

**CITY OF GLENCOE, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2013**



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## **INTRODUCTORY SECTION**





**CITY OF GLENCOE, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2013**

**Elected Officials**

**Term Expires**

Mayor	12/31/2016	Randal Wilson
Council Member	12/31/2014	John Schrupp
Council Member	12/31/2014	Lori Adamietz
Council Member	12/31/2014	Gary Ziemer
Council Member	12/31/2016	Kevin W. Dietz
Council Member	12/31/2016	Daniel F. Perschau

**Appointed Officials**

City Administrator	Mark D. Larson
Finance Director	Todd Trippel
Public Works Director	Gary Schreifels
Chief of Police	James J. Raiter
Public Works Director	Michael Drew

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Glencoe  
Glencoe, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Honorable Mayor and  
Members of the City Council  
City of Glencoe

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis-of-Matter Regarding a Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of and for the year ended December 31, 2013. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited the City of Glencoe, State of Minnesota's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated May 10, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### **Required Supplementary Information**

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

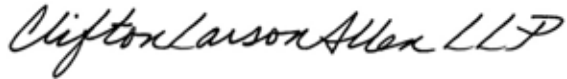
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Honorable Mayor and  
Members of the City Council  
City of Glencoe

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glencoe, State of Minnesota's basic financial statements as a whole. The Combining Fund Statements and Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Statements and Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Fund Statements and Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 19, 2014

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,431,968	\$ 1,128,897	\$ 3,560,865	\$ 397,693
Cash and Investments with Escrow Agent	771,283	1,139,622	1,910,905	-
Interest Receivable	1,606	2,373	3,979	-
Taxes Receivable	30,961	1,098	32,059	-
Accounts Receivable	51,846	30,902	82,748	610,505
Pledges Receivable	-	1,200	1,200	-
Special Assessments Receivable	27,831	18,121	45,952	-
Note Receivable	37,881	-	37,881	-
Lease Receivable	-	-	-	12,073
Other Receivables	-	-	-	369,998
Prepaid Expenses	-	-	-	129,974
Inventory	-	112,755	112,755	156,300
Land Held for Resale	261,455	-	261,455	-
Due from Component Unit	-	204,681	204,681	-
Restricted Assets	-	-	-	5,260,413
Capital Assets:				
Land	1,293,768	504,855	1,798,623	-
Construction in Progress	64,810	42,837	107,647	-
Other Capital Assets, Net of Depreciation	8,242,423	12,429,626	20,672,049	16,971,864
<b>Total Assets</b>	<b>13,215,832</b>	<b>15,616,967</b>	<b>28,832,799</b>	<b>23,908,820</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Bond Refunding	5,225	13,535	18,760	67,428
<b>LIABILITIES</b>				
Accounts Payable	126,026	235,114	361,140	387,509
Retainages Payable	-	445	445	-
Accrued Interest Payable	55,336	81,427	136,763	-
Accrued Expenses	35,522	162,082	197,604	155,724
Customer Deposits Payable	-	-	-	82,625
Other Deposits Payable	-	-	-	941
Due to the Primary Government	-	-	-	204,681
Non-Current Liabilities:				
Due Within One Year	1,933,777	1,645,802	3,579,579	586,675
Due in More Than One Year	4,494,315	4,414,216	8,908,531	6,760,094
<b>Total Liabilities</b>	<b>6,644,976</b>	<b>6,539,086</b>	<b>13,184,062</b>	<b>8,178,249</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,939,626	9,041,932	14,981,558	9,904,915
Restricted for:				
Park Improvement	432,967	-	432,967	-
Street Improvement Projects	156,590	-	156,590	-
Debt Service	-	11,995	11,995	902,999
Capital Projects	324,196	-	324,196	-
Unrestricted	(277,298)	37,489	(239,809)	4,990,085
<b>Total Net Position</b>	<b>\$ 6,576,081</b>	<b>\$ 9,091,416</b>	<b>\$ 15,667,497</b>	<b>\$ 15,797,999</b>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 991,287	\$ 236,016	\$ -	\$ -
Public Safety	1,352,654	89,259	163,822	-
Highways and Streets	610,981	49,049	-	156,903
Cemetery	16,648	-	-	-
Culture and Recreation	723,933	102,530	-	44,432
Economic Development	201,333	205	-	-
Interest on Long-Term Debt	203,543	-	-	-
Total Governmental Activities	<u>4,100,379</u>	<u>477,059</u>	<u>163,822</u>	<u>201,335</u>
Business-Type Activities:				
Water Fund	746,038	994,091	-	4,671
Wastewater Treatment Plant Fund	1,025,018	1,132,996	6,440	3,670
Sanitation Fund	21,565	31,138	-	-
City Center Fund	459,098	99,084	-	10,679
Municipal Liquor Fund	1,223,488	1,404,897	-	-
Airport Fund	131,833	52,269	59,204	-
Storm Water Management Fund	172,507	114,044	-	-
Total Business-Type Activities	<u>3,779,547</u>	<u>3,828,519</u>	<u>65,644</u>	<u>19,020</u>
Total Primary Government	<u>\$ 7,879,926</u>	<u>\$ 4,305,578</u>	<u>\$ 229,466</u>	<u>\$ 220,355</u>
Total Component Unit	<u>\$ 7,957,017</u>	<u>\$ 8,356,765</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes  
Franchise Fees  
Grants and Contributions Not  
  Restricted to Certain Purposes  
Unrestricted Investment Earnings  
Gain on Disposal of Capital Assets  
Other

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - As Previously Stated

Restatement

Net Position - As Restated

Net Position - Ending

See accompanying Notes to Financial Statements

**Net (Expense) Revenue and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit Light and Power Commission</b>
\$ (755,271)	\$ -	\$ (755,271)	\$ -
(1,099,573)	-	(1,099,573)	-
(405,029)	-	(405,029)	-
(16,648)	-	(16,648)	-
(576,971)	-	(576,971)	-
(201,128)	-	(201,128)	-
(203,543)	-	(203,543)	-
<u>(3,258,163)</u>	<u>-</u>	<u>(3,258,163)</u>	<u>-</u>
-	252,724	252,724	-
-	118,088	118,088	-
-	9,573	9,573	-
-	(349,335)	(349,335)	-
-	181,409	181,409	-
-	(20,360)	(20,360)	-
-	<u>(58,463)</u>	<u>(58,463)</u>	<u>-</u>
<u>-</u>	<u>133,636</u>	<u>133,636</u>	<u>-</u>
(3,258,163)	133,636	(3,124,527)	-
			399,748
2,530,223	75,006	2,605,229	-
26,552	-	26,552	-
1,067,762	-	1,067,762	-
5,978	38,172	44,150	36,135
5,157	795	5,952	-
52,966	57,848	110,814	-
39,500	<u>(39,500)</u>	<u>-</u>	<u>-</u>
<u>3,728,138</u>	<u>132,321</u>	<u>3,860,459</u>	<u>36,135</u>
469,975	265,957	735,932	435,883
6,278,726	8,940,330	15,219,056	15,362,116
<u>(172,620)</u>	<u>(114,871)</u>	<u>(287,491)</u>	<u>-</u>
<u>6,106,106</u>	<u>8,825,459</u>	<u>14,931,565</u>	<u>15,362,116</u>
<u>\$ 6,576,081</u>	<u>\$ 9,091,416</u>	<u>\$ 15,667,497</u>	<u>\$ 15,797,999</u>

**CITY OF GLENCOE, MINNESOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

	2013		
	General	2007 Tax Increment Bond	Other Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,169,535	\$ 569	\$ 261,864
Cash and Investments with Escrow Agent	-	771,283	-
Accounts Receivable	20,890	-	30,956
Interest Receivable	-	1,606	-
Note Receivable	-	-	37,881
Taxes Receivable			
Current	5,662	-	2,566
Delinquent	15,183	-	7,550
Special Assessments Receivable			
Current	-	-	216
Noncurrent	14,128	-	13,487
Due from Other Funds	212,326	-	-
Land Held for Resale	14,392	-	247,063
Total Assets	<u>\$ 2,452,116</u>	<u>\$ 773,458</u>	<u>\$ 601,583</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 118,675	\$ -	\$ 7,350
Accrued Expenses	35,522	-	-
Due to Other Funds	-	-	212,326
Total Liabilities	<u>154,197</u>	<u>-</u>	<u>219,676</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	29,311	-	58,918
<b>FUND BALANCES</b>			
Nonspendable	14,392	-	247,063
Restricted for:			
Park Improvement	432,967	-	-
Street Improvement Projects	-	-	156,590
Debt Service	-	773,458	39,481
Capital Projects	-	-	77,133
Committed for:			
Aquatic Center	-	-	2,054
Cable TV	-	-	11,364
Assigned for:			
Park Improvement	44,463	-	-
Charitable Gambling	838	-	-
Cemetery	80,138	-	-
Unassigned	1,695,810	-	(210,696)
Total Fund Balances	<u>2,268,608</u>	<u>773,458</u>	<u>322,989</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,452,116</u>	<u>\$ 773,458</u>	<u>\$ 601,583</u>

See accompanying Notes to Financial Statements

<u>2013</u>		<u>2012</u>	
Total Governmental Funds		Total Governmental Funds	
\$	2,431,968	\$	2,296,445
	771,283		1,179,764
	51,846		244,967
	1,606		588
	37,881		49,553
	8,228		32,270
	22,733		30,828
	216		4,300
	27,615		61,297
	212,326		382,104
	261,455		247,063
<u>\$</u>	<u>3,827,157</u>	<u>\$</u>	<u>4,529,179</u>

\$	126,025	\$	145,799
	35,522		34,285
	212,326		382,104
	373,873		562,188

	88,229		141,678
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	261,455		247,063
	432,967		432,967
	156,590		122,251
	812,939		1,223,442
	77,133		219,667
	2,054		1,637
	11,364		18,788
	44,463		41,890
	838		837
	80,138		87,265
	1,485,114		1,429,506
	3,365,055		3,825,313

<u>\$</u>	<u>3,827,157</u>	<u>\$</u>	<u>4,529,179</u>
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**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

Total Fund Balances for Governmental Funds \$ 3,365,055

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,293,768	
Construction in Progress	64,810	
Buildings, Net of Accumulated Depreciation	3,490,793	
Office Equipment and Furniture, Net of Accumulated Depreciation	23,670	
Vehicles, Net of Accumulated Depreciation	447,121	
Machinery and Shop Equipment, Net of Accumulated Depreciation	315,489	
Improvements Other than Buildings, Net of Accumulated Depreciation	2,055,533	
Infrastructure, Net of Accumulated Depreciation	1,909,817	9,601,001

Some of the City's property taxes, special assessments and notes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the governmental funds. 88,228

Loss on Refunding is reported as a deferred outflow of resources in the Statement of Net Position 5,225

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (55,336)

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term are reported in the Statement of Net Position. Balances at year-end are:

Bonds, Leases, Loans and		
Certificates of Participation Payable	(6,078,599)	
Other Postemployment Benefits Payable	(110,958)	
Compensated Absences Payable	(238,535)	(6,428,092)
Total Net Position of Governmental Activities		\$ 6,576,081

