

**CITY OF HALSTAD  
HALSTAD, MINNESOTA  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

TABLE OF CONTENTS

	<u>PAGE</u>
<b>ELECTED AND APPOINTED OFFICIALS</b>	1
<b>INDEPENDENT AUDITOR'S REPORT</b>	2-3
<b>FINANCIAL SECTION</b>	
Statement of Net Assets	4
Statement of Activities	5
Balance Sheet - Governmental Funds	6
Reconciliation of Governmental Funds Balance Sheet To Net Assets of Governmental Activities	7
Statement of Revenues, Expenditures and Changes in Fund in Balance Sheet – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities	9
Statement of Net Assets – Proprietary Funds	10
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	11
Statement of Cash Flow – Proprietary Funds	12-13
Notes to Financial Statements	14-25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual	26-28
Notes to Budgetary Comparison Schedules	29
<b>SUPPLEMENTARY INFORMATION</b>	
Balance Sheet – Non-Major Governmental Funds	30
Combining Schedule of Revenues, Expenditures and Changes In Fund Balances – Non-Major Governmental Funds by Fund Type	31
Statement of Net Assets – Non-Major – Enterprise Funds	32
Statement of Revenues, Expenses and Changes in Net Assets Non-Major – Enterprise Funds	33
Combining Statement of Cash Flow – Non-Major Proprietary Funds	34
Schedule of Operating Revenues and Expenses- Public Utility Departments	35
<b>STATISTICAL INFORMATION</b>	
Utility Statistics – Electrical Utilities Statistics	36

**CITY OF HALSTAD, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
December 31, 2009**

CITY COUNCIL

Glen Brookshire	Mayor	12/31/10
Ronald Gotteberg	Clerk-Treasurer	12/31/10
Tom Maroney	Trustee	12/31/12
Renae Horning	Trustee	12/31/12
Shane Carlson	Trustee	12/31/10

UTILITIES COMMISSION

Tom Maroney	President	12/31/10
Steve Rude	Secretary	12/31/11
John Hinkley	Commission Member	12/31/09
David C. Meyer	Utilities Superintendent	Appointed



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor,  
City Council and Clerk-Treasurer  
City of Halstad  
Halstad, Minnesota

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinions.

Management has not adopted Governmental Accounting Standards Board (GASB) statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment benefits other than Pensions," which will affect the way the City accounts for and reports their postemployment healthcare and other non-pension benefits. Accounting principles generally accepted in the United States of America require that this statement be implemented at the City in the year ending December 31, 2009, which would increase the liabilities and expenses in the governmental activities and the business-type activities on the government-wide statements, and Public Utilities Fund. The amount by which this departure would affect the liabilities and expenses of the governmental activities and the business-type activities on the government-wide statements, and the Public Utilities Fund is not determinable.

In our opinion, except for the effects of not implementing GASB statement No. 45 for the governmental activities and the business-type activities on the government-wide statements, and the Public Utilities Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Halstad, Minnesota, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BRADY, MARTZ & ASSOCIATES, P.C.  
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Grand Forks, ND 58208-4296 (701) 775-4685 Fax (701) 795-7498

OTHER OFFICES: Minot and Bismarck, ND  
Thief River Falls, MN

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2010, on our consideration of the City of Halstad, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 26 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City of Halstad has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Halstad's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other data, designated as statistical information is presented for purposes of additional analysis and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

*Brady Martz*

BRADY, MARTZ & ASSOCIATES, P.C.

May 26, 2010

CITY OF HALSTAD  
STATEMENT OF NET ASSETS  
For the Year Ended December 31, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 427,165	\$ 247,574	\$ 674,739
Accounts receivable, net of accumulated provision for uncollectible accounts	944	98,244	99,188
Internal Balances	(68,213)	68,213	-
Taxes and Special Assessments Receivable	56,630		56,630
Inventories		26,515	26,515
Total Current Assets	\$ 416,526	\$ 440,546	\$ 857,072
<b>Non-Current Assets:</b>			
<b>Capital Assets:</b>			
<b>Nondepreciable:</b>			
Land		\$ 11,168	\$ 11,168
<b>Depreciable:</b>			
Infrastructure	\$ 725,000		725,000
Building, improvements, and equipment	288,003	4,060,396	4,348,399
Less accumulated depreciation	(373,486)	(1,419,770)	(1,793,256)
Total Capital Assets (Net of Accumulated Depreciation)	\$ 639,517	\$ 2,651,794	\$ 3,291,311
Total assets	\$ 1,056,043	\$ 3,092,340	\$ 4,148,383
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 2,384	\$ 78,189	\$ 80,573
Loan Payable	53,200		53,200
Accrued employee benefits		9,274	9,274
Bonds Payable - Due within one year	50,000		50,000
Customer deposits		11,225	11,225
Unearned revenue	945		945
Total Current Liabilities	\$ 106,529	\$ 98,688	\$ 205,217
<b>Non-Current Liabilities</b>			
Bonds Payable - Due in more than one year	\$ 220,000		\$ 220,000
Total Liabilities	\$ 326,529	\$ 98,688	\$ 425,217
<b>NET ASSETS</b>			
Invested in capital assets - Net of Related Debt Unrestricted	\$ 369,517 359,997	\$ 2,651,794 341,858	\$ 3,021,311 701,855
Total net assets	\$ 729,514	\$ 2,993,652	\$ 3,723,166
Total liabilities and net assets	\$ 1,056,043	\$ 3,092,340	\$ 4,148,383

