u>327,321</u>	<u>28</u>	<u>327,349</u>
TOTAL RECEIPTS			
DISBURSEMENTS			
Current			
General government	71,981	-	71,981
Public safety	124,487	-	124,487
Public works	69,399	20,904	90,303
Miscellaneous	10,555	-	10,555
	<u>276,422</u>	<u>20,904</u>	<u>297,326</u>
TOTAL DISBURSEMENTS			
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>50,899</u>	<u>(20,876)</u>	<u>30,023</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	30,000	30,000
Transfers out	(30,000)	-	(30,000)
	<u>20,899</u>	<u>9,124</u>	<u>30,023</u>
NET CHANGE IN CASH FUND BALANCES			
CASH FUND BALANCES, JANUARY 1	<u>227,906</u>	<u>30,844</u>	<u>258,750</u>
CASH FUND BALANCES, DECEMBER 31	<u>\$ 248,805</u>	<u>\$ 39,968</u>	<u>\$ 288,773</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, 2011 AND 2010

	Business-type Activities - Enterprise Funds	
	<b>601</b>	
	Water	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (deficit)	\$ (3,610)	\$ 3,476
Receivables		
Accounts	5,539	3,910
Special assessments		
Delinquent	1,781	1,916
Current	9,000	9,450
TOTAL CURRENT ASSETS	12,710	18,752
NONCURRENT ASSETS		
Deferred special assessments	52,650	61,650
Capital assets		
Infrastructure	194,539	194,539
Less accumulated depreciation	(68,100)	(63,200)
Total capital assets (net of accumulated depreciation)	126,439	131,339
TOTAL NONCURRENT ASSETS	179,089	192,989
TOTAL ASSETS	191,799	211,741
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	2,651	3,499
Accrued interest payable	2,051	2,344
Current portion of bonds payable	12,500	12,500
TOTAL CURRENT LIABILITIES	17,202	18,343
LONG-TERM LIABILITIES		
Bonds payable	75,000	87,500
TOTAL LIABILITIES	92,202	105,843
NET ASSETS		
Invested in capital assets, net of related debt	38,939	31,339
Restricted for		
Debt service	29,013	28,826
Unrestricted	31,645	45,733
TOTAL NET ASSETS	\$ 99,597	\$ 105,898

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

Business-type Activities -  
Enterprise Funds

<b>602</b>			
Sewer		Totals	
2011	2010	2011	2010
\$ 161,702	\$ 178,159	\$ 158,092	\$ 181,635
7,967	7,431	13,506	11,341
1,550	2,192	3,331	4,108
3,000	3,150	12,000	12,600
174,219	190,932	186,929	209,684
17,550	20,550	70,200	82,200
697,666	697,666	892,205	892,205
(198,300)	(184,300)	(266,400)	(247,500)
499,366	513,366	625,805	644,705
516,916	533,916	696,005	726,905
691,135	724,848	882,934	936,589
3,697	3,037	6,348	6,536
2,293	2,589	4,344	4,933
32,654	31,828	45,154	44,328
38,644	37,454	55,846	55,797
213,660	246,314	288,660	333,814
252,304	283,768	344,506	389,611
253,052	235,224	291,991	266,563
92,754	116,217	121,767	145,043
93,025	89,639	124,670	135,372
<u>\$ 438,831</u>	<u>\$ 441,080</u>	<u>\$ 538,428</u>	<u>\$ 546,978</u>

CITY OF WOODLAND, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds	
	<b>601</b>	
	Water	
	2011	2010
OPERATING REVENUES		
Charges for services	\$ 18,967	\$ 17,671
OPERATING EXPENSES		
Professional services	10,499	19,872
Utilities	9,539	11,853
Depreciation	4,900	4,900
TOTAL OPERATING EXPENSES	24,938	36,625
OPERATING INCOME (LOSS)	(5,971)	(18,954)
NONOPERATING REVENUES (EXPENSES)		
Special assessments	4,650	4,768
Interest income	-	14
Interest expense	(4,980)	(5,684)
TOTAL NONOPERATING EXPENSES	(330)	(902)
NET LOSS BEFORE TRANSFERS	(6,301)	(19,856)
TRANSFERS IN	-	54,230
TRANSFERS OUT	-	-
CHANGE IN NET ASSETS	(6,301)	34,374
NET ASSETS, JANUARY 1	105,898	71,524
NET ASSETS, DECEMBER 31	\$ 99,597	\$ 105,898