**CITY OF GLENCOE, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	2013		
	General	2007 Tax Increment Bond	Other Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,490,327	\$ -	\$ 1,037,216
Licenses and Permits	44,627	-	-
Intergovernmental	1,233,998	-	167,592
Charges for Services	138,105	-	69,602
Fines and Forfeits	30,670	-	-
Assessments	4,592	-	18,401
Interest Income	2,090	2,821	1,071
Contributions and Donations	43,845	-	-
Payment in Lieu of Taxes	80,000	-	-
Franchise Fees	9,319	-	26,552
Miscellaneous	147,825	-	15,709
Total Revenues	3,225,398	2,821	1,336,143
<b>EXPENDITURES</b>			
Current:			
General Government	762,978	-	46
Public Safety	1,259,204	-	-
Highways and Streets	397,137	-	22,353
Cemetery	16,648	-	-
Culture-Recreation	413,645	-	116,234
Economic Development	8,902	-	192,431
Miscellaneous	151,758	-	-
Capital Outlay:			
General Government	9,139	-	-
Public Safety	278,587	-	-
Highways and Streets	35,729	-	29,930
Culture-Recreation	55,554	-	-
Economic Development	-	-	-
Debt Service:			
Principal	184,938	100,000	745,000
Interest	34,464	71,646	98,444
Fiscal Charges	-	248	248
Total Expenditures	3,608,683	171,894	1,204,686
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(383,285)	(169,073)	131,457
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	75,000	152,000	154,327
Transfers Out	(40,500)	-	(301,327)
Lease Proceeds	46,200	-	-
Bond Proceeds	-	-	-
Bond Discount	-	-	-
General Obligation Equipment Certificate Proceeds	245,000	-	-
Proceeds from the Sale of Capital Assets	5,157	-	-
Insurance Proceeds	14,786	-	-
Payments to Bond Escrow Agent	-	(390,000)	-
Total Other Financing Sources (Uses)	345,643	(238,000)	(147,000)
Net Change in Fund Balances	(37,642)	(407,073)	(15,543)
Fund Balances - Beginning	2,306,250	1,180,531	338,532
Fund Balances - Ending	\$ 2,268,608	\$ 773,458	\$ 322,989

See accompanying Notes to Financial Statements

2013	2012
Total Governmental Funds	Total Governmental Funds
\$ 2,527,543	\$ 2,536,120
44,627	59,900
1,401,590	1,743,944
207,707	215,656
30,670	26,284
22,993	53,195
5,982	4,558
43,845	91,676
80,000	77,500
35,871	35,385
163,534	159,970
4,564,362	5,004,188
763,024	801,787
1,259,204	1,249,332
419,490	443,498
16,648	19,414
529,879	503,878
201,333	155,531
151,758	68,669
9,139	19,143
278,587	39,678
65,659	291,153
55,554	179,245
-	223,149
1,029,938	1,137,168
204,554	231,720
496	1,331
4,985,263	5,364,696
(420,901)	(360,508)
381,327	587,900
(341,827)	(511,900)
46,200	10,674
-	1,535,000
-	(1,089)
245,000	-
5,157	2,000
14,786	14,735
(390,000)	(300,000)
(39,357)	1,337,320
(460,258)	976,812
3,825,313	2,848,501
\$ 3,365,055	\$ 3,825,313

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**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (460,258)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset.

Capital Outlay	\$ 359,010	
Depreciation Expense	<u>(497,936)</u>	(138,926)

The governmental funds report bond and other long-term debt proceeds as other financing sources, while repayment of bond and other long-term debt principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces long-term liabilities. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it

General Obligation Equipment Certificate Proceeds	(245,000)	
Lease Proceeds	(46,200)	
Repayment of Bond, Equipment Certificates and Lease Principal	1,419,937	
Change in Accrued Interest	18,920	
Amortization of Bond Premiums	87	
Amortization of Bond Discounts	(279)	
Amortization of Loss on Bond Refunding	<u>(3,485)</u>	1,143,980

Delinquent and deferred property taxes, special assessments and notes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the governmental funds.

Unavailable Revenue - December 31, 2012	141,679	
Unavailable Revenue - December 31, 2013	<u>88,228</u>	(53,451)

In the Statement of Activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(21,370)

Change in Net Position of Governmental Activities \$ 469,975

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2013  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 605,284	\$ 405,267	\$ 35,743
Cash and Investments with Escrow Agent	-	-	-
Interest Receivable	-	-	-
Accounts Receivable	2,815	6,815	7,378
Pledges Receivable	-	-	-
Taxes Receivable	-	-	-
Special Assessments Receivable	8,760	9,361	-
Inventory	-	-	-
Due from Other Funds	40,548	-	-
Due from Component Unit	89,823	101,564	2,336
Total Current Assets	<u>747,230</u>	<u>523,007</u>	<u>45,457</u>
<b>NON-CURRENT ASSETS</b>			
Capital Assets			
Land	41,628	312,678	-
Construction in Progress	-	-	-
Other Capital Assets (Net of Accumulated Depreciation)	2,629,160	4,475,112	-
Total Capital Assets	<u>2,670,788</u>	<u>4,787,790</u>	<u>-</u>
Other Assets			
Bond Issuance Costs	-	-	-
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Current Assets	<u>2,670,788</u>	<u>4,787,790</u>	<u>-</u>
Total Assets	3,418,018	5,310,797	45,457
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Bond Refunding	9,434	4,101	-
	<u>9,434</u>	<u>4,101</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	71,159	76,164	4,532
Retainages Payable	-	-	-
Accrued Interest Payable	1,635	4,564	-
Compensated Absences Payable	60,340	56,549	-
Accrued Expenses	7,326	6,502	-
Due to Other Funds	-	-	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	40,000	295,000	-
Total Current Liabilities	<u>180,460</u>	<u>438,779</u>	<u>4,532</u>
<b>NON-CURRENT LIABILITIES</b>			
Other Postemployment Benefits Payable	19,607	26,635	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	330,000	469,325	-
Total Noncurrent Liabilities	<u>349,607</u>	<u>495,960</u>	<u>-</u>
Total Liabilities	<u>530,067</u>	<u>934,739</u>	<u>4,532</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,310,222	4,027,566	-
Restricted for Debt Service	-	-	-
Unrestricted	587,163	352,593	40,925
Total Net Position	<u>\$ 2,897,385</u>	<u>\$ 4,380,159</u>	<u>\$ 40,925</u>

See accompanying Notes to Financial Statements

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2013	2012
				Total Proprietary Funds	Total Proprietary Funds
\$ 1,286	\$ 81,317	\$ -	\$ -	\$ 1,128,897	\$ 1,013,478
-	-	-	1,139,622	1,139,622	1,162,122
-	-	-	2,373	2,373	870
3,487	108	10,278	21	30,902	30,354
1,200	-	-	-	1,200	39,333
1,098	-	-	-	1,098	2,151
-	-	-	-	18,121	16,228
-	112,755	-	-	112,755	103,733
-	-	-	-	40,548	3,397
-	-	-	10,958	204,681	175,269
<u>7,071</u>	<u>194,180</u>	<u>10,278</u>	<u>1,152,974</u>	<u>2,680,197</u>	<u>2,546,935</u>
-	-	150,549	-	504,855	488,677
-	42,837	-	-	42,837	-
<u>3,060,437</u>	<u>195,250</u>	<u>151,358</u>	<u>1,918,309</u>	<u>12,429,626</u>	<u>12,803,347</u>
<u>3,060,437</u>	<u>238,087</u>	<u>301,907</u>	<u>1,918,309</u>	<u>12,977,318</u>	<u>13,292,024</u>
-	-	-	-	-	114,871
-	-	-	-	-	<u>114,871</u>
<u>3,060,437</u>	<u>238,087</u>	<u>301,907</u>	<u>1,918,309</u>	<u>12,977,318</u>	<u>13,406,895</u>
<u>3,067,508</u>	<u>432,267</u>	<u>312,185</u>	<u>3,071,283</u>	<u>15,657,515</u>	<u>15,953,830</u>
-	-	-	-	13,535	19,372
4,753	76,171	1,385	950	235,114	202,454
-	445	-	-	445	-
47,199	-	-	28,029	81,427	82,479
13,710	12,435	-	-	143,034	123,314
2,773	2,447	-	-	19,048	14,344
30,080	-	6,625	3,843	40,548	3,397
802	-	-	-	802	2,394
120,000	-	-	1,190,000	1,645,000	1,185,000
<u>219,317</u>	<u>91,498</u>	<u>8,010</u>	<u>1,222,822</u>	<u>2,165,418</u>	<u>1,613,382</u>
9,133	3,762	-	-	59,137	44,724
334	-	-	-	334	1,136
<u>2,361,000</u>	<u>-</u>	<u>-</u>	<u>1,194,420</u>	<u>4,354,745</u>	<u>5,373,630</u>
<u>2,370,467</u>	<u>3,762</u>	<u>-</u>	<u>1,194,420</u>	<u>4,414,216</u>	<u>5,419,490</u>
<u>2,589,784</u>	<u>95,260</u>	<u>8,010</u>	<u>2,417,242</u>	<u>6,579,634</u>	<u>7,032,872</u>
578,301	238,087	301,907	1,585,849	9,041,932	8,829,447
-	-	-	11,995	11,995	25,992
(100,577)	98,920	2,268	(943,803)	37,489	84,891
<u>\$ 477,724</u>	<u>\$ 337,007</u>	<u>\$ 304,175</u>	<u>\$ 654,041</u>	<u>\$ 9,091,416</u>	<u>\$ 8,940,330</u>

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
 YEAR ENDED DECEMBER 31, 2013  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 991,696	\$ 1,126,911	\$ 7,967
Other Operating Revenues	2,395	6,085	23,171
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>994,091</u>	<u>1,132,996</u>	<u>31,138</u>
<b>OPERATING EXPENSES</b>			
Personal Services	309,568	315,752	9,349
Materials and Supplies	59,348	39,614	-
Repairs and Maintenance	10,737	204,823	-
Management Fees	39,261	10,190	8,706
Professional Services	25,918	54,750	2,891
Insurance	17,616	19,492	35
Utilities	60,991	97,170	555
Depreciation	84,617	239,391	-
Other	132,959	15,752	29
Total Operating Expenses	<u>741,015</u>	<u>996,934</u>	<u>21,565</u>
Operating Income (Loss)	253,076	136,062	9,573
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Special Assessments	4,671	3,670	-
Taxes	-	-	-
Federal Aid and Grants	-	4,830	-
State Aid and Grants	-	1,610	-
Donations	-	-	-
Insurance Proceeds	-	57,848	-
Interest on Investments	607	545	43
Interest Expense and Fiscal Charges	(5,023)	(28,084)	-
Amortization Expense	-	-	-
Bad Debt Expense	-	-	-
Gain (Loss) on Sale of Capital Assets	(5,000)	5,795	-
Total Nonoperating Revenues (Expenses)	<u>(4,745)</u>	<u>46,214</u>	<u>43</u>
Net Income (Loss) Before Contributions and Transfers	248,331	182,276	9,616
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	(35,000)	(35,000)	(5,000)
Total Contributions and Transfers	<u>(35,000)</u>	<u>(35,000)</u>	<u>(5,000)</u>
Change in Net Position	213,331	147,276	4,616
Net Position - As Previously Stated	2,693,108	4,256,179	36,309
Restatement	(9,054)	(23,296)	-
Net Position - As Restated	<u>2,684,054</u>	<u>4,232,883</u>	<u>36,309</u>
Net Position - Ending	<u>\$ 2,897,385</u>	<u>\$ 4,380,159</u>	<u>\$ 40,925</u>

See accompanying Notes to Financial Statements.