See Notes to Financial Statements

CITY OF HALSTAD  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2009

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 32,226	\$ -	\$ 16,615	\$ (15,611)	\$ -	\$ (15,611)
Public Safety	191,822	12,905	28,201	(150,716)	-	(150,716)
Highways and street	182,998	-	-	(182,998)	-	(182,998)
Culture and recreation	10,289	-	-	(10,289)	-	(10,289)
Miscellaneous	147,247	-	-	(147,247)	-	(147,247)
Total governmental activities	\$ 564,582	\$ 12,905	\$ 44,816	\$ (506,861)	\$ -	\$ (506,861)
Business-type activities:						
Public Service	\$ 941,636	\$ 998,729	\$ -	\$ -	\$ 57,093	\$ 57,093
Rental Property	72,783	100,153	-	-	27,370	27,370
Total business-type activities	\$ 1,014,419	\$ 1,098,882	\$ -	\$ -	\$ 84,463	\$ 84,463
Total primary government	\$ 1,579,001	\$ 1,111,787	\$ 44,816	\$ (506,861)	\$ 84,463	\$ (422,398)
General revenues:						
Property taxes				\$ 147,424	\$ -	\$ 147,424
Licenses and permits				2,376	-	2,376
Intergovernmental				329,257	-	329,257
Interest				5,576	528	6,104
Fines and penalties				2,051	-	2,051
Property sales				3,600	-	3,600
Reimbursements and refunds				5,948	-	5,948
Transfers				-	-	-
Miscellaneous				2,668	-	2,668
Total general revenues				\$ 498,900	\$ 528	\$ 499,428
Changes in net assets				\$ (7,961)	\$ 84,991	\$ 77,030
Net assets - beginning of year				\$ 737,475	\$ 2,908,661	\$ 3,646,136
Net assets - end of year				\$ 729,514	\$ 2,993,652	\$ 3,723,166

See Notes to Financial Statements

CITY OF HALSTAD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2009

	<u>General</u>	<u>Tax Increment District</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 402,489	\$ 11,510	\$ 13,166	\$ 427,165
Accounts Receivable	-		944	944
Due from other Funds	54,600			54,600
Special Assessments Receivable	48,397		-	48,397
Taxes Receivable	8,232		-	8,232
<b>Total</b>	<u>\$ 513,718</u>	<u>\$ 11,510</u>	<u>\$ 14,110</u>	<u>\$ 539,338</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,384			\$ 2,384
Loans Payable	-	\$ 53,200		53,200
Due to other Funds	15,013	107,800		122,813
Deferred Revenue	56,630		\$ 944	57,574
<b>Total</b>	<u>\$ 74,027</u>	<u>\$ 161,000</u>	<u>\$ 944</u>	<u>\$ 235,971</u>
<b>FUND BALANCES</b>				
Unreserved, reported in				
General fund	\$ 439,691			\$ 439,691
Special revenue funds	-	\$ (149,490)	\$ 13,166	(136,324)
<b>Total Fund Balance</b>	<u>\$ 439,691</u>	<u>\$ (149,490)</u>	<u>\$ 13,166</u>	<u>\$ 303,367</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 513,718</u>	<u>\$ 11,510</u>	<u>\$ 14,110</u>	<u>\$ 539,338</u>

See Notes to Financial Statements

CITY OF HALSTAD  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
For the Year Ended December 31, 2009

Total Governmental Funds Balance \$ 303,367

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.

	\$ 1,013,003	
Capital Assets		
Accumulated Depreciation	(373,486)	639,517

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Special assessments and property taxes	56,630
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Long-term liabilities not due and payable in the current period and therefore are not included in the funds:

Bonds Payable	(270,000)
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Net Assets of Governmental Activities	\$ 729,514
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See Notes to Financial Statements

CITY OF HALSTAD  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND IN  
BALANCE SHEET - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2009

	General	Tax Increment District	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 147,424	\$ -	\$ -	\$ 147,424
Special assessments	16,313	-	-	16,313
Licenses and permits	2,376	-	-	2,376
Intergovernmental	329,257	-	-	329,257
Charges for services	12,905	-	-	12,905
Fines and penalties	2,051	-	-	2,051
Interest	5,135	320	121	5,576
Contributions and donations	16,615	-	-	16,615
Rents	3,600	-	-	3,600
Reimbursements and refunds	5,948	-	-	5,948
Loan repayments	-	-	881	881
Miscellaneous	1,787	-	-	1,787
<b>Total receipts</b>	<b>\$ 543,411</b>	<b>\$ 320</b>	<b>\$ 1,002</b>	<b>\$ 544,733</b>
<b>EXPENDITURES</b>				
Current				
General government	\$ 32,226	\$ -	\$ -	\$ 32,226
Public safety	177,453	-	-	177,453
Highways and streets	139,198	-	-	139,198
Culture and recreation	10,289	-	-	10,289
Miscellaneous	24,247	123,000	-	147,247
Capital Outlay	72,928	-	-	72,928
Debt service:				
Principal	50,000	-	-	50,000
Interest and other charges	14,800	-	-	14,800
<b>Total disbursements</b>	<b>\$ 521,141</b>	<b>\$ 123,000</b>	<b>\$ -</b>	<b>\$ 644,141</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 22,270</b>	<b>\$ (122,680)</b>	<b>\$ 1,002</b>	<b>\$ (99,408)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>417,421</b>	<b>(26,810)</b>	<b>12,164</b>	<b>402,775</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 439,691</b>	<b>\$ (149,490)</b>	<b>\$ 13,166</b>	<b>\$ 303,367</b>

See Notes to Financial Statements



CITY OF HALSTAD  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2009

	Business Type Activities - Enterprise Funds		
	Public Service Utilities Fund	Non-Major Enterprises Funds	Totals
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 177,867	\$ 69,707	\$ 247,574
Accounts receivable, net of accumulated provision for uncollectible accounts	97,039	1,205	98,244
Due from other funds	69,755		69,755
Inventories	26,515	-	26,515
<b>Total current assets</b>	<b>\$ 371,176</b>	<b>\$ 70,912</b>	<b>\$ 442,088</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 2,646	\$ 8,522	\$ 11,168
Building, improvements, and equipment	3,805,133	255,263	4,060,396
Less accumulated depreciation	(1,263,875)	(155,895)	(1,419,770)
<b>Total capital assets</b>	<b>\$ 2,543,904</b>	<b>\$ 107,890</b>	<b>\$ 2,651,794</b>
<b>Total assets</b>	<b>\$ 2,915,080</b>	<b>\$ 178,802</b>	<b>\$ 3,093,882</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 75,591	\$ 2,598	\$ 78,189
Accrued employee benefits	9,274	-	9,274
Due to other Funds	-	1,542	1,542
Customer deposits	5,425	5,800	11,225
<b>Total current liabilities</b>	<b>\$ 90,290</b>	<b>\$ 9,940</b>	<b>\$ 100,230</b>
<b>NET ASSETS</b>			
Invested in capital assets	\$ 2,543,904	\$ 107,890	\$ 2,651,794
Unrestricted	280,886	60,972	341,858
<b>Total net assets</b>	<b>\$ 2,824,790</b>	<b>\$ 168,862</b>	<b>\$ 2,993,652</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,915,080</b>	<b>\$ 178,802</b>	<b>\$ 3,093,882</b>