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

Business-type Activities -  
Enterprise Funds

<b>602</b>			
Sewer		Totals	
2011	2010	2011	2010
\$ 31,061	\$ 34,687	\$ 50,028	\$ 52,358
1,218	2,637	11,717	22,509
13,089	17,721	22,628	29,574
14,000	14,000	18,900	18,900
28,307	34,358	53,245	70,983
2,754	329	(3,217)	(18,625)
1,541	1,463	6,191	6,231
132	217	132	231
(6,676)	(7,550)	(11,656)	(13,234)
(5,003)	(5,870)	(5,333)	(6,772)
(2,249)	(5,541)	(8,550)	(25,397)
-	-	-	54,230
-	(54,230)	-	(54,230)
(2,249)	(59,771)	(8,550)	(25,397)
441,080	500,851	546,978	572,375
\$ 438,831	\$ 441,080	\$ 538,428	\$ 546,978

CITY OF WOODLAND, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities Enterprise Funds	
	<b>601</b>	
	Water	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users		
City of Minnetonka usage charges	\$ 8,587	\$ 11,196
User fee revenue	3,860	3,528
Maintenance fee revenue	4,000	1,328
Delinquent utility revenue	1,026	358
Payments to suppliers		
Remittance to City of Minnetonka	(9,103)	(11,903)
Maintenance and other expenses	(11,783)	(18,236)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(3,413)</b>	<b>(13,729)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Collection of special assessments	14,100	15,050
Interest paid on bonds	(5,273)	(5,977)
Principal paid on bonds	(12,500)	(12,500)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(3,673)</b>	<b>(3,427)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	-	14
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,086)</b>	<b>(17,142)</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>3,476</b>	<b>20,618</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ (3,610)</b>	<b>\$ 3,476</b>

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

Business-type Activities -  
Enterprise Funds

<b>602</b>			
Sewer		Totals	
2011	2010	2011	2010
\$ 12,250	\$ 16,905	\$ 20,837	\$ 28,101
10,514	9,878	14,374	13,406
6,342	5,562	10,342	6,890
2,061	817	3,087	1,175
(12,854)	(17,683)	(21,957)	(29,586)
(793)	(2,637)	(12,576)	(20,873)
17,520	12,842	14,107	(887)
4,691	7,647	18,791	22,697
(6,972)	(7,877)	(12,245)	(13,854)
(31,828)	(35,081)	(44,328)	(47,581)
(34,109)	(35,311)	(37,782)	(38,738)
132	217	132	231
(16,457)	(22,252)	(23,543)	(39,394)
178,159	200,411	181,635	221,029
<u>\$ 161,702</u>	<u>\$ 178,159</u>	<u>\$ 158,092</u>	<u>\$ 181,635</u>

CITY OF WOODLAND, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities Enterprise Funds	
	<b>601</b>	
	Water	
	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS)		
TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (5,971)	\$ (18,954)
Adjustments to reconcile operating income (loss)		
to net cash provided (used) by operating activities:		
Depreciation	4,900	4,900
(Increase) decrease in assets:		
Receivables		
Accounts	(1,629)	(687)
Delinquent special assessments	135	(574)
Increase (decrease) in liabilities:		
Accounts payable	(848)	1,586
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,413)</u>	<u>\$ (13,729)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer of special assessment receivable from (to) other funds	<u>\$ -</u>	<u>\$ 54,230</u>

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



Business-type Activities -  
Enterprise Funds

<b>602</b>			
Sewer		Totals	
2011	2010	2011	2010
\$ 2,754	\$ 329	\$ (3,217)	\$ (18,625)
14,000	14,000	18,900	18,900
(536)	(317)	(2,165)	(1,004)
642	(1,208)	777	(1,782)
<u>660</u>	<u>38</u>	<u>(188)</u>	<u>1,624</u>
<u><u>\$ 17,520</u></u>	<u><u>\$ 12,842</u></u>	<u><u>\$ 14,107</u></u>	<u><u>\$ (887)</u></u>
<u><u>\$ -</u></u>	<u><u>\$ (54,230)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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CITY OF WOODLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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:

Assets	Useful Lives in Years
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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Fund balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

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

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

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

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

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

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

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

***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.

CITY OF WOODLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**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 2011.

**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 \$10,071 and the bank balance was \$10,071. The bank balance was covered by federal depository insurance.



CITY OF WOODLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

At December 31, 2011, 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>\$ 439,244</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	\$ 10,071
Petty cash	50
Investments	<u>439,244</u>
Total cash and temporary investments	<u>\$ 449,365</u>
Governmental funds	\$ 291,273
Proprietary funds	<u>158,092</u>
Total cash and temporary investments	<u>\$ 449,365</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 THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets being depreciated				
Infrastructure	\$ 892,205	\$ -	\$ -	\$ 892,205
Less accumulated depreciation for				
Infrastructure	<u>(247,500)</u>	<u>(18,900)</u>	<u>-</u>	<u>(266,400)</u>
Business-type activities capital assets, net	<u>\$ 644,705</u>	<u>\$ (18,900)</u>	<u>\$ -</u>	<u>\$ 625,805</u>

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

<b>Business-type activities</b>	
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 \$30,000 to the Street Improvement fund for future street repair projects.