City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2013 Total Proprietary Funds	2012 Total Proprietary Funds
\$ 54,237	\$ -	\$ 51,187	\$ 114,044	\$ 2,346,042	\$ 2,019,105
44,847	-	1,082	-	77,580	125,384
-	1,404,897	-	-	1,404,897	1,370,337
-	(1,052,150)	-	-	(1,052,150)	(1,034,936)
<u>99,084</u>	<u>352,747</u>	<u>52,269</u>	<u>114,044</u>	<u>2,776,369</u>	<u>2,479,890</u>
124,384	97,095	-	-	856,148	847,479
16,336	21,891	35,533	-	172,722	174,782
9,502	3,113	1,931	-	230,106	186,704
-	-	1,382	-	59,539	27,875
8,484	4,401	40,124	9,567	146,135	159,784
11,973	5,042	17,023	-	71,181	74,935
17,595	10,816	4,683	-	191,810	192,829
70,087	12,730	20,668	88,252	515,745	506,249
43,410	16,250	10,489	-	218,889	236,531
<u>301,771</u>	<u>171,338</u>	<u>131,833</u>	<u>97,819</u>	<u>2,462,275</u>	<u>2,407,168</u>
(202,687)	181,409	(79,564)	16,225	314,094	72,722
-	-	-	-	8,341	5,047
75,006	-	-	-	75,006	76,238
-	-	34,105	-	38,935	43,701
-	-	25,099	-	26,709	13,776
5,679	-	-	-	5,679	6,540
-	-	-	-	57,848	88,041
32,539	92	4	4,342	38,172	37,404
(127,327)	-	-	(74,688)	(235,122)	(219,458)
-	-	-	-	-	(15,237)
(30,000)	-	-	-	(30,000)	-
-	-	-	-	795	-
<u>(44,103)</u>	<u>92</u>	<u>59,208</u>	<u>(70,346)</u>	<u>(13,637)</u>	<u>36,052</u>
(246,790)	181,501	(20,356)	(54,121)	300,457	108,774
5,000	-	-	-	5,000	609,141
180,500	-	-	-	180,500	222,876
-	(145,000)	-	-	(220,000)	(239,106)
<u>185,500</u>	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>(34,500)</u>	<u>592,911</u>
(61,290)	36,501	(20,356)	(54,121)	265,957	701,685
566,316	300,506	324,531	763,381	8,940,330	8,238,645
(27,302)	-	-	(55,219)	(114,871)	-
<u>539,014</u>	<u>300,506</u>	<u>324,531</u>	<u>708,162</u>	<u>8,825,459</u>	<u>8,238,645</u>
<u>\$ 477,724</u>	<u>\$ 337,007</u>	<u>\$ 304,175</u>	<u>\$ 654,041</u>	<u>\$ 9,091,416</u>	<u>\$ 8,940,330</u>

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2013**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 929,102	\$ 1,125,005	\$ 26,917
Cash Paid to Suppliers	(327,028)	(414,804)	(7,879)
Cash Paid to Employees	(335,816)	(313,099)	(9,349)
Net Cash Provided (Used) by Operating Activities	<u>266,258</u>	<u>397,102</u>	<u>9,689</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal Grants Received	-	4,830	-
State Grants Received	-	1,610	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(35,000)	(35,000)	(5,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(35,000)</u>	<u>(28,560)</u>	<u>(5,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Transfer to Other Funds	-	-	-
Proceeds from the Sale of Bonds	-	-	-
Proceeds from Sale of Capital Assets	-	5,795	-
Principal Paid on Bonds	(40,000)	(305,000)	-
Principal Paid on Capital Leases	-	-	-
Collection of Special Assessments	2,527	3,921	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(4,853)	(24,185)	-
Acquisition of Capital Assets	(24,523)	(118,590)	-
Bond Issuance Costs	-	-	-
Capital Contributions Received	-	-	-
Insurance Proceeds	-	57,848	-
Proceeds from Investments Sold	-	-	-
Purchase of Investments	-	-	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(66,849)</u>	<u>(380,211)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	607	545	43
Net Increase (Decrease) in Cash and Cash Equivalents	165,016	(11,124)	4,732
Cash and Cash Equivalents - January 1	440,268	416,391	31,011
Cash and Cash Equivalents - December 31	<u>\$ 605,284</u>	<u>\$ 405,267</u>	<u>\$ 35,743</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 253,076	\$ 136,062	\$ 9,573
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	84,617	239,391	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(1,255)	(4,301)	(4,414)
(Increase) Decrease in Due from Other Funds	(37,151)	-	-
(Increase) Decrease in Due from Component Unit	(26,583)	(3,690)	193
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	(19,459)	16,797	4,337
Increase (Decrease) in Retainages Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	6,691	6,089	-
Increase in Due to Other Funds	-	-	-
Increase in OPEB Payable	4,743	4,565	-
Increase (Decrease) in Accrued Expenses	1,579	2,189	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 266,258</u>	<u>\$ 397,102</u>	<u>\$ 9,689</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Amortization of Bond Issuance Costs	\$ -	\$ -	\$ -
Transfer of Capital Assets	-	-	-
Capital Contributions	-	-	-

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2013	2012
				Total Proprietary Funds	Total Proprietary Funds
\$ 104,182	\$ 1,405,181	\$ 58,192	\$ 114,712	\$ 3,763,291	\$ 3,490,262
(81,118)	(1,081,082)	(109,891)	(8,662)	(2,030,464)	(2,041,185)
(113,208)	(95,290)	(1,382)	-	(868,144)	(841,252)
(90,144)	228,809	(53,081)	106,050	864,683	607,825
-	-	34,105	-	38,935	-
-	-	25,099	-	26,709	-
180,500	-	-	-	180,500	160,000
-	(145,000)	-	-	(220,000)	(236,000)
180,500	(145,000)	59,204	-	26,144	(76,000)
-	-	-	-	-	(3,106)
626,000	-	-	-	626,000	1,603,244
-	-	-	-	5,795	-
(785,000)	-	-	(55,000)	(1,185,000)	(835,000)
(2,394)	-	-	-	(2,394)	(3,865)
-	-	-	-	6,448	7,022
76,059	-	-	-	76,059	74,087
(124,794)	-	-	(76,390)	(230,222)	(207,604)
-	(42,837)	(15,091)	-	(201,041)	(64,671)
-	-	-	-	-	(38,080)
11,929	-	-	-	11,929	24,812
-	-	-	-	57,848	88,041
-	-	-	22,500	22,500	-
-	-	-	-	-	(1,162,122)
32,673	-	-	-	32,673	34,680
-	-	-	-	-	43,701
-	-	-	-	-	13,776
(165,527)	(42,837)	(15,091)	(108,890)	(779,405)	(425,085)
(134)	92	4	2,840	3,997	1,854
(75,305)	41,064	(8,964)	-	115,419	108,594
76,591	40,253	8,964	-	1,013,478	904,884
\$ 1,286	\$ 81,317	\$ -	\$ -	\$ 1,128,897	\$ 1,013,478
\$ (202,687)	\$ 181,409	\$ (79,564)	\$ 16,225	\$ 314,094	\$ 72,722
70,087	12,730	20,668	88,252	515,745	506,249
5,098	284	5,923	-	1,335	(4,444)
-	-	-	-	(37,151)	(3,397)
-	-	-	668	(29,412)	(16,723)
-	(9,022)	-	-	(9,022)	(4,580)
(3,898)	41,158	(6,733)	459	32,661	22,197
-	445	-	-	445	-
6,207	733	-	-	19,720	14,510
30,080	-	6,625	446	37,151	3,397
4,335	770	-	-	14,413	16,224
634	302	-	-	4,704	1,670
\$ (90,144)	\$ 228,809	\$ (53,081)	\$ 106,050	\$ 864,683	\$ 607,825
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,237
-	-	-	-	-	62,876
5,000	-	-	-	5,000	609,141

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**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Glencoe have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**A. Financial Reporting Entity**

The City of Glencoe was formed and operates pursuant to Minnesota laws and statutes. The governing body consists of a Mayor and a five-member council elected by the voters of the City.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the City's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the City. In addition, the City's financial statements are to include all component units – entities for which the City is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds, account groups and the component units for which the City of Glencoe is financially accountable.

Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation.

**Discrete Presentation**

**Light and Power Commission**

The Light and Power Commission provides electric services to the citizens of Glencoe. The Light and Power Commission is governed by a five-member Board appointed by the City Council.

The entity meets the criteria to be included as a discrete presentation and, accordingly, has been included as a component unit in the government-wide financial statements. Copies of the financial reports for the Light and Power Commission are available at the Light and Power Commission's office.

**Excluded Units -**

Glencoe Fire Department Relief Association - This association is organized as a non-profit organization to provide pension and other benefits to its members in accordance with Minnesota statutes. The Board of Directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby state aids flow to the association and the association pays benefits directly to its members. The entity is excluded from the financial statement presentation as it is not fiscally dependent on the City, the economic resources of the Relief are not held for the direct benefit of the City and the City is not entitled to nor does it have the ability to access the Relief's economic resources.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental, proprietary, and fiduciary. Currently, the City has only governmental and proprietary type funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – This 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.

2007 Tax Increment Bond Fund – This debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

Water Fund – This accounts for the water service charges, which are used to finance the water system operating expenses.

Wastewater Treatment Plant Fund – This accounts for the wastewater treatment plant service charges, which are used to finance the wastewater treatment plant operating expenses.

Sanitation Fund – This accounts for the sanitation service charges, which are used to finance sanitation operating expenses.

City Center Fund – This accounts for revenues from functions, rent and donations, which are used to finance the city center operating expenses.

Municipal Liquor Fund – This accounts for revenues from sales to customers, which are used to finance the municipal liquor store operating expenses.

Airport Fund – This accounts for fuel sales to customers and rent revenues from customers, which are used to finance the airport operating expenses.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Storm Water Management Fund – This accounts for storm water management service charges, which are used to finance the storm water management operating expenses.

Additionally, the City reports non-major funds in the following categories:

Special Revenue Funds – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds – Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Project Funds – Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 and expenses of the City's enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the enterprise funds consider cash on hand and demand deposits to be cash and cash equivalents.

**Cash and Investments with Escrow Agent**

Cash and Investments with Escrow Agent consist of United States Treasury Securities and money market accounts held for the purpose of refunding the General Obligation Sewer and Improvement Bonds, Series 2007A. These assets are sufficient to meet the debt service requirements of the General Obligation Refunding Bonds, Series 2012A through the applicable crossover refunding date.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Taxes and Special Assessments**

Current taxes and special assessments receivable at December 31, 2013, represents taxes and special assessments currently remitted by the County Auditor. Delinquent taxes and special assessments receivable consist of tax levies and special assessments collectible in 2013 and prior years and are offset by unavailable revenues in the governmental fund financial statements.

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with Minnesota Statutes. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30<sup>th</sup> of each year are certified to the County for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as unavailable revenue at the time of the levy. Unavailable revenue is recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

**Accounts Receivable - Utilities**

The utilities provide an allowance for bad debts using the allowance method based on management's estimates. Services are sold on an unsecured basis. Payment is generally required within 30 days of the date of the billing. Accounts past due are individually analyzed for collectability. The amount of uncollectible accounts is not considered significant.

**Pledges Receivable**

Pledges receivable consist of donations committed for the completion of the City Center Project. These pledges receivable are due in 2014. There is no allowance for uncollectible pledges as this amount is not considered significant.

**Noncurrent Special Assessments**

In the governmental fund financial statements, noncurrent special assessments receivable represents the principal payments due in future years.

**Inventory**

Inventory is valued using the latest invoice price, which approximates the first-in, first-out (FIFO) method. The cost of inventories are recorded as an expenditure/expense when consumed rather than when purchased.

**Land Held for Resale**

Purchased land held for resale is recorded in the fund that purchased the property at the lower of cost or market value.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, street lights, water and sewer lines and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets acquired prior to the implementation of GASB 34 have been reported. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value as of the date of the donation. Capital assets are defined by the City as assets with an initial cost of more than \$5,000. The cost of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Capital assets are depreciated using the straight-line, half-year method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public use by the City, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 50 years on buildings, 10 to 100 years on improvements other than buildings, 6 to 20 years on vehicles and machinery and 7 years on office equipment. Useful lives on infrastructure capital assets vary from 20 to 90 years.