See Notes to Financial Statements

CITY OF HALSTAD  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2009

	Business Type Activities - Enterprise Funds		
	Public Service Utilities Fund	Non-Major Enterprise Funds	Totals
<b>OPERATING REVENUE</b>			
Charges for services	\$ 849,141	\$ -	\$ 849,141
City departments - energy	18,331	-	18,331
City departments - administration fee	19,484	-	19,484
Penalties	7,414	-	7,414
Rentals	-	97,023	97,023
Leaseback	100,201	-	100,201
Other	4,158	3,130	7,288
	<u>\$ 998,729</u>	<u>\$ 100,153</u>	<u>\$ 1,098,882</u>
<b>OPERATING EXPENSES</b>			
Electric energy purchased	\$ 490,270	\$ -	\$ 490,270
Sewer water disposal	11,915	-	11,915
Salaries and wages	125,080	14,164	139,244
Heat, light and power	-	16,694	16,694
Repairs, maintenance and supplies	45,287	11,183	56,470
Professional services	4,800	1,175	5,975
Insurance	22,889	9,205	32,094
Payroll taxes and employee benefits	54,033	-	54,033
Depreciation	93,074	10,287	103,361
Dumpster rent and pickup	47,265	-	47,265
Generator Expense	14,872	-	14,872
Other	32,151	10,075	42,226
	<u>\$ 941,636</u>	<u>\$ 72,783</u>	<u>\$ 1,014,419</u>
Total operating expenses	<u>\$ 941,636</u>	<u>\$ 72,783</u>	<u>\$ 1,014,419</u>
Operating Income	<u>\$ 57,093</u>	<u>\$ 27,370</u>	<u>\$ 84,463</u>
<b>NONOPERATING REVENUE</b>			
Interest income	\$ 482	\$ 46	\$ 528
TOTAL NONOPERATING REVENUE	<u>\$ 482</u>	<u>\$ 46</u>	<u>\$ 528</u>
CHANGE IN NET ASSETS	\$ 57,575	\$ 27,416	\$ 84,991
NET ASSETS - BEGINNING	<u>2,767,215</u>	<u>141,446</u>	<u>2,908,661</u>
NET ASSETS - ENDING	<u>\$ 2,824,790</u>	<u>\$ 168,862</u>	<u>\$ 2,993,652</u>

See Notes to Financial Statements

CITY OF HALSTAD  
STATEMENT OF CASH FLOW  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2009

	Utility Fund	Non-Major Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 996,499	\$ 99,551	\$ 1,096,050
Payments to Suppliers	(713,710)	(49,361)	(763,071)
Payments to Employees	(125,080)	(14,164)	(139,244)
Net Cash Provided (Used) by Operating Activities	\$ 157,709	\$ 36,026	\$ 193,735
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of Capital Assets	\$ (82,507)	\$ -	\$ (82,507)
Contributions	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (82,507)	\$ -	\$ (82,507)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	\$ 482	\$ 46	\$ 528
Net Cash Provided by Investing Activities	\$ 482	\$ 46	\$ 528
Net Increase in Cash and Cash Equivalents	\$ 75,684	\$ 36,072	\$ 111,756
Cash and Cash Equivalents, January 1	102,183	33,635	135,818
Cash and Cash Equivalents, December 31	\$ 177,867	\$ 69,707	\$ 247,574

See Notes to Financial Statements

CITY OF HALSTAD  
STATEMENT OF CASH FLOW (CONT.)  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2009

	Utility Fund	Non-Major Funds	Totals
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Provided (Used) by Operating</b>			
<b>Activities:</b>			
Operating Income (Loss)	\$ 57,093	\$ 27,370	\$ 84,463
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	\$ 93,074	\$ 10,287	\$ 103,361
Change in Assets and Liabilities:			
Accounts Receivable	(2,330)	(803)	(3,133)
Decrease in Inventory	2,661	-	2,661
Accounts Payable	8,785	(1,028)	7,757
Accrued Expenses	(1,674)	-	(1,674)
Customer Deposits	100	200	300
Total Adjustments	\$ 100,616	\$ 8,656	\$ 109,272
Net Cash Provided by Operating Activities	\$ 157,709	\$ 36,026	\$ 193,735

See Notes to Financial Statements

CITY OF HALSTAD  
NOTES TO FINANCIAL STATEMENTS  
For Year Ended December 31, 2009

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Halstad operates under a City Council form of government. The financial statements of the City of Halstad have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The financial statements of the City include those of independently administered organizations of which guardianship responsibility falls on the City. Guardianship responsibility is determined on the basis of taxing powers, budget authority, appointment of governing Board members, designation of management, and fiscal accountability including a guaranteed or moral responsibility for debt. The criteria used to determine the financial reporting entity were in conformance with GASB Statement 14, The Financial Reporting Entity.

Based on the preceding criteria, there are no component units to be reported.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, reserves, fund balance/net assets, revenues, and expenditures or expenses, as appropriate. The City has the following funds:

## 1) Governmental Fund Types

Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance". The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following comprise the City's major governmental funds:

- a) General Fund — The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Many of the more important activities of the City, including operation of the City's general service departments such as public safety are accounted for in this fund.
- b) Tax Increment District – The Tax Increment Financing District No. 2 was established to acquire, demolish and develop two downtown lots into a dental office and parking lot. The financing cost of this project will be paid by future tax collections.

The City reports the following nonmajor governmental funds:

- c) Special Revenue Fund – This fund is used to account for proceeds of revenue sources restricted to expenditures for specific purposes. The City uses the Housing Rehabilitation Program fund for this.

## 2) Proprietary Fund Types

Proprietary fund types are used to account for a government's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has elected to apply all applicable FASB pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

Enterprise Fund Types are used to finance and account for the acquisition, operation, and maintenance of the City's facilities and services, which are supported primarily by user charges. The following is the City's major enterprise funds:

- a) Utilities Fund — To account for the operation and maintenance of the City's water, electric, sewage and refuse disposal departments.