CITY OF WOODLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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.

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	\$ 87,500
General Obligation Revenue Bonds, Series 1997A	698,775	2.580	04/15/97	08/20/18	246,314
Total G.O. Revenue Bonds					<u>\$ 333,814</u>

The annual requirement to amortize all bonds outstanding as of December 31, 2011 through maturity follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
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	48,680	4,377	53,057
2017-2018	99,341	3,803	103,144
Total	<u>\$ 333,814</u>	<u>\$ 41,648</u>	<u>\$ 375,462</u>

Changes in long-term liabilities

During the year ended December 31, 2011, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
General obligation improvement and revenue bonds	<u>\$ 378,142</u>	<u>\$ -</u>	<u>\$ (44,328)</u>	<u>\$ 333,814</u>	<u>\$ 45,154</u>

CITY OF WOODLAND, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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.

**Note 5: ACCOUNTING CHANGE**

GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for fiscal year end December 31, 2011. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1.

**INDIVIDUAL FUND FINANCIAL SCHEDULES**

CITY OF WOODLAND  
WOODLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF WOODLAND, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
BUDGETARY FUND BALANCES, JANUARY 1	\$ 227,906	\$ 227,906	\$ 227,906	\$ 211,236
RECEIPTS				
Taxes				
Property taxes	300,682	300,682	295,572	306,216
Licenses and permits	5,250	5,250	20,989	13,661
Intergovernmental				
County				
County grants	1,500	1,500	1,602	1,618
Road aid	1,271	1,271	-	-
Total intergovernmental	2,771	2,771	1,602	1,618
Charges for services				
Zoning and other	2,000	2,000	1,700	2,750
Fines and forfeitures	1,200	1,200	3,113	8,026
Interest on investments	1,000	1,000	187	252
Miscellaneous				
Other	1,000	1,000	4,158	2,031
TOTAL RECEIPTS	313,903	313,903	327,321	334,554
AMOUNTS AVAILABLE FOR APPROPRIATION	541,809	541,809	555,227	545,790

CITY OF WOODLAND, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	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	500	500	372	128	85
Total Mayor and Council	760	760	630	130	343
City Clerk					
Personal services	45,280	45,280	45,280	-	38,116
Supplies	1,115	1,115	925	190	975
Other services and charges	4,740	4,740	3,557	1,183	4,589
Total City Clerk	51,135	51,135	49,762	1,373	43,680
Assessor					
Other services and charges	8,500	8,500	8,725	(225)	8,739
Legal					
Other services and charges	12,000	12,000	2,454	9,546	6,914
Audit and accounting					
Other services and charges	10,410	10,410	10,410	-	13,607
Total general government	82,805	82,805	71,981	10,824	73,283
Public safety					
Police					
Other services and charges	101,321	101,321	101,321	-	98,370
Fire					
Personal services	23,166	23,166	23,166	-	23,508
Total public safety	124,487	124,487	124,487	-	121,878

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CITY OF WOODLAND, MINNESOTA  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
DISBURSEMENTS - CONTINUED					
Current - Continued					
Public works					
Streets and highways					
Supplies	\$ 350	\$ 350	\$ 2,006	\$ (1,656)	\$ -
Other services and charges	12,000	12,000	12,225	(225)	14,904
Total streets and highways	12,350	12,350	14,231	(1,881)	14,904
Snow and ice removal					
Other services and charges	25,000	25,000	34,666	(9,666)	30,744
Sanitation and recycling					
Other services and charges	14,800	14,800	13,474	1,326	15,782
Engineering					
Other services and charges	12,000	12,000	7,028	4,972	9,617
Total public works	64,150	64,150	69,399	(5,249)	71,047
Miscellaneous					
Unallocated					
Other services and charges	11,190	11,190	10,555	635	11,676
TOTAL DISBURSEMENTS	282,632	282,632	276,422	6,210	277,884
OTHER FINANCING USES					
Transfers out	31,271	31,271	30,000	1,271	40,000
TOTAL DISBURSEMENTS AND OTHER FINANCING USES	313,903	313,903	306,422	7,481	317,884
BUDGETARY FUND BALANCES, DECEMBER 31	\$ 227,906	\$ 227,906	\$ 248,805	\$ 20,899	\$ 227,906