Capital assets not being depreciated include land and construction in progress.

**Unavailable Revenue**

Unavailable revenue is revenue where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Unavailable revenue has been reported, in the governmental funds for noncurrent and delinquent special assessments, delinquent taxes and a note receivable.

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends.

**Other Postemployment Benefits Payable**

Under the provisions of the various employee and union contracts the City provides health care coverage for three years provided the participant has reached the earlier of age 65 or the Rule of 85. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued and 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 expenditures.

**Fund Balance**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance are related to land held for resale. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the City imposes upon itself by high-level formal action prior to the close of the fiscal period. The City Council authorizes all assigned fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund, only.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the City's policy to use committed first, then assigned and finally unassigned fund balance.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds". All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Property Tax Revenue Recognition**

The City levies its property tax for the subsequent year in October. This levy is certified to the County of McLeod, as they are the collection agency for taxes within the County. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Taxes are due and payable at the County on May 15 and October 15 of each year and collections are remitted to the City in June and November. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and the following January are recognized as revenue for the current year. Taxes and credits not received at the year-end are classified as delinquent. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable revenue because it is not available to finance current expenditures. Unavailable revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**Net Position**

Net position represents the difference between total assets and deferred outflows of resources and total liabilities in the entity-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the entity-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**Restatement Due to a Change in Accounting Principle**

At December 31, 2013, the City of Glencoe, MN adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In connection with the City of Glencoe, MN's implementation of Governmental Accounting Standards Board (GASB) Statement No. 65, the beginning net position for the Governmental Activities, Business-Type Activities, Water Fund, Wastewater Treatment Plant Fund, City Center Fund and Storm Water Management Fund were restated due to bond issuance costs no longer being considered assets.

**E. Termination Benefits**

During the year ended December 31, 2013, the City offered a voluntary termination benefit to a police officer. This benefit amounted to a one-time payment of \$25,792 to be paid to the police officer and the payment was made in 2013.

**CITY OF GLENCOE, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**G. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2012, from which the summarized comparative information was derived. Certain amounts in the prior year financial statements have been reclassified for comparative purposes with the presentation in the current year financial statements.

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

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each fall, the City Council adopts an annual budget for the following year for all funds. Any modifications in the adopted budget can be made upon request of and approval by the City Council. All annual appropriations lapse at fiscal year end. Legal budgetary control is at the fund level. The resolutions and ordinances issuing bonds control the expenditures in the Debt Service Funds and contractual agreements control expenditures in the Capital Project Funds.

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2013.

**B. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 3,031,259	\$ 3,608,683

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**C. Deficit Fund Balances**

Certain funds had deficit fund balances at December 31, 2013, as follows:

Debt Service Funds	
City Sinking	\$ (14,711)
Willow Ridge 1st Addition	(42,753)
County State Aid Hwy #3	(51,963)
2004 N. Country/Glenknoll Area	(32,450)
2004 Street Improvement Bond	(68,819)

The deficits in the Debt Service Funds will be reduced as taxes, intergovernmental revenue and assessments are collected.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with Minnesota Statutes, the City and the Light and Power Commission maintains deposits at depository banks as authorized by the City Council.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. The City’s deposits were not exposed to custodial credit risk at December 31, 2013.

The City maintains a cash pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the Balance Sheet and Statement of Net Position as “Cash and Cash Equivalents.”

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

The City’s deposits in the depository banks at December 31, 2013 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

The Light and Power Commission’s deposits in the depository banks at December 31, 2013 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in 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. It is required that the City sign authorizations releasing collateral once it is pledged.

**CITY OF GLENCOE, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2013**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- General obligations rated “A” or better; Revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rated “A” or better.
- Banker’s acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States bank, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase 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.

At December 31, 2013, the City had the following investments:

The City does not have a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Investment maturities are scheduled to coincide with the debt service requirements of the General Obligation Refunding Bonds, Series 2012A and the crossover refunding date of the General Obligation Sewer Revenue and Improvement Bonds, Series 2007A. Information about the sensitivity of the fair values of the City’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

Type	Total	12 Months or Less
US Treasury Department	\$ 1,910,905	\$ 1,910,905

At December 31, 2013, the Light and Power Commission had no investments.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

The deposits and investments of the City are presented in the financial statements as follows:

Deposits	\$ 3,560,865
United States Treasury Securities (SLGS)	<u>1,910,905</u>
Total Cash and Cash Equivalents and Investments	<u><u>\$ 5,471,770</u></u>

These amounts are reported are presented on the statement of net position as follows:

Cash and Cash Equivalents - Governmental Activities	\$ 2,431,968
Cash and Investments with Escrow Agent - Governmental Activities	771,283
Cash and Cash Equivalents - Business-Type Activities	1,128,897
Cash and Investments with Escrow Agent - Business-Type Activities	<u>1,139,622</u>
	<u><u>\$ 5,471,770</u></u>

**NOTE 4 NOTE RECEIVABLE**

The City issued a promissory note to David and Terry Theis. The original note, dated December 29, 2011, was for \$60,000. Interest accrues at 2.50% annually until the note is paid in full. Interest and principal payments of \$1,065 are payable monthly through January 19, 2017. Payments are applied to interest first with the remainder applied to the principal balance. The note is secured by equipment and personal guarantees.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated					
Land	\$ 1,293,768	\$ -	\$ -	\$ -	\$ 1,293,768
Construction in Progress	-	64,810	-	-	64,810
Total Capital Assets, Not Being Depreciated	1,293,768	64,810	-	-	1,358,578
Capital Assets, Being Depreciated:					
Buildings	4,487,531	-	-	-	4,487,531
Improvements Other than Buildings	3,493,573	-	-	-	3,493,573
Office Equipment and Furniture	68,784	-	-	-	68,784
Vehicles	1,625,530	248,000	-	-	1,873,530
Machinery and Shop Equipment	830,395	46,200	-	-	876,595
Infrastructure	8,431,964	-	-	-	8,431,964
Total Capital Assets, Being Depreciated	18,937,777	294,200	-	-	19,231,977
Accumulated Depreciation:					
Buildings	(902,402)	(94,336)	-	-	(996,738)
Improvements Other than Buildings	(1,291,586)	(146,454)	-	-	(1,438,040)
Office Equipment and Furniture	(39,553)	(5,561)	-	-	(45,114)
Vehicles	(1,360,785)	(65,624)	-	-	(1,426,409)
Machinery and Shop Equipment	(501,607)	(59,499)	-	-	(561,106)
Infrastructure	(6,395,685)	(126,462)	-	-	(6,522,147)
Total Accumulated Depreciation	<u>(10,491,618)</u>	<u>(497,936)</u>	<u>-</u>	<u>-</u>	<u>(10,989,554)</u>
Total Capital Assets, Being Depreciated, Net	8,446,159	(203,736)	-	-	8,242,423
Governmental Activities Capital Assets, Net	<u>\$ 9,739,927</u>	<u>\$ (138,926)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,601,001</u>



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

**Governmental Activities:**

General Government	\$ 49,834
Public Safety	68,284
Public Works	206,310
Culture and Recreation	173,508
Total Depreciation Expense, Governmental Activities	<u>\$ 497,936</u>

Capital asset activity for business-type activities for the year ended December 31, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Business-Type Activities:</b>					
Capital Assets, Not Being Depreciated					
Land	\$ 488,677	\$ 21,178	\$ (5,000)	\$ -	\$ 504,855
Construction in Progress	-	42,837	-	-	42,837
Total Capital Assets, Not Being Depreciated	488,677	64,015	(5,000)	-	547,692
Capital Assets, Being Depreciated:					
Buildings	10,266,813	-	-	-	10,266,813
Improvements Other than Buildings	1,205,527	50,806	(242,722)	-	1,013,611
Vehicles	161,572	50,316	-	-	211,888
Office Equipment and Furniture	76,430	-	-	-	76,430
Machinery and Shop Equipment	1,372,309	40,902	(32,464)	-	1,380,747
Infrastructure	9,563,307	-	-	-	9,563,307
Total Capital Assets, Being Depreciated	22,645,958	142,024	(275,186)	-	22,512,796
Accumulated Depreciation:					
Buildings	(3,969,486)	(210,959)	-	-	(4,180,445)
Improvements Other than Buildings	(996,322)	(16,443)	242,722	-	(770,043)
Vehicles	(155,454)	(8,271)	-	-	(163,725)
Office Equipment and Furniture	(33,524)	(4,410)	-	-	(37,934)
Machinery and Shop Equipment	(1,055,604)	(74,304)	32,464	-	(1,097,444)
Infrastructure	(3,632,221)	(201,358)	-	-	(3,833,579)
Total Accumulated Depreciation	(9,842,611)	(515,745)	275,186	-	(10,083,170)
Total Capital Assets, Being Depreciated, Net	12,803,347	(373,721)	-	-	12,429,626
Business-Type Capital Assets, Net	<u>\$ 13,292,024</u>	<u>\$ (309,706)</u>	<u>\$ (5,000)</u>	<u>\$ -</u>	<u>\$ 12,977,318</u>

**NOTE 6 INTERFUND RECEIVABLES AND PAYABLES**

The balances at December 31, 2013 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 212,326	\$ -
Nonmajor Governmental Funds	-	212,326
Water Fund	40,548	-
City Center Fund	-	30,080
Airport Fund	-	6,625
Storm Water Management Fund	-	3,843
Total	<u>\$ 252,874</u>	<u>\$ 252,874</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES**

Long-term liabilities consist of the following at December 31, 2013:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities -</b>							
<u>General Obligation Bonds</u>							
\$610,000 G.O. Taxable Tax Increment Bonds - Series 2007B	5.50% - 6.125%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19	\$ 440,000	\$ -	\$ (440,000)	\$ -	\$ -
These Bonds were Paid Off in 2013							
\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion	2.75% - 4.00%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	480,000	-	(60,000)	420,000	60,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/17	385,000	-	(75,000)	310,000	75,000
\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B	1.10% - 2.85%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	405,000	-	(55,000)	350,000	50,000
\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B \$315,000 Portion	.50% - 2.10%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19	315,000	-	(105,000)	210,000	60,000
\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B \$410,000 Portion	.50% - 2.10%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19	410,000	-	-	410,000	60,000
Total General Obligation Bonds			2,435,000	-	(735,000)	1,700,000	305,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>General Obligation Equipment</u>							
<u>Certificates of Indebtedness</u>							
\$153,000 G.O. Equipment	4.50%	Interest and principal due quarterly on 3/1, 6/1, 9/1 and 12/1 until 6/1/13	\$ 16,749	\$ -	\$ (16,749)	\$ -	\$ -
These Certificates were Paid Off in 2013							
\$245,000 G.O. Equipment	3.00%	Interest and principal due annually on 2/20, until 2/20/18	-	245,000	-	245,000	51,652
Total General Obligation Equipment Certificates of Indebtedness			16,749	245,000	(16,749)	245,000	51,652
<u>Special Assessment Bonds</u>							
\$215,000 G.O. Improvement Bonds of 2002	4.00% - 4.80%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/13	25,000	-	(25,000)	-	-
These Bonds were Paid Off in 2013							
\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A	4.00% - 4.35%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	865,000	-	(50,000)	815,000	815,000
These Bonds will be Refunded with Refunding Bonds Issued During 2012							
\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A	2.85% - 4.20%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/24	1,210,000	-	(80,000)	1,130,000	85,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>Special Assessment Bonds (Continued)</u>							
\$945,000 G.O. Refunding Bonds - Series 2008B \$215,000 Portion	2.75% - 4.00%	Interest due semi- annually on 12/1 and 6/1 and principal due annually on 12/1 until 12/1/14	\$ 70,000	\$ -	\$ (35,000)	\$ 35,000	\$ 35,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$125,000 Portion This Portion of These Bonds were Paid Off in 2013	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	45,000	-	(45,000)	-	-
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$125,000 Portion This Portion of These Bonds were Paid Off in 2013	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	45,000	-	(45,000)	-	-
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	510,000	-	(90,000)	420,000	100,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	345,000	-	(55,000)	290,000	55,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$275,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	145,000	-	(70,000)	75,000	75,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>Special Assessment Bonds (Continued)</u>							
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$230,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	\$ 125,000	\$ -	\$ (60,000)	\$ 65,000	\$ 65,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	810,000	-	-	810,000	-
Total Special Assessment Bonds			4,195,000	-	(555,000)	3,640,000	1,230,000
Total Bonds Payable			6,646,749	245,000	(1,306,749)	5,585,000	1,586,652
<b>Capital Leases Payable</b>							
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	450,176	-	(44,770)	405,406	46,752
Heritage Series Tanker/Pumper	4.69%	Lease payments of \$46,999 due annually on 11/5 until 11/5/14	87,775	-	(42,882)	44,893	44,893
Phone System	16.25%	Lease payments of \$991 due monthly until 8/1/14	17,262	-	(9,796)	7,466	7,466
2012 John Deere Mower	0.00%	Lease payments of \$445 due monthly until 3/19/14	6,671	-	(5,337)	1,334	1,334