The City reports the following non-major Enterprises funds:

- b) John Wimmer Homes – This fund is used to account for the operations of the John Wimmer Homes Fund.
- c) Sunrise Apartments – This fund is used to account for the operations of the Sunrise Apartment Fund.

## D. Measurement Focus and Basis of Accounting

The City adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, during the fiscal year ended

December 31, 2004. The adoption of this Statement is meant to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the City's financial outlook.

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Property taxes are recognized as a receivable at the time an enforceable legal claim is established. Property taxes are considered available if received within 60 days of year-end.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

**E. Budgets**

The City submits a proposed budget and levy to the County Auditor’s office by September 15. Truth in Taxation public hearings are held in December. The City must prepare a final budget and certify the levy to the County by December 31. A copy of the final budget and prior year revenue and expenditures must be submitted to the State Auditor’s office.

**F. Cash and Cash Equivalents**

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund. Investments for the City are reported at fair value.

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less.

**G. Capital Assets**

Capital assets, including land, buildings, improvements, infrastructure, and equipment assets, are reported in the applicable governmental or business- type activities columns in the government-wide financial statements. Capital assets are defined by the City of Halstad as assets with an initial, individual cost of more than \$1,000 and an initial useful life of one year or greater. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Buildings, improvements, infrastructure and equipment assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings	20-40 Years
Building Improvements	25 Years
Plant and Equipment	7-50 Years
Office Equipment	7 Years
Infrastructure	25 Years

**H. Encumbrances**

Appropriations in the Governmental Funds are charged for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorizations for expenditures in the subsequent year.

**I. Inventories**

Inventories are stated at the lower of cost or market and consist of consumable supplies. The cost of these supplies is recorded as an expense at the time they are relieved from inventory for use. Inventories are determined by actual count and priced on the first-in, first-out basis.

## **J. Deferred Revenues**

Deferred revenues in the Governmental Funds represent amounts due, which are measurable, but not available.

## **K. Inter-fund Transactions**

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions, which constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Non-current portions of long-term inter-fund loan receivables are reported as advances within the Governmental Funds, and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources, and therefore, are not available for appropriation.

## **L. Compensated Absences**

City employee's having less than 10 years of consecutive full-time service shall earn vacation leave at the rate of 1 working day for each calendar month of full-time service. Each permanent employee with at least 10 consecutive years of full-time service shall earn vacation leave at the rate of 1 and ½ working days for each calendar month of full-time service.

An employee may accrue vacation leave to a maximum of 30 days. Any days over 30 will be paid at the employee's hourly wage providing one week's worth of vacation was taken during the calendar year. At no time shall an employee be permitted to cash out vacation time to collect money if they have less than 30 days accrued.

Any employee leaving the municipal service in good standing after giving proper notice of such termination of employment shall be compensated for vacation leave accrued and unused to the date of separation.

Every probationary and permanent employee is entitled to sick leave with pay at the rate of 1 day for each calendar month of full-time service or major fraction thereof. Sick leave may be accumulated to a maximum of 200 days. Each employee has the option of after 60 days of accrued sick leave to take \$5/day in exchange for the additional sick leave days.

For Proprietary Fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned.

## **M. Fund Equity**

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Restrictions of net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

## **N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriation.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## **NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **Expenditures Over Budgeted Amounts**

Expenditures were more than budgeted in the general fund by \$149,514 in 2009.

## **NOTE 3: DEPOSITS**

In accordance with Minnesota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Minnesota laws require all public 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 includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of Minnesota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of Minnesota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking Board.

At year end December 31, 2009, the City's carrying amount of deposits was \$674,494 and the bank balance was \$691,532. Of the bank balances, \$581,841 was covered by Federal Depository Insurance. The remaining balance of \$109,591 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### **NOTE 4: TAXES RECEIVABLE**

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

The County spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1. Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15.

The County remits the collections to the City and other taxing districts three times a year, in January, July and December. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

Unremitted – Amounts collected by Norman County and not remitted to the City.

Delinquent – Amounts billed to property owners but not paid.

Deferred – Assessment installments which will be billed to property owners in future years.

#### **NOTE 5: ACCOUNTS RECEIVABLE**

Utility billings receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Utility billings receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A utility billing receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Resident accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis.

Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management determines the allowance for doubtful accounts by regularly evaluating individual resident receivables and considering a resident's financial condition, credit history, and current economic conditions. Resident receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management currently considers all patient accounts receivable to be collectable, thus no allowance for doubtful accounts has been provided.

**NOTE 6: CAPITAL ASSETS**

The following is a summary of proprietary fund type assets for the year ending December 31, 2009:

Governmental Activities	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Capital assets, being depreciated				
Infrastructure	\$ 725,000	\$ -	\$ -	\$ 725,000
Building	125,011	-	-	125,011
Equipment	90,564	72,428	-	162,992
Less accumulated depreciation	(330,617)	(42,869)		(373,486)
Governmental Activities capital assets, being depreciated, net	<u>\$ 609,958</u>	<u>\$ 29,559</u>	<u>\$ -</u>	<u>\$ 639,517</u>

Depreciation expense was charged to government functions as follows:

Highways and Streets	\$ 29,000
Public Safety	13,869
	<u>\$ 42,869</u>

Business Type Activities	Balance 12/31/08	Increases	Decreases	Balance 12/31/09
Capital assets, not being depreciated				
Land	\$ 11,168	\$ -	\$ -	\$ 11,168
Construction work in progress	-	-	-	-
	<u>\$ 11,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,168</u>
Capital assets, being depreciated				
Water	\$ 1,104,062	\$ 69,383	\$ -	\$ 1,173,445
Sewer	888,190	8,375	-	896,565
Electric	1,569,786	2,749	-	1,572,535
General utilities	179,232	2,000	(18,644)	162,588
Sunrise Apartments	115,000	-	-	115,000
Wimmer homes	140,263	-	-	140,263
	<u>\$ 3,996,533</u>	<u>\$ 82,507</u>	<u>\$ (18,644)</u>	<u>\$ 4,060,396</u>
Less accumulated depreciation	(1,335,053)	(103,361)	18,644	(1,419,770)
Total capital assets, being depreciated, net	<u>\$ 2,661,480</u>	<u>\$ (20,854)</u>	<u>\$ -</u>	<u>\$ 2,640,626</u>
Total Capital assets net	<u>\$ 2,672,648</u>	<u>\$ (20,854)</u>	<u>\$ -</u>	<u>\$ 2,651,794</u>