CITY OF WOODLAND, MINNESOTA  
 PROPRIETARY FUNDS  
 SCHEDULE OF DEBT SERVICE CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Business-type Activities - Enterprise Funds		
	<b>601</b>		
	Water		
	Prior Years	2011	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
User fees	\$ 47,114	\$ 3,860	\$ 50,974
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Proceeds of bonds issued	250,000	-	250,000
Principal paid on bonds	(150,000)	(12,500)	(162,500)
Interest paid on bonds	(131,954)	(5,273)	(137,227)
Collections of special assessments	171,767	14,100	185,867
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	(48,173)	(3,673)	(51,846)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	29,885	-	29,885
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,826	187	29,013
CASH AND CASH EQUIVALENTS, JANUARY 1	-	28,826	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 28,826	\$ 29,013	\$ 29,013

Business-type Activities - Enterprise Funds

<b>602</b>					
Sewer			Totals		
Prior Years	2011	Total	Prior Years	2011	Total
\$ 133,813	\$ 10,514	\$ 144,327	\$ 180,927	\$ 14,374	\$ 195,301
698,775	-	698,775	948,775	-	948,775
(420,672)	(31,828)	(452,500)	(570,672)	(44,328)	(615,000)
(159,115)	(6,972)	(166,087)	(291,069)	(12,245)	(303,314)
465,717	4,691	470,408	637,484	18,791	656,275
18,000	-	18,000	18,000	-	18,000
(697,666)	-	(697,666)	(885,652)	-	(885,652)
(94,961)	(34,109)	(129,070)	(143,134)	(37,782)	(180,916)
77,365	132	77,497	107,250	132	107,382
116,217	(23,463)	92,754	145,043	(23,276)	121,767
-	116,217	-	-	145,043	-
\$ 116,217	\$ 92,754	\$ 92,754	\$ 145,043	\$ 121,767	\$ 121,767

CITY OF WOODLAND, MINNESOTA  
SUMMARY FINANCIAL REPORT  
RECEIPTS AND DISBURSEMENTS FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total		Percent Increase (Decrease)
	2011	2010	
RECEIPTS			
Taxes	\$ 295,572	\$ 306,216	(3.48) %
Licenses and permits	20,989	13,661	53.64
Intergovernmental	1,602	1,618	(0.99)
Charges for services	1,700	2,750	(38.18)
Fines and forfeits	3,113	8,026	(61.21)
Investment earnings	215	284	(24.30)
Miscellaneous	4,158	2,031	104.73
TOTAL RECEIPTS	<u>\$ 327,349</u>	<u>\$ 334,586</u>	(2.16) %
Per Capita	<u>\$ 749</u>	<u>\$ 665</u>	12.61 %
DISBURSEMENTS			
Current			
General government	\$ 71,981	\$ 73,283	(1.78) %
Public safety	124,487	121,878	2.14
Streets and highways	90,303	104,597	(13.67)
Miscellaneous	10,555	11,676	(9.60)
TOTAL DISBURSEMENTS	<u>\$ 297,326</u>	<u>\$ 311,434</u>	(4.53) %
Per Capita	<u>\$ 680</u>	<u>\$ 619</u>	9.89 %
General Fund Balance - December 31	\$ 248,805	\$ 227,906	9.17 %
Per Capita	569	453	25.66

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.

**SUPPLEMENTARY INFORMATION  
UNAUDITED**

**CITY OF WOODLAND  
WOODLAND, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

CITY OF WOODLAND, MINNESOTA  
SUPPLEMENTARY INFORMATION - UNAUDITED  
DECEMBER 31, 2011

**SCHEDULE OF ACCOUNTS RECEIVABLE**

<u>FUND</u>	<u>SOURCE OF REVENUE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
General	City of Deephaven	Q4 Building Permits	\$ 2,121
General	Hennepin County	Tax Settlement	9,511
General	Peter Plfaum	2010 Fire Call	250
	TOTAL		<u>\$ 11,882</u>

**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES**

<u>FUND</u>	<u>VENDOR NAME</u>	<u>ITEM AND PURPOSE</u>	<u>AMOUNT</u>
General	Sun Sailor Newspaper	December publications	\$ 195
General	Tallen & Baertschi	Prosecution Charges (4th Quarter)	303
General	Bolton & Menk	Engineer General Fund	377
General	City of Deephaven	Zoning	51
General	City of Deephaven	Professional Service - Document Shredding	58
General	City of Deephaven	Delinquent Sewer - 3100 Maplewood Rd	115
Street Imp.	Bolton & Menk	Engineer - Road Imp. Fund	30
	TOTAL		<u>\$ 1,129</u>

**OTHER REQUIRED REPORTS**

CITY OF WOODLAND  
WOODLAND, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

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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, 2011, and have issued our report thereon dated February 16, 2012. 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 16, 2012  
Minneapolis, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants

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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, 2011, 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 2011-1 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 16, 2012.

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 16, 2012  
Minneapolis, Minnesota

  
ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

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CITY OF WOODLAND, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Finding</u>	<u>Description</u>
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<b>2011-1</b>	<b>Preparation of financial statements</b>
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<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.

*Management response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.