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
Capital Leases Payable (Continued)							
2013 Bobcat Skid Steer Loader	6.31%	Lease payments of \$10,404 due annually until 3/20/18	\$ -	\$ 46,200	\$ (10,404)	\$ 35,796	\$ 8,145
Total Capital Leases Payable			561,884	46,200	(113,189)	494,895	108,590
Unamortized Bond Discount			(2,772)	-	279	(2,493)	-
Unamortized Bond Premium			1,284	-	(87)	1,197	-
Compensated Absences Payable			236,976	238,535	(236,976)	238,535	238,535
Other Postemployment Benefits Payable			91,147	19,811	-	110,958	-
Total Governmental Activities Long-Term Liabilities			<u>\$ 7,535,268</u>	<u>\$ 549,546</u>	<u>\$ (1,656,722)</u>	<u>\$ 6,428,092</u>	<u>\$ 1,933,777</u>
<b>Business-Type Activities</b>							
\$2,365,000 G.O. Sewer and Improvement Bonds of 2007 - Series 2007A \$1,350,000 Portion These Bonds will be Refunded with Refunding Bonds Issued During 2012	4.00% - 4.35%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	\$ 1,245,000	\$ -	\$ (55,000)	\$ 1,190,000	\$ 1,190,000
\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A	1.85% - 6.30%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/31	1,930,000	-	(75,000)	1,855,000	80,000
\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B	4.00%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/21	250,000	-	(20,000)	230,000	25,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities - (Continued)</b>							
\$710,000 Temporary Gross Revenue Event Facility Bonds - Series 2010C	1.70%	Interest due semi- annually on 3/1 and 9/1 and principal due on 9/1/13	\$ 710,000	\$ -	\$ (710,000)	\$ -	\$ -
These Bonds were Paid off in 2013							
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$975,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	500,000	-	(255,000)	245,000	245,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	320,000	-	(30,000)	290,000	25,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$410,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/21	410,000	-	(40,000)	370,000	40,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	1,195,000	-	-	1,195,000	-

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities - (Continued)</b>							
\$626,000 Gross Revenue	2.50% -	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	\$ -	\$ 626,000	\$ -	\$ 626,000	\$ 40,000
Event Facility Refunding Bonds - Series 2013A	4.75%						
Total Bonds Payable			6,560,000	626,000	(1,185,000)	6,001,000	1,645,000
Dishwasher	0.00%	Lease payments of \$67 due monthly until 5/1/15	1,939	-	(802)	1,137	802
Hillyard Scrubber/Carpet	5.27%	Lease payments of \$1,634 due semi-annually until 2/1/13	1,591	-	(1,591)	-	-
Total Capital Leases			3,530	-	(2,393)	1,137	802
Other Postemployment Benefits Payable			44,724	14,412	-	59,136	-
Unamortized Bond Premium			1,071	-	(72)	999	-
Unamortized Bond Discount			(2,441)	-	187	(2,254)	-
Total Business-Type Long-Term Liabilities			<u>\$ 6,606,884</u>	<u>\$ 640,412</u>	<u>\$ (1,187,278)</u>	<u>\$ 6,060,018</u>	<u>\$ 1,645,802</u>



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

Annual debt service requirements to maturity for the City's bonded indebtedness are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,586,652	\$ 149,212	\$ 1,645,000	\$ 211,899	\$ 3,231,652	\$ 361,111
2015	641,332	105,760	294,000	156,319	935,332	262,079
2016	667,741	92,168	289,000	150,329	956,741	242,497
2017	679,185	76,202	295,000	143,568	974,185	219,770
2018	505,090	58,763	311,000	136,019	816,090	194,782
2019 - 2023	1,075,000	143,234	1,475,000	531,711	2,550,000	674,945
2024 - 2028	430,000	22,389	1,287,000	272,791	1,717,000	295,180
2029 - 2031	-	-	405,000	39,205	405,000	39,205
Total	<u>\$ 5,585,000</u>	<u>\$ 647,728</u>	<u>\$ 6,001,000</u>	<u>\$ 1,641,841</u>	<u>\$ 11,586,000</u>	<u>\$ 2,289,569</u>

On August 29, 2013, the City of Glencoe issued \$626,000 of Gross Revenue Event Facility Refunding Bonds, Series 2013A. The proceeds of the issue were used to pay the principal balance of the City's Temporary Gross Revenue Event Facility Bonds, Series 2010C due on September 1, 2013. Assets of the City Center Fund, together with scheduled ad valorem taxes, are dedicated to retire these bonds.

On October 28, 2013, the City of Glencoe issued \$245,000 of General Obligation Equipment Certificates of Indebtedness, Series 2013. The proceeds of the issue were used to acquire a 2002 Pierce Aerial Tanker Fire Truck. Assets of the General Fund are dedicated to retire these bonds.

In 2013 and prior years, the City of Glencoe entered into lease agreements as a lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital assets related to the capital leases have a cost of \$597,158 and \$186,964 of accumulated depreciation at December 31, 2013.

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2013 are as follows:

Year Ending December 31	Capital Leases Payable
2014	\$ 131,768
2015	74,741
2016	74,405
2017	74,406
2018	64,003
2019 - 2021	160,007
Total Minimum Lease Payments	579,330
Less Amount Representing Interest	83,298
Present Value of Minimum Lease Payments	<u>\$ 496,032</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

**Conduit Debt**

On August 1, 2005, the City issued Health Care Facilities Revenue Bonds, Series 2005 in the amount of \$25,075,000. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to refund the Health Care Facilities Revenues Bonds, Series 2001 and to complete a construction project. The bonds are to be paid back solely by Glencoe Regional Health Services and the City is not obligated in any way to pay for these bonds. On February 1, 2013, the City issued Health Care Facilities Revenue Refunding Bonds, Series 2013 in the amount of \$22,190,000. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to refund the Health Care Facilities Revenues Bonds, Series 2005. The bonds are to be paid back solely by Glencoe Regional Health Services and the City is not obligated in any way to pay for these bonds. As of December 31, 2013, the principal amount outstanding was \$22,190,000.

**Limited Pay-As-You-Go Note**

The City of Glencoe has issued a Limited Revenue Pay-As-You-Go Note for the purpose of financing a tax increment project. This note is not a general obligation of the City as it is payable only to the extent of future tax increments received. The balance as of December 31, 2013 was \$184,011.

**NOTE 8 OPERATING LEASES**

The City has entered into agreements to lease police cars. The lease terms are for periods of 3-7 years. The following is a schedule by years of future minimum rental payments required under the operating leases.

Year Ending December 31,		
2014	\$	33,134
2015		32,469
2016		20,088
2017		4,100
	\$	89,791

The City had \$37,374 of expenditures for these leases in 2013.

**NOTE 9 RESTRICTED FUND BALANCES**

Certain portions of fund balance are restricted to provide for funding on certain long-term liabilities or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds.

**A. Restricted for Park Improvement**

This restricted fund balance represents accumulated resources available for the purposes of improving the parks and recreational facilities as deemed appropriate by an outside donor or the Park Board.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 9 RESTRICTED FUND BALANCES (CONTINUED)**

**B. Restricted for Street Improvement Projects**

This restricted fund balance represents accumulated resources available for the future acquisition, construction and maintenance of Municipal State Aid streets and trails.

**C. Restricted for Debt Service**

This restricted fund balance represents accumulated resources available for the payment of future principal and interest on the City's bonded debt based on debt agreements.

**D. Restricted for Capital Projects**

This restricted fund balance represents accumulated resources available for the payment of costs associated with the City's various ongoing capital projects based on tax increment financing agreements.

**NOTE 10 COMMITTED FUND BALANCES**

Certain portions of fund balance are committed by high-level formal action prior to the close of the fiscal period to place constraints on spending that the City imposes upon itself to provide for the future operation of certain City provided services. The following is a summary of the committed fund balances for the governmental funds.

**A. Committed for Aquatic Center**

This committed fund balance represents accumulated resources available for the future operations of the City Aquatic Center.

**B. Committed for Cable TV**

This committed fund balance represents accumulated resources available for the future acquisition of equipment to broadcast City Council meetings and to be able to provide Cable TV services to the citizens of the City.

**NOTE 11 ASSIGNED FUND BALANCES**

Certain portions of fund balance are assigned based on City Council action. The following is a summary of the assigned fund balances for the governmental funds.

**A. Assigned for Park Improvement**

The General Fund includes an assignment of fund balance for a future park and recreational facility improvements.

**B. Assigned for Charitable Gambling**

The General Fund includes an assignment of fund balance for the future costs associated with monitoring charitable gambling activities within the City.

**C. Assigned for Cemetery**

The General Fund includes an assignment of fund balance for the future land acquisition, upkeep and maintenance of the City's Cemetery.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**Plan Descriptions**

All full-time and certain part-time employees of the City of Glencoe, MN are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) 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.

GERF 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.

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

**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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.60% of their annual covered salary in 2013. In 2013, the City of Glencoe, MN was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.40% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$87,729, \$85,502, and \$87,078, respectively. The City's contributions to Public Employees Police & Fire Fund for the years ending December 31, 2013, 2012, and 2011, were \$68,591, \$70,038, and \$68,591, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**Glencoe Fire Department Relief Association**

*Plan Description -*

Public Employee Retirement System (PERS) is a single-employer defined benefit pension plan administered by the Glencoe Fire Department Relief Association. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Glencoe Fire Department Relief Association has an annual audit. The audit report may be obtained by contacting the City's Fire Hall.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 12 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)**

**Glencoe Fire Department Relief Association (Continued)**

*Funding Policy -*

The funding policy provides for periodic City contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. City contribution rates are determined using the entry age normal cost actuarial funding method. Total City contributions for the years ended December 31, 2013, 2012, and 2011 were \$68,795, \$68,789, and \$68,795, respectively.

**NOTE 13 DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination, retirement, death, or unforeseeable emergency. The City does not contribute to the plan.

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The City administers a single-employer defined benefit healthcare plan ("the Plan"). The plan provides healthcare insurance for eligible retirees for a period of three years through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and various unions representing employees. The Plan does not issue a publicly available financial report.