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

Water	\$ 20,038
Sewer	16,878
Electric	54,250
General utilities	1,908
Sunrise Apartments	4,600
Wimmer Homes	5,687
	<u>\$ 103,361</u>

**NOTE 7: LONG-TERM DEBT**

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

<u>Type</u>	<u>Fund Debt Serviced In</u>	<u>Original Amount</u>	<u>Maturity Date &amp; Interest Rate</u>	<u>Balance 12/31/09</u>
Special assessment debt with governmental commitment 1998 G.O. Improvement	General Fund	725,000	2/1/14 4.8 - 5.0%	<u>\$ 270,000</u>
Total long-term debt				<u><u>\$ 270,000</u></u>

Long-term debt transactions during the year were as follows:

	<u>Balance 01/01/09</u>	<u>New Issue</u>	<u>Retired</u>	<u>Balance 12/31/09</u>	<u>Due Within One Year</u>
Long-Term Debt	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 270,000</u>	<u>\$ 50,000</u>

The estimated principal and interest requirements to maturity will be as follows:

Years ending December 31,	<u>Prinipal</u>	<u>Interest</u>
2010	\$ 50,000	\$ 12,225
2011	55,000	9,625
2012	55,000	6,875
2013	55,000	4,125
2014	55,000	1,375
Totals	<u>\$ 270,000</u>	<u>\$ 34,225</u>

In 1998, the City issued its G.O. Improvement Bonds, Series 1998. The proceeds from this issue were used for various street, water and sewer projects within the City. The bonds are general obligations of the City for which the City will levy a direct annual ad valorem tax in addition to its pledge of special assessments levied against benefit properties to be collected over a 15 year period.

**NOTE 8: DEFINED BENEFIT PENSION PLANS – STATEWIDE**

A. Plan Description

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

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

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

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

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

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

## B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.50%, respectively, of their annual covered salary in 2009. PEPFF members are required to contribute 7.8% of their annual covered salary in 2009. The City of Halstad, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF member, 6.0% for Coordinated Plan PERF members, and 10.5% for PEPFF members.

Employer contribution rates for the Coordinated Plan and PEPFF are 6.25% and 11.7%, respectively, effective January 1, 2007. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008 and 2007 were \$11,514, \$13,033 and \$11,274, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

## C. Funding Policy

### Plan Description

The City remits a state aid payment to the Halstad Firefighters' Relief Association (association), a single-employer public retirement system that acts as an administrator for volunteer firefighters. All volunteer firefighters of the City are members of the Halstad Fire Department Relief Association. Retiring individuals receive a lump sum distribution in an amount equal to their respective account. The minimum retirement age is 50 and members are fully vested after 20 years. These benefit provisions and all other requirements are consistent with state statutes.

### Funding Policy

The City passes through state aids allocated to the plan in accordance with state statutes. The state aid was \$6,644 for 2009.

### Ten-Year Historical Trend Information

Ten-year historical trend information is available in the association's financial reports.

### Related Party Investments

As of December 31, 2009, and for the fiscal year then ended, the association held no securities issued by the City or other related parties.

### **NOTE 9: COMMITTED CONTRACTS**

The City of Halstad is a member of the Northern Municipal Power Agency. The Power Agency was incorporated on December 14, 1976, and is a municipal corporation and political subdivision of the State of Minnesota composed of 10 Minnesota and two North Dakota cities. The Power Agency was organized for the purpose of providing its members with electrical power pursuant to Minnesota Statutes, Section 453. The Power Agency has issued Electrical System Revenue Bonds to finance the purchase of a 30% interest in the Coyote Station Unit No. 1 electrical generating plant near Beulah, North Dakota. Under the Statute, the bonds are not the obligation of the member cities, but of Northern Municipal Agency and are secured and payable solely from the revenues from the sale of electricity to member cities and to Minnkota Power Cooperative, Inc.

### **NOTE 10: NOTES RECEIVABLE**

The City of Halstad had a Minnesota small city development grant for the purpose of home rehabilitation and city water projects that began in 1997. The City entered into a contract for administration services with Northwest Minnesota Multi – County Housing and Redevelopment Authority. The projects were completed in 1999 and the housing rehabilitation loan activity was transferred to the City. As of December 31, 2009, the remaining amount due on these loans totaled \$944.

### **NOTE 11: TAX INCREMENT REDEVELOPMENT**

The City of Halstad has set up a Tax Increment District to help finance and redevelop a downtown lot. A new building has been constructed and being used for a dental office.

### **NOTE 12: LOAN PAYABLE**

The Tax Increment Redevelopment District has a loan payable for development costs that will start to be paid back when taxes are collected. The loan has an annual interest rate of 5%, and a balance of \$53,200 at December 31, 2009.

**NOTE 13: OTHER POST EMPLOYMENT BENEFITS**

Under accounting principles generally accepted in the United States of America the City was required to implement Governmental Accounting Standards Board Statement No. 45 (GASB 45) "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" for its year ended December 31, 2009. In Minnesota, public entities are required to make health and dental benefits offered to employees available to retirees. Under Minn. Stat. section 471.61, subd. 2b, public entities cannot create a separate insurance group for retirees. Therefore, the City subsidizes premiums for retirees through an implicit rate subsidy. At December 31, 2009, the City has 4 employees and no retirees participating in its health and dental plans.

Management has elected not to adopt GASB 45 and obtain an actuary calculation of the liability and expenses associated with the implicit rate subsidy. As a result, the City's liabilities and expenses are understated by an undeterminable amount at December 31, 2009.

**NOTE 14: NEW PRONOUNCEMENTS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* will be effective for the entity for period beginning after June 15, 2010. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Management has not yet determined the effect this statement will have on its financial statements.

**NOTE 15: SUBSEQUENT EVENTS**

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through May 26, 2010, which is the date these financial statements were available to be issued.