**B. Funding Policy**

Contributions requirements are also negotiated between the City and union representatives. The City contributes 100 percent of the cost of current-year premiums for eligible retired plan members. For fiscal year 2013, the City contributed \$16,570 to the plan.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 52,660
Interest on Net OPEB Obligation	5,435
Adjustment to Annual Required Contribution	(7,302)
Annual OPEB Cost (Expense)	50,793
Contributions Made	16,570
Increase in Net OPEB Obligation	34,223
Net OPEB Obligation - Beginning of Year	135,871
Net OPEB Obligation - End of Year	\$ 170,094

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 50,793	32.62%	\$ 170,094
12/31/2012	51,129	2.22%	135,871
12/31/2011	29,382	0.00%	85,879

**D. Funded Status and Funding Progress**

As of January 1, 2012, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$502,069. The annual payroll for active employees covered by the plan in the actuarial valuation was \$1,574,620, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.89 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 14 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement Age for Active Employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the earlier of age 65 or the Rule of 85.

*Mortality* – Life expectancies are based on mortality tables at the National Center for Health Statistics website. The 2000 United States Life Tables for Males and United States Life Tables for Females were used.

*Turnover* – The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in Paragraph 35b of GASB 45.

*Healthcare Cost Trend Rate* – The expected rate of increase in healthcare insurance premiums used was 10% initially, reduced to an ultimate rate of 5% after ten years.

*Health Insurance Premiums* - For insured plans, the premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age-adjusted claims are developed and used to value the OPEB liability.

*Participation Rate* – It is assumed that 67% of active participants will continue coverage. Participants are assumed to continue in single coverage.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4 percent was used. In addition, the Projected Unit Credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at December 31, 2013, did not exceed 30 years.

**NOTE 15 FRANCHISE TO CITY**

A resolution was adopted by the Light and Power Commission for a transfer of funds to the City in lieu of taxes. The total sum to be transferred to the City each year shall be equal to, or greater than, what taxes would be for a privately owned utility operating within the City limits.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 15 FRANCHISE TO CITY (CONTINUED)**

Beginning in 1998, the Commission and the City of Glencoe agreed that the annual transfers in lieu of taxes would be \$50,000. Starting in 2011, this amount increased to \$75,000. In addition, the Commission approved a \$2,500 increase starting in 2012 for five consecutive years. In addition, the Commission provided, at no cost to the City, street lights and street light maintenance in the amount of \$34,776 for 2013.

**NOTE 16 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. The City has purchased commercial insurance policies to handle any losses arising from various risks. There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three years.

**NOTE 17 CONTINGENT LIABILITIES**

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations, and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**NOTE 18 RECONCILIATION OF OPERATING TRANSFERS**

	Transfers In	Transfers Out
Governmental Fund Types		
General Fund	\$ 75,000	\$ (40,500)
2007 Tax Increment Bond	152,000	-
Nonmajor Governmental Funds	154,327	(301,327)
Total Governmental Funds	381,327	(341,827)
Proprietary Fund Types		
Water Fund	-	(35,000)
Wastewater Treatment Plant	-	(35,000)
Sanitation	-	(5,000)
City Center	180,500	-
Liquor Store	-	(145,000)
Total Proprietary Funds	180,500	(220,000)
Total Operating Transfers	\$ 561,827	\$ (561,827)



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 18 RECONCILIATION OF OPERATING TRANSFERS (CONTINUED)**

Throughout the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. Other transfers were made between funds for deficit reduction, funding debt payments, closing out funds and paying for management services provided by City Administrative staff.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)	2012 Actual
<b>REVENUES</b>					
Taxes -					
General Property Taxes	\$ 1,470,000	\$ 1,470,000	\$ 1,490,327	\$ 20,327	\$ 1,481,953
Special Assessments	5,858	5,858	4,592	(1,266)	8,131
Franchise Taxes	10,000	10,000	9,319	(681)	10,495
Total Taxes	<u>1,485,858</u>	<u>1,485,858</u>	<u>1,504,238</u>	<u>18,380</u>	<u>1,500,579</u>
Licenses and Permits	42,000	42,000	44,627	2,627	59,900
Intergovernmental -					
Local Government Aid	1,063,153	1,063,153	1,063,153	-	1,063,153
Market Value Credit Aid	2,500	2,500	118	(2,382)	9
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,491
Police State Aid	60,000	60,000	61,527	1,527	51,780
Fire State Aid	30,000	30,000	40,257	10,257	27,087
Miscellaneous State Aid	2,000	2,000	18,279	16,279	4,010
Miscellaneous Federal Aid	-	-	46,173	46,173	-
Total Intergovernmental	<u>1,162,153</u>	<u>1,162,153</u>	<u>1,233,998</u>	<u>71,845</u>	<u>1,150,530</u>
Charges for Services -					
Special Services, Police	20,000	20,000	11,922	(8,078)	13,171
Special Services, Fire	36,000	36,000	37,668	1,668	35,322
Miscellaneous Charges	35,900	35,900	88,515	52,615	89,778
Total Charges for Services	<u>91,900</u>	<u>91,900</u>	<u>138,105</u>	<u>46,205</u>	<u>138,271</u>
Fines and Forfeits	22,000	22,000	30,670	8,670	26,284
Interest	4,100	4,100	2,090	(2,010)	2,200
Contributions and Donations	13,000	13,000	43,845	30,845	91,676
Payments in Lieu of Taxes	80,000	80,000	80,000	-	77,500
Miscellaneous -					
Park Fees	12,000	12,000	13,774	1,774	14,317
Reimbursements, Refunds and Miscellaneous	50,800	50,800	134,051	83,251	127,599
Total Miscellaneous	<u>62,800</u>	<u>62,800</u>	<u>147,825</u>	<u>85,025</u>	<u>141,916</u>
Total Revenues	<u>2,963,811</u>	<u>2,963,811</u>	<u>3,225,398</u>	<u>261,587</u>	<u>3,188,856</u>

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)	2012 Actual
<b>EXPENDITURES</b>					
General Government -					
Administration:					
Salaries	\$ 173,431	\$ 173,431	\$ 177,019	\$ (3,588)	\$ 165,151
Employee Benefits	57,871	57,871	58,486	(615)	47,378
Payroll Taxes	10,753	10,753	10,331	422	9,758
Workers' Compensation	2,000	2,000	1,309	691	1,712
Office Supplies	6,000	6,000	6,051	(51)	4,878
Printing and Binding	3,500	3,500	2,226	1,274	2,388
Repairs and Maintenance	10,500	10,500	11,883	(1,383)	4,721
Professional Services	30,000	30,000	64,774	(34,774)	73,344
Auditing and Accounting	36,000	36,000	33,050	2,950	34,045
Legal Fees	18,000	18,000	13,954	4,046	32,316
Chamber	33,000	33,000	33,185	(185)	33,818
Computer Software	2,000	2,000	1,337	663	1,281
Telephone	2,500	2,500	5,819	(3,319)	3,462
Postage	3,500	3,500	2,964	536	3,499
Advertising	2,500	2,500	1,317	1,183	2,700
Travel	2,500	2,500	2,848	(348)	2,713
Training	1,500	1,500	795	705	645
Insurance	19,200	19,200	31,885	(12,685)	20,728
Utilities	78,000	78,000	75,122	2,878	76,477
Subscriptions	200	200	980	(780)	399
Continuing Education and Dues	1,500	1,500	768	732	768
League of Minnesota Cities	13,000	13,000	13,418	(418)	13,454
Capital Lease Principal	54,566	54,566	54,566	-	51,208
Capital Lease Interest	21,329	21,329	21,329	-	24,687
Capital Outlay	4,000	4,000	9,139	(5,139)	19,143
Miscellaneous	3,600	3,600	1,390	2,210	4,268
Total Administration	590,950	590,950	635,945	(44,995)	634,941
Finance:					
Salaries	119,372	119,372	119,712	(340)	118,084
Employee Benefits	46,385	46,385	41,921	4,464	41,971
Payroll Taxes	7,401	7,401	6,732	669	6,538
Office Supplies	2,000	2,000	881	1,119	1,031
Printing and Binding	500	500	905	(405)	532
Repairs and Maintenance	500	500	82	418	172
Computer Software	4,000	4,000	4,135	(135)	3,818
Postage	-	-	10	(10)	6
Travel	500	500	116	384	680
Continuing Education & Dues	200	200	35	165	35
Subscriptions	50	50	-	50	-
Capital Outlay	1,000	1,000	-	1,000	-
Training	500	500	110	390	295
Miscellaneous	600	600	473	127	218
Total Finance	183,008	183,008	175,112	7,896	173,380

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Expenditures: - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 26,100	\$ 26,100	\$ 26,275	\$ (175)	\$ 26,100
Employee Benefits	1,305	1,305	1,364	(59)	1,305
Payroll Taxes	379	379	381	(2)	379
Workers' Compensation	-	-	56	(56)	49
Insurance	700	700	-	700	-
Office Supplies	500	500	70	430	-
Travel	1,500	1,500	1,122	378	-
Training	2,000	2,000	1,141	859	2,182
Dues and Subscriptions	500	500	1,616	(1,116)	180
Miscellaneous	5,650	5,650	4,930	720	12,071
Total City Council	<u>38,634</u>	<u>38,634</u>	<u>36,955</u>	<u>1,679</u>	<u>42,266</u>
Total General Government	812,592	812,592	848,012	(35,420)	850,587
Public Safety -					
Police Department:					
Salaries	543,630	543,630	583,552	(39,922)	573,854
Employee Benefits	245,753	245,753	219,032	26,721	236,666
Payroll Taxes	4,016	4,016	4,447	(431)	4,150
Unemployment Insurance	-	-	49	(49)	-
Workers' Compensation	18,000	18,000	12,944	5,056	16,383
Supplies	9,700	9,700	7,028	2,672	8,350
Motor Fuels	20,000	20,000	20,987	(987)	13,218
Repairs and Maintenance	18,500	18,500	35,719	(17,219)	29,418
Training	12,500	12,500	6,218	6,282	11,527
Continuing Education and Dues	750	750	715	35	225
Investigation	3,500	3,500	6,805	(3,305)	3,364
Vaccinations	500	500	356	144	230
Telephone	9,000	9,000	12,547	(3,547)	10,698
Printing and Binding	-	-	-	-	64
Insurance	11,000	11,000	18,646	(7,646)	11,568
Legal Fees	21,000	21,000	31,890	(10,890)	22,570
Uniforms	7,000	7,000	6,645	355	5,930
Animal Control	2,500	2,500	3,127	(627)	3,155
Operating Leases	45,500	45,500	41,223	4,277	47,126
Capital Outlay	7,000	7,000	5,682	1,318	11,335
Utilities	21,000	21,000	21,632	(632)	22,602
Miscellaneous	3,900	3,900	3,909	(9)	1,995
Total Police Department	<u>1,004,749</u>	<u>1,004,749</u>	<u>1,043,153</u>	<u>(38,404)</u>	<u>1,034,428</u>