CITY OF HALSTAD  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – BUDGET TO ACTUAL  
For the Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
General property taxes	\$ 166,600	\$ 147,424	\$ (19,176)
Special Assessments	16,000	16,313	313
Other	1,200	1,287	87
Licenses and permits	3,200	2,376	(824)
	<u>\$ 187,000</u>	<u>\$ 167,400</u>	<u>\$ (19,600)</u>
Intergovernmental revenues			
Market value credits	\$ -	\$ 22,615	\$ 22,615
Local government aid	155,700	155,724	24
Fire Relief Association Aid	9,100	6,644	(2,456)
Other	1,000	120,178	119,178
	<u>\$ 165,800</u>	<u>\$ 305,161</u>	<u>\$ 139,361</u>
Charges for services			
Fire protection fees	\$ 9,000	\$ 12,905	\$ 3,905
Snow removal	1,500	-	(1,500)
	<u>\$ 10,500</u>	<u>\$ 12,905</u>	<u>\$ 2,405</u>
Fines and penalties	<u>\$ 1,500</u>	<u>\$ 2,051</u>	<u>\$ 551</u>
Miscellaneous revenues			
Gifts and Donations	\$ -	\$ 16,615	\$ 16,615
Interest on investments	1,500	5,135	3,635
Sales and rental of property	3,600	3,600	-
Reimbursements and refunds	3,000	5,947	2,947
Other	1,000	24,597	23,597
	<u>\$ 9,100</u>	<u>\$ 55,894</u>	<u>\$ 46,794</u>
Total revenues	<u>\$ 373,900</u>	<u>\$ 543,411</u>	<u>\$ 169,511</u>
<b>EXPENDITURES</b>			
General government			
Audit	\$ 4,500	\$ 3,225	\$ 1,275
Assessment services	1,380	651	729
Election Expense	-	-	-
Payroll Expenses	11,220	11,213	7
County Assessment	2,200	2,471	(271)
Insurance	4,500	6,938	(2,438)
Legal	-	-	-
Supplies and other	6,500	7,728	(1,228)
	<u>\$ 30,300</u>	<u>\$ 32,226</u>	<u>\$ (1,926)</u>
Total general government	<u>\$ 30,300</u>	<u>\$ 32,226</u>	<u>\$ (1,926)</u>

CITY OF HALSTAD  
GENERAL FUND (CONT.)  
For the Year Ended December 31, 2009

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Public safety			
Police protection			
Contracted service	\$ 26,200	\$ 26,200	\$ -
Insurance	2,300	-	2,300
Animal Control	1,000	232	768
Other	2,000	1,651	349
	<u>\$ 31,500</u>	<u>\$ 28,083</u>	<u>\$ 3,417</u>
Fire protection			
Volunteers compensation	\$ 8,000	\$ 8,517	\$ (517)
Equipment and repairs	2,500	1,049	1,451
Hydrant rental	1,850	1,850	-
Jaws Truck	300	-	-
Telephone and utilities	3,500	4,712	(1,212)
County Assessment	800	-	800
Insurance	4,500	5,115	(615)
Other expense	1,000	4,019	(3,019)
Education and Training	5,400	2,463	2,937
Capital outlay - equipment	8,000	72,921	(64,921)
Firemen's Relief Association	11,100	8,897	2,203
	<u>\$ 46,950</u>	<u>\$ 109,543</u>	<u>\$ (62,893)</u>
Rescue squad			
Volunteers' compensation	\$ 5,200	\$ 5,546	\$ (346)
Repairs	1,500	115	1,385
Telephone and utilities	3,000	2,621	379
Capital outlay - equipment	6,800	271	6,529
Insurance	1,200	948	252
Other	500	-	500
	<u>\$ 18,200</u>	<u>\$ 9,501</u>	<u>\$ 8,699</u>
Flood			
Dike Maintenance	\$ 9,000	\$ 103,254	\$ (94,254)
Total public safety	<u>\$ 105,650</u>	<u>\$ 250,381</u>	<u>\$ (145,031)</u>

CITY OF HALSTAD  
GENERAL FUND (CONT.)  
For the Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance with Final Budget
Highways and streets			
Streets and property maintenance	\$ 46,000	\$ 45,123	\$ 877
Equipment repair and maintenance	45,000	54,044	(9,044)
Capital outlay	15,000	7,602	7,398
Snow removal	10,000	18,532	(8,532)
Street lighting	8,200	8,322	(122)
Tree Removal and replacement	1,500	297	1,203
Insurance	5,000	2,842	2,158
Street Bond Interest	14,650	14,800	(150)
Street Bond Principal	50,000	50,000	-
Other	5,000	2,436	2,564
	<u>\$ 200,350</u>	<u>\$ 203,998</u>	<u>\$ (3,648)</u>
Culture and recreation			
Recreation programs			
Park and other expense	\$ 8,000	\$ 10,289	\$ (2,289)
Miscellaneous			
Consulting - Engineering Fees	\$ 3,000	\$ 715	\$ 2,285
City beautification - Projects	10,000	8,760	1,240
Meals program	1,500	1,500	-
Economic Development Association	6,000	6,000	-
Café building expense	4,000	3,654	346
Other	7,500	3,618	3,882
	<u>\$ 32,000</u>	<u>\$ 24,247</u>	<u>\$ 7,753</u>
Total Expenditures	<u>\$ 376,300</u>	<u>\$ 521,141</u>	<u>\$ (145,141)</u>
EXCESS (DEFICIENCY) REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (2,400)</u>	<u>\$ 22,270</u>	<u>\$ (24,370)</u>
FUND BALANCE-BEGINNING OF YEAR	<u>417,421</u>	<u>417,421</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 415,021</u>	<u>\$ 439,691</u>	<u>\$ -</u>

CITY OF HALSTAD  
NOTES TO BUDGETARY COMPARISON SCHEDULES  
For the Year Ended December 31, 2009

**NOTE 1 - BUDGETARY COMPARISON**

Budgets are prepared for City funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the City.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council. The annual appropriated budget is not legally binding on the City unless the City has a deficit fund balance, which exceeds 2.5% of expenditures. Expenditures were more than budgeted in the general fund by \$145,141 in 2009.

**SUPPLEMENTARY INFORMATION**

CITY OF HALSTAD  
BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2009

	Housing Rehab Program	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 13,166	\$ 13,166
Accounts Receivable	944	944
Total Assets	\$ 14,110	\$ 14,110
<b>LIABILITIES</b>		
Deferred Revenue	\$ 944	\$ 944
<b>FUND BALANCES</b>		
Unreserved, Undesignated	\$ 13,166	\$ 13,166
Total Liabilities and Fund Balance	\$ 14,110	\$ 14,110

CITY OF HALSTAD  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS BY FUND TYPE  
 For the Year Ended December 31, 2009

	<u>Housing Rehab Program</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>		
Investment earnings	\$ 78	\$ 78
Interest	43	43
Loan payments	<u>881</u>	<u>881</u>
Total Revenues	<u>\$ 1,002</u>	<u>\$ 1,002</u>
<b>EXPENDITURES</b>		
Current		
Interest and other charges	\$ -	\$ -
Rehab expenses	-	-
Apartment expenses	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of Revenues over (under) Expenditures	\$ 1,002	\$ 1,002
Fund Balances - Beginning	<u>12,164</u>	<u>12,164</u>
Fund Balances - Ending	<u><u>\$ 13,166</u></u>	<u><u>\$ 13,166</u></u>

CITY OF HALSTAD  
STATEMENT OF NET ASSETS – NON-MAJOR  
ENTERPRISE FUNDS  
For the Year Ended December 31, 2009

	<u>John Wimmer Homes</u>	<u>Sunrise Apartments</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 37,429	\$ 32,278	\$ 69,707
Accounts Receivables	175	1,030	1,205
Total current assets	<u>\$ 37,604</u>	<u>\$ 33,308</u>	<u>\$ 70,912</u>
<b>NONCURRENT ASSETS</b>			
Land	\$ 3,522	\$ 5,000	\$ 8,522
Building, improvements and equipment	140,263	115,000	255,263
Less accumulated depreciation	<u>(112,578)</u>	<u>(43,317)</u>	<u>(155,895)</u>
Total noncurrent assets	<u>\$ 31,207</u>	<u>\$ 76,683</u>	<u>\$ 107,890</u>
Total assets	<u><u>\$ 68,811</u></u>	<u><u>\$ 109,991</u></u>	<u><u>\$ 178,802</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 509	\$ 2,089	\$ 2,598
Due to other funds	267	1,275	1,542
Customer deposits	<u>2,800</u>	<u>3,000</u>	<u>5,800</u>
Total current liabilities	<u>\$ 3,576</u>	<u>\$ 6,364</u>	<u>\$ 9,940</u>
<b>NET ASSETS</b>			
Invested in capital assets	\$ 31,207	\$ 76,683	\$ 107,890
Unrestricted	<u>34,027</u>	<u>26,944</u>	<u>60,971</u>
Total net assets	<u>\$ 65,235</u>	<u>\$ 103,627</u>	<u>\$ 168,862</u>
Total liabilities and net assets	<u><u>\$ 68,811</u></u>	<u><u>\$ 109,991</u></u>	<u><u>\$ 178,802</u></u>

CITY OF HALSTAD  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
NON – MAJOR - ENTERPRISE FUNDS  
For the Year Ended December 31, 2009

	<u>John Wimmer Homes</u>	<u>Sunrise Apartments</u>	<u>Total</u>
<b>OPERATING REVENUE</b>			
Tenant Rent	\$ 33,432	\$ 63,591	\$ 97,023
Other	962	2,168	3,130
	<u>\$ 34,394</u>	<u>\$ 65,759</u>	<u>\$ 100,153</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	\$ 6,506	\$ 7,658	\$ 14,164
Heat, light and power	3,744	12,950	16,694
Repairs, maintenance and supplies	4,329	6,854	11,183
Professional services	550	625	1,175
Insurance	2,671	6,534	9,205
Advertising	-	100	100
Depreciation	5,687	4,600	10,287
Telephone	-	414	414
Property Taxes	1,232	5,264	6,496
Administration Fee	950	1,542	2,492
Other	-	573	573
	<u>\$ 25,669</u>	<u>\$ 47,114</u>	<u>\$ 72,783</u>
Total operating income	<u>\$ 8,725</u>	<u>\$ 18,645</u>	<u>\$ 27,370</u>
<b>NONOPERATING REVENUE</b>			
Interest income	\$ 44	\$ 2	\$ 46
<b>CHANGE IN NET ASSETS</b>	<u>\$ 8,769</u>	<u>\$ 18,647</u>	<u>\$ 27,416</u>
<b>NET ASSETS - BEGINNING</b>	<u>56,466</u>	<u>84,980</u>	<u>141,446</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 65,235</u></u>	<u><u>\$ 103,627</u></u>	<u><u>\$ 168,862</u></u>

CITY OF HALSTAD  
 COMBINING STATEMENT OF CASH FLOW  
 NON-MAJOR PROPRIETARY FUNDS  
 For the Year Ended December 31, 2009

	<u>John Wimmer Homes</u>	<u>Sunrise Apartments</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 34,822	\$ 64,729	\$ 99,551
Payments to Suppliers	(13,288)	(36,073)	(49,361)
Payments to Employees	(6,506)	(7,658)	(14,164)
Net Cash Provided by Operating Activities	<u>\$ 15,028</u>	<u>\$ 20,998</u>	<u>\$ 36,026</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	\$ 44	\$ 2	\$ 46
Net Cash Provided by Investing Activities	<u>\$ 44</u>	<u>\$ 2</u>	<u>\$ 46</u>
 Net Increase in Cash and Cash Equivalents	\$ 15,072	\$ 21,000	\$ 36,072
 Cash and Cash Equivalents, January 1	<u>22,357</u>	<u>11,278</u>	<u>33,635</u>
 Cash and Cash Equivalents, December 31	<u><u>\$ 37,429</u></u>	<u><u>\$ 32,278</u></u>	<u><u>\$ 69,707</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	<u>\$ 8,725</u>	<u>\$ 18,645</u>	<u>\$ 27,370</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	\$ 5,687	\$ 4,600	\$ 10,287
(Increase) Decrease in Accounts Receivable	227	(1,030)	(803)
Increase (Decrease) in Accounts Payable	189	(1,217)	(1,028)
Increase (Decrease) in Accrued Expenses	-	-	-
Increase (Decrease) in Customer Deposits	200	-	200
Total Adjustments	<u>\$ 6,303</u>	<u>\$ 2,353</u>	<u>\$ 8,656</u>
Net Cash Provided by Operating Activities	<u><u>\$ 15,028</u></u>	<u><u>\$ 20,998</u></u>	<u><u>\$ 36,026</u></u>