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Expenditures: - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 16,749	\$ 16,749	\$ 16,748	\$ 1	\$ 16,748
Employee Benefits	823	823	823	-	823
State Fire Aid	30,000	30,000	40,257	(10,257)	27,087
Municipal Fire Aid Contribution	68,795	68,795	68,795	-	68,789
Payroll Taxes	1,282	1,282	1,281	1	1,281
Workers' Compensation	7,000	7,000	7,511	(511)	6,567
Office Supplies	2,500	2,500	4,035	(1,535)	4,366
Motor Fuels	4,000	4,000	4,369	(369)	3,762
Repairs and Maintenance	14,500	14,500	13,094	1,406	13,326
Training	9,000	9,000	4,357	4,643	9,134
Telephone	1,000	1,000	1,055	(55)	829
Travel	750	750	4,912	(4,162)	1,157
Advertising	600	600	1,404	(804)	916
Insurance	9,000	9,000	6,065	2,935	8,981
Utilities	6,700	6,700	5,429	1,271	6,002
Continuing Education and Dues	4,500	4,500	2,861	1,639	6,275
Capital Lease Principal	42,882	42,882	42,882	-	40,961
Capital Lease Interest	4,117	4,117	4,117	-	6,038
Capital Outlay	17,500	22,700	272,905	(250,205)	28,343
Miscellaneous	4,100	4,100	5,504	(1,404)	3,364
Total Fire Department	<u>245,798</u>	<u>250,998</u>	<u>508,404</u>	<u>(257,406)</u>	<u>254,749</u>
Code Enforcement:					
Office Supplies	100	100	470	(370)	510
Building Inspector	15,000	15,000	32,763	(17,763)	46,322
Total Code Enforcement	<u>15,100</u>	<u>15,100</u>	<u>33,233</u>	<u>(18,133)</u>	<u>46,832</u>
Total Public Safety	1,265,647	1,270,847	1,584,790	(313,943)	1,336,009
Streets and Highways -					
Salaries	144,023	144,023	147,271	(3,248)	171,069
Employee Benefits	55,203	55,203	47,094	8,109	51,948
Payroll Taxes	8,929	8,929	9,380	(451)	10,053
Workers' Compensation	11,000	11,000	7,819	3,181	10,153
Supplies	500	500	1,297	(797)	1,659
Motor Fuels	20,000	20,000	32,150	(12,150)	27,877
Repairs and Maintenance	43,600	43,600	60,171	(16,571)	44,770
Professional Services	-	-	5,630	(5,630)	2,753
Street Maintenance	15,000	15,000	55,027	(40,027)	38,031
Street Overlay and Seal Coat	-	-	-	-	250
Landscaping	1,000	1,000	12	988	2,304
Telephone	1,000	1,000	1,055	(55)	1,100



**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Expenditures: - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 2,500	\$ 2,500	\$ 3,310	\$ (810)	\$ 2,193
Insurance	8,000	8,000	9,872	(1,872)	10,516
Utilities	8,500	8,500	9,072	(572)	8,516
Capital Lease Principal	16,911	16,911	16,749	162	53,652
Capital Lease Interest	288	288	278	10	3,015
Maintenance Facility Principal	55,000	55,000	55,000	-	50,000
Maintenance Facility Interest	8,740	8,740	8,740	-	9,290
Capital Outlay	42,689	42,689	35,729	6,960	3,030
Miscellaneous	16,800	16,800	7,977	8,823	6,656
Total Street and Highways	<u>459,683</u>	<u>459,683</u>	<u>513,633</u>	<u>(53,950)</u>	<u>508,835</u>
Cemetery					
Current Expenditures	<u>18,769</u>	<u>18,769</u>	<u>16,648</u>	<u>2,121</u>	<u>19,414</u>
Total Cemetery	<u>18,769</u>	<u>18,769</u>	<u>16,648</u>	<u>2,121</u>	<u>19,414</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	154,373	154,373	169,011	(14,638)	137,424
Employee Benefits	56,136	56,136	52,596	3,540	46,859
Payroll Taxes	9,571	9,571	10,409	(838)	8,061
Workers' Compensation	4,500	4,500	4,378	122	4,173
Supplies	11,250	11,250	10,881	369	10,598
Motor Fuels	9,500	9,500	13,056	(3,556)	10,357
Repairs and Maintenance	21,700	21,700	16,820	4,880	21,234
Telephone	1,100	1,100	2,400	(1,300)	1,259
Insurance	16,000	16,000	18,329	(2,329)	17,569
Utilities	7,000	7,000	4,789	2,211	5,234
Capital Lease Principal	5,338	5,338	15,741	(10,403)	12,206
Capital Lease Interest	-	-	-	-	411
Capital Outlay	25,750	25,750	55,554	(29,804)	125,264
Miscellaneous	4,700	4,700	5,897	(1,197)	7,254
Total Park and Recreation	<u>326,918</u>	<u>326,918</u>	<u>379,861</u>	<u>(52,943)</u>	<u>407,903</u>
Library and Community Center:					
Supplies	2,500	2,500	2,213	287	4,049
Repairs and Maintenance	1,500	1,500	2,204	(704)	980
Management Fees	80,000	80,000	80,000	-	83,888
Janitorial	500	500	-	500	-
Telephone	1,600	1,600	1,435	165	1,061
Insurance	3,000	3,000	1,632	1,368	3,350
Utilities	21,000	21,000	17,595	3,405	18,855
Capital Outlay	-	-	-	-	53,981
Continuing Education and Dues	250	250	-	250	110
Total Library and Community Center	<u>110,350</u>	<u>110,350</u>	<u>105,079</u>	<u>5,271</u>	<u>166,274</u>
Total Culture and Recreation	<u>437,268</u>	<u>437,268</u>	<u>484,940</u>	<u>(47,672)</u>	<u>574,177</u>

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Original Budget	Final Budget	2013 Actual	Variance with Final Budget Positive (Negative)	2012 Actual
Expenditures: - (Cont'd.)					
Economic Development	\$ 3,000	\$ 3,000	\$ 8,902	\$ (5,902)	\$ 4,040
Miscellaneous -					
Sales Tax	2,000	2,000	1,357	643	1,299
State Surcharge	1,500	1,500	2,474	(974)	3,924
Vehicle Towing	5,600	5,600	6,358	(758)	7,289
Refunds and Reimbursements	20,000	20,000	71,950	(51,950)	55,657
Other	-	-	69,619	(69,619)	500
Total Miscellaneous	<u>29,100</u>	<u>29,100</u>	<u>151,758</u>	<u>(122,658)</u>	<u>68,669</u>
Total Expenditures	<u>3,026,059</u>	<u>3,031,259</u>	<u>3,608,683</u>	<u>(577,424)</u>	<u>3,361,731</u>
Deficiency of Revenues Under Expenditures	(62,248)	(67,448)	(383,285)	(315,837)	(172,875)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	250,000	250,000	75,000	(175,000)	245,000
Operating Transfers Out	(160,000)	(160,000)	(40,500)	119,500	(219,100)
Lease Proceeds	-	-	46,200	46,200	10,674
General Obligation Certificate Proceeds	-	-	245,000	245,000	-
Proceeds from the Sale of Capital Assets	2,000	2,000	5,157	3,157	2,000
Insurance Proceeds	-	-	14,786	14,786	14,735
Total Other Financing Sources (Uses)	<u>92,000</u>	<u>92,000</u>	<u>345,643</u>	<u>253,643</u>	<u>53,309</u>
Net Change in Fund Balance	29,752	24,552	(37,642)	(62,194)	(119,566)
Fund Balance - Beginning	<u>2,306,250</u>	<u>2,306,250</u>	<u>2,306,250</u>	<u>-</u>	<u>2,425,816</u>
Fund Balance - Ending	<u>\$ 2,336,002</u>	<u>\$ 2,330,802</u>	<u>\$ 2,268,608</u>	<u>\$ (62,194)</u>	<u>\$ 2,306,250</u>

**CITY OF GLENCOE, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN  
 DECEMBER 31, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ -	\$ 502,069	\$ 502,069	0.00%	\$ 1,574,620	31.89%
1/1/2009	-	176,054	176,054	0.00%	1,851,808	9.51%

**CITY OF GLENCOE, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2013**

**NOTE 1 BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Each fall, the City Council adopts an annual budget for the following year for all funds. Any modifications in the adopted budget can be made upon request of and approval by the City Council. All annual appropriations lapse at fiscal year end. Legal budgetary control is at the fund level. The resolutions and ordinances issuing bonds control the expenditures in the Debt Service Funds and contractual agreements control expenditures in the Capital Project Funds.

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2013.

**NOTE 2 EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS**

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,031,259	\$ 3,608,683

## **COMBINING FUND STATEMENTS**

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

	Other Governmental Funds		
	2013		
	Special Revenue	Debt Service	Capital Projects
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 146,402	\$ 38,329	\$ 77,133
Accounts Receivable	30,956	-	-
Note Receivable	-	-	37,881
Taxes Receivable			
Current	-	2,566	-
Delinquent	-	7,550	-
Special Assessments Receivable			
Current	-	216	-
Noncurrent	-	13,487	-
Land Held for Resale	-	-	247,063
	-	-	247,063
Total Assets	\$ 177,358	\$ 62,148	\$ 362,077
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 7,350	\$ -	\$ -
Due to Other Funds	-	212,326	-
Total Liabilities	7,350	212,326	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	21,037	37,881
	-	21,037	37,881
<b>FUND BALANCES</b>			
Nonspendable	-	-	247,063
Restricted for:			
Street Improvement Projects	156,590	-	-
Debt Service	-	39,481	-
Capital Projects	-	-	77,133
Committed for:			
Aquatic Center	2,054	-	-
Cable TV	11,364	-	-
Unassigned	-	(210,696)	-
Total Fund Balances	170,008	(171,215)	324,196
	-	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 177,358	\$ 62,148	\$ 362,077

<u>2013</u>	<u>2012</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 261,864	\$ 244,850
30,956	228,984
37,881	49,553
2,566	10,415
7,550	10,302
216	230
13,487	45,783
247,063	247,063
<u>\$ 601,583</u>	<u>\$ 837,180</u>
\$ 7,350	\$ 10,906
212,326	382,104
<u>219,676</u>	<u>393,010</u>
<u>58,918</u>	<u>105,638</u>
247,063	247,063
156,590	122,251
39,481	42,911
77,133	219,667
2,054	1,637
11,364	18,788
(210,696)	(313,785)
<u>322,989</u>	<u>338,532</u>
<u>\$ 601,583</u>	<u>\$ 837,180</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2013**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Other Governmental Funds		
	2013		
	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>			
Taxes	\$ 4,620	\$ 735,219	\$ 297,377
Intergovernmental	167,592	-	-
Charges for Services	69,602	-	-
Assessments	-	18,401	-
Interest Income	164	(441)	1,348
Franchise Taxes	26,552	-	-
Miscellaneous	4,037	-	11,672
Total Revenues	<u>272,567</u>	<u>753,179</u>	<u>310,397</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	46	-
Highways and Streets	22,353	-	-
Culture-Recreation	116,234	-	-
Economic Development	-	-	192,431
Capital Outlay:			
Highways and Streets	29,930	-	-
Economic Development	-	-	-
Debt Service:			
Principal	75,000	670,000	-
Interest	6,718	91,726	-
Fiscal Charges	-	248	-
Total Expenditures	<u>250,235</u>	<u>762,020</u>	<u>192,431</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	22,332	(8,841)	117,966
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	38,000	116,327	-
Transfers Out	(33,000)	(7,827)	(260,500)
Bond Proceeds	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>108,500</u>	<u>(260,500)</u>
Net Change in Fund Balances	27,332	99,659	(142,534)
Fund Balances - Beginning	<u>142,676</u>	<u>(270,874)</u>	<u>466,730</u>
Fund Balances - Ending	<u>\$ 170,008</u>	<u>\$ (171,215)</u>	<u>\$ 324,196</u>



<u>2013</u>		<u>2012</u>	
Total		Total	
Other		Other	
Governmental		Governmental	
Funds		Funds	
\$	1,037,216	\$	1,054,167
	167,592		593,414
	69,602		77,385
	18,401		45,064
	1,071		1,320
	26,552		24,890
	15,709		18,054
	<u>1,336,143</u>		<u>1,814,294</u>
	46		10,979
	22,353		53,650
	116,234		121,563
	192,431		151,491
	29,930		288,123
	-		223,149
	745,000		829,141
	98,444		123,198
	248		731
	<u>1,204,686</u>		<u>1,802,025</u>
	131,457		12,269
	154,327		181,900
	(301,327)		(292,800)
	-		315,000
	-		(300,000)
	<u>(147,000)</u>		<u>(95,900)</u>
	(15,543)		(83,631)
	338,532		422,163
\$	<u>322,989</u>	\$	<u>338,532</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS  
DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