CITY OF HALSTAD  
SCHEDULE OF OPERATING REVENUE AND EXPENSES  
PUBLIC UTILITY DEPARTMENTS  
For the Year Ended December 31, 2009

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewage Disposal</u>	<u>Refuse Disposal Department</u>	<u>Total</u>
<b>Operating revenues</b>					
Halstad consumers	\$ 668,047	\$ 67,180	\$ 60,936	\$ 52,978	\$ 849,141
City departments - energy	-	-	-	-	-
City departments - administration fee	19,484	-	-	-	19,484
Penalties	7,414	-	-	-	7,414
Equipment and dumpster rental	-	-	-	-	-
Leaseback	100,201	-	-	-	100,201
Other	4,640	-	-	-	4,640
<b>Total operating revenues</b>	<b>\$ 799,786</b>	<b>\$ 67,180</b>	<b>\$ 60,936</b>	<b>\$ 52,978</b>	<b>\$ 980,880</b>
<b>Operating expenses</b>					
<b>Production and distribution</b>					
Salaries	\$ 40,194	\$ 15,308	\$ 22,201	\$ -	\$ 77,703
Repair, maintenance and supplies	775	4,851	8,757	-	14,383
Electric energy purchased	490,270	-	-	-	490,270
Sewer waste disposal	-	-	11,915	-	11,915
Depreciation	54,249	20,038	16,878	-	91,165
Generator Expenses	14,872	-	-	-	14,872
Dumpster rent and pickup	-	-	-	47,265	47,265
Truck expense	6,478	2,468	3,579	-	12,525
Miscellaneous and training	14,571	4,743	3,949	-	23,263
<b>Total production and distribution</b>	<b>\$ 621,409</b>	<b>\$ 47,408</b>	<b>\$ 67,279</b>	<b>\$ 47,265</b>	<b>\$ 783,361</b>
<b>General and administrative</b>					
Salaries - administrative and office	\$ 15,793	\$ 15,792	\$ 15,792	\$ -	\$ 47,377
General supplies and maintenance	130	815	1,471	-	2,416
Office supplies and postage	3,036	3,035	3,035	-	9,106
Telephone	1,122	1,122	1,122	-	3,366
Depreciation	2,261	705	742	-	3,708
Professional fees and services	3,006	979	815	-	4,800
Insurance	11,838	4,510	6,540	-	22,889
PERA and Social Security	14,765	5,623	8,155	-	28,543
Less: Benefits Charged out	(9,483)	(3,611)	(5,237)	-	(18,331)
Miscellaneous	6,627	2,157	1,796	-	10,580
Employee insurance and other	13,184	5,023	7,284	-	25,491
<b>Total general and administrative</b>	<b>\$ 62,279</b>	<b>\$ 36,150</b>	<b>\$ 41,515</b>	<b>\$ -</b>	<b>\$ 139,945</b>
<b>Total operating expenses</b>	<b>\$ 683,688</b>	<b>\$ 83,558</b>	<b>\$ 108,794</b>	<b>\$ 47,265</b>	<b>\$ 923,306</b>
<b>Net operating income (loss)</b>	<b>\$ 116,098</b>	<b>\$ (16,378)</b>	<b>\$ (47,858)</b>	<b>\$ 5,713</b>	<b>\$ 57,574</b>

CITY OF HALSTAD, MINNESOTA  
UTILITY STATISTICS (Unaudited)  
ELECTRICAL UTILITIES STATISTICS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Kilowatt hours sold								
Residential	2,983,705	3,088,384	3,046,520	2,918,829	2,910,448	2,866,310	2,979,749	2,982,503
Off peak heating	2,908,079	2,965,714	2,533,853	2,522,682	2,399,759	2,517,857	2,452,869	2,470,412
Commerical lighting	1,194,609	1,082,091	1,217,837	1,139,306	1,277,661	1,078,941	1,182,238	1,455,097
Power	1,799,756	1,879,987	1,942,600	1,894,184	2,021,845	2,071,686	2,165,173	2,083,786
City usage	234,619	206,516	94,958	92,345	182,326	182,346	209,528	152,506
Water and sewer								
Department usage	<u>166,956</u>	<u>165,412</u>	<u>165,040</u>	<u>129,783</u>	<u>136,890</u>	<u>140,902</u>	<u>128,767</u>	<u>145,194</u>
Total KWH sold	9,287,724	9,388,104	9,000,808	8,697,129	8,928,929	8,858,042	9,118,324	9,289,498
Add								
Electric plant usage	<u>299,826</u>	<u>306,005</u>	<u>241,798</u>	<u>110,957</u>	<u>112,802</u>	<u>150,768</u>	<u>198,952</u>	<u>269,703</u>
	<u>9,587,550</u>	<u>9,694,109</u>	<u>9,242,606</u>	<u>8,808,086</u>	<u>9,041,731</u>	<u>9,008,810</u>	<u>9,317,276</u>	<u>9,559,201</u>
Total KWH purchased	10,060,367	10,165,594	9,644,753	9,168,915	9,366,627	9,421,391	9,589,437	9,616,275
Total KWH generated	<u>10,060,367</u>	<u>10,165,594</u>	<u>9,644,753</u>	<u>9,168,915</u>	<u>9,366,627</u>	<u>9,421,391</u>	<u>9,589,437</u>	<u>9,616,275</u>
Line loss	<u>(472,817)</u>	<u>(471,485)</u>	<u>(402,147)</u>	<u>(360,829)</u>	<u>(324,896)</u>	<u>(412,581)</u>	<u>(272,161)</u>	<u>(57,074)</u>
Loss percentage of KWH purchased	<u>4.70%</u>	<u>4.64%</u>	<u>4.17%</u>	<u>3.94%</u>	<u>3.47%</u>	<u>4.38%</u>	<u>2.84%</u>	<u>0.59%</u>