		Special Revenue Funds	
		2013	
		Aquatic Center	Cable TV
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		\$ 2,314	\$ 4,781
Accounts Receivable		440	6,683
Total Assets		\$ 2,754	\$ 11,464
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable		\$ 700	\$ 100
Total Liabilities		700	100
 <b>FUND BALANCES</b>			
Restricted		-	-
Committed		2,054	11,364
Total Fund Balances		2,054	11,364
Total Liabilities and Fund Balances		\$ 2,754	\$ 11,464

Special Revenue Funds		
2013		2012
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ 139,307	\$ 146,402	\$ 52,089
<u>23,833</u>	<u>30,956</u>	<u>101,193</u>
<u>\$ 163,140</u>	<u>\$ 177,358</u>	<u>\$ 153,282</u>
\$ 6,550	\$ 7,350	\$ 10,606
<u>6,550</u>	<u>7,350</u>	<u>10,606</u>
156,590	156,590	122,251
-	13,418	20,425
<u>156,590</u>	<u>170,008</u>	<u>142,676</u>
<u>\$ 163,140</u>	<u>\$ 177,358</u>	<u>\$ 153,282</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES – SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2013**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Special Revenue Funds	
	2013	
	Aquatic Center	Cable TV
<b>REVENUES</b>		
Taxes	\$ 4,620	\$ -
Intergovernmental	-	-
Charges for Services	69,602	-
Interest Income	(14)	30
Franchise Fees	-	26,552
Miscellaneous	3,232	205
Total Revenues	<u>77,440</u>	<u>26,787</u>
<b>EXPENDITURES</b>		
Current:		
Highways and Streets	-	-
Culture-Recreation	115,023	1,211
Capital Outlay:		
Highways and Streets	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>115,023</u>	<u>1,211</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(37,583)	25,576
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	38,000	-
Transfers Out	-	(33,000)
Total Other Financing Sources (Uses)	<u>38,000</u>	<u>(33,000)</u>
Net Change in Fund Balances	417	(7,424)
Fund Balances - Beginning	<u>1,637</u>	<u>18,788</u>
Fund Balances - Ending	<u>\$ 2,054</u>	<u>\$ 11,364</u>

Special Revenue Funds		
2013		2012
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ -	\$ 4,620	\$ 5,200
167,592	167,592	465,623
-	69,602	77,385
148	164	122
-	26,552	24,890
600	4,037	6,104
<u>168,340</u>	<u>272,567</u>	<u>579,324</u>
22,353	22,353	53,650
-	116,234	121,563
29,930	29,930	288,123
75,000	75,000	79,141
6,718	6,718	7,476
<u>134,001</u>	<u>250,235</u>	<u>549,953</u>
34,339	22,332	29,371
-	38,000	34,000
-	(33,000)	(20,300)
-	5,000	13,700
34,339	27,332	43,071
122,251	142,676	99,605
<u>\$ 156,590</u>	<u>\$ 170,008</u>	<u>\$ 142,676</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS  
DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

	Debt Service Funds		
	2013		
	City Sinking	1997 McLeod/N.C. Pond Bond	1997 N. Country III/ Morningside
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 15,178	\$ -
Taxes Receivable			
Current	540	298	-
Delinquent	1,534	1,033	-
Special Assessments Receivable			
Current	-	-	-
Noncurrent	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 2,074</u>	<u>\$ 16,509</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	15,251	-	-
Total Liabilities	<u>15,251</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>1,534</u>	<u>1,033</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	-	15,476	-
Unassigned	<u>(14,711)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(14,711)</u>	<u>15,476</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,074</u>	<u>\$ 16,509</u>	<u>\$ -</u>

Debt Service Funds

2013

1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond
\$ 6,761	\$ 2,723	\$ -	\$ -	\$ -	\$ 76	\$ -
271	138	168	-	-	-	220
796	382	470	-	-	-	635
-	-	-	-	-	-	216
-	-	-	-	-	-	642
<u>\$ 7,828</u>	<u>\$ 3,243</u>	<u>\$ 638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ 1,713</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	42,921	-	-	-	52,399
-	-	42,921	-	-	-	52,399
<u>796</u>	<u>382</u>	<u>470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,277</u>
7,032	2,861	-	-	-	76	-
-	-	(42,753)	-	-	-	(51,963)
<u>7,032</u>	<u>2,861</u>	<u>(42,753)</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>(51,963)</u>
<u>\$ 7,828</u>	<u>\$ 3,243</u>	<u>\$ 638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ 1,713</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)  
DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

	Debt Service Funds		
	2013		
	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2008 11th Street Morningside
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ -	\$ 13,591
Taxes Receivable			
Current	229	257	445
Delinquent	636	742	1,322
Special Assessments Receivable			
Current	-	-	-
Noncurrent	12,845	-	-
	<u>12,845</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 13,710</u>	<u>\$ 999</u>	<u>\$ 15,358</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	32,679	69,076	-
Total Liabilities	<u>32,679</u>	<u>69,076</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>13,481</u>	<u>742</u>	<u>1,322</u>
<b>FUND BALANCES</b>			
Restricted	-	-	14,036
Unassigned	<u>(32,450)</u>	<u>(68,819)</u>	<u>-</u>
Total Fund Balances	<u>(32,450)</u>	<u>(68,819)</u>	<u>14,036</u>
	<u>\$ 13,710</u>	<u>\$ 999</u>	<u>\$ 15,358</u>



Debt Service Funds

2013	2012
Total Debt Service	Total Debt Service
\$ 38,329	\$ 36,851
2,566	10,415
7,550	10,302
216	230
13,487	45,783
\$ 62,148	\$ 103,581
\$ -	\$ 300
212,326	318,070
212,326	318,370
21,037	56,085
39,481	42,911
(210,696)	(313,785)
(171,215)	(270,874)
\$ 62,148	\$ 103,581

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS  
YEAR ENDED DECEMBER 31, 2013**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Debt Service Funds		
	2013		
	City Sinking	1997 McLeod/N.C. Pond Bond	1997 N. Country III/ Morningside
<b>REVENUES</b>			
Taxes	\$ 606	\$ 101,017	\$ 45,579
Assessments	-	-	39
Interest Income	(28)	29	12
Miscellaneous	-	-	-
Total Revenues	<u>578</u>	<u>101,046</u>	<u>45,630</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Debt Service:			
Principal	-	90,000	45,000
Interest	-	8,975	495
Fiscal Charges	-	-	-
Total Expenditures	<u>-</u>	<u>98,975</u>	<u>45,495</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	578	2,071	135
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	7,827	-	-
Transfers Out	-	-	(3,950)
Bond Proceeds	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>7,827</u>	<u>-</u>	<u>(3,950)</u>
Net Change in Fund Balances	8,405	2,071	(3,815)
Fund Balances - Beginning	<u>(23,116)</u>	<u>13,405</u>	<u>3,815</u>
Fund Balances - Ending	<u>\$ (14,711)</u>	<u>\$ 15,476</u>	<u>\$ -</u>

Debt Service Funds

2013						
1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond
\$ 77,532	\$ 37,217	\$ 45,731	\$ 75,516	\$ 27,498	\$ -	\$ 61,911
-	-	-	-	-	-	3,591
15	7	(44)	(64)	(16)	(115)	(57)
-	-	-	-	-	-	-
<u>77,547</u>	<u>37,224</u>	<u>45,687</u>	<u>75,452</u>	<u>27,482</u>	<u>(115)</u>	<u>65,445</u>
-	-	-	-	-	-	-
60,000	35,000	45,000	-	25,000	105,000	55,000
18,465	2,485	495	-	600	3,500	6,485
-	-	-	-	-	248	-
<u>78,465</u>	<u>37,485</u>	<u>45,495</u>	<u>-</u>	<u>25,600</u>	<u>108,748</u>	<u>61,485</u>
(918)	(261)	192	75,452	1,882	(108,863)	3,960
-	-	-	-	-	108,500	-
-	-	-	(131)	(3,746)	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(131)</u>	<u>(3,746)</u>	<u>108,500</u>	<u>-</u>
(918)	(261)	192	75,321	(1,864)	(363)	3,960
7,950	3,122	(42,945)	(75,321)	1,864	439	(55,923)
<u>\$ 7,032</u>	<u>\$ 2,861</u>	<u>\$ (42,753)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ (51,963)</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Debt Service Funds		
	2013		
	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2008 11th Street Morningside
<b>REVENUES</b>			
Taxes	\$ 61,829	\$ 72,229	\$ 128,554
Assessments	14,771	-	-
Interest Income	(41)	(70)	(69)
Miscellaneous	-	-	-
Total Revenues	<u>76,559</u>	<u>72,159</u>	<u>128,485</u>
<b>EXPENDITURES</b>			
Current:			
General Government	46	-	-
Debt Service:			
Principal	60,000	70,000	80,000
Interest	1,603	1,858	46,765
Fiscal Charges	-	-	-
Total Expenditures	<u>61,649</u>	<u>71,858</u>	<u>126,765</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	14,910	301	1,720
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Bond Proceeds	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	14,910	301	1,720
Fund Balances - Beginning	<u>(47,360)</u>	<u>(69,120)</u>	<u>12,316</u>
Fund Balances - Ending	<u>\$ (32,450)</u>	<u>\$ (68,819)</u>	<u>\$ 14,036</u>

Debt Service Funds	
2013	2012
Total Debt Service	Total Debt Service
\$ 735,219	\$ 751,719
18,401	45,064
(441)	(485)
-	1,503
<u>753,179</u>	<u>797,801</u>
46	10,979
670,000	750,000
91,726	115,722
248	731
<u>762,020</u>	<u>877,432</u>
(8,841)	(79,631)
116,327	147,900
(7,827)	-
-	315,000
-	<u>(300,000)</u>
<u>108,500</u>	<u>162,900</u>
99,659	83,269
<u>(270,874)</u>	<u>(354,143)</u>
<u>\$ (171,215)</u>	<u>\$ (270,874)</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS  
DECEMBER 31, 2013  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2012)**

		Capital Project Funds		
		2013		
		Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents		\$ 699	\$ 397	\$ 134
Accounts Receivable		-	-	-
Note Receivable		-	-	37,881
Land Held for Resale		-	-	247,063
	Total Assets	<u>\$ 699</u>	<u>\$ 397</u>	<u>\$ 285,078</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Other Funds		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue		<u>-</u>	<u>-</u>	<u>37,881</u>
<b>FUND BALANCES</b>				
Nonspendable		-	-	247,063
Restricted		699	397	134
	Total Fund Balances	<u>699</u>	<u>397</u>	<u>247,197</u>
	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 699</u>	<u>\$ 397</u>	<u>\$ 285,078</u>

Capital Project Funds		
2013		2012
Tax Increment #16- Grand Meadows	Total Capital Projects	Total Capital Projects
\$ 75,903	\$ 77,133	\$ 155,910
-	-	127,791
-	37,881	49,553
-	247,063	247,063
<u>\$ 75,903</u>	<u>\$ 362,077</u>	<u>\$ 580,317</u>
\$ -	\$ -	\$ 64,034
-	37,881	49,553
-	247,063	247,063
75,903	77,133	219,667
<u>75,903</u>	<u>324,196</u>	<u>466,730</u>
<u>\$ 75,903</u>	<u>\$ 362,077</u>	<u>\$ 580,317</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGE IN FUND BALANCES – CAPITAL PROJECT FUNDS  
YEAR ENDED DECEMBER 31, 2013**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2012)**

	Capital Project Funds		
	2013		
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park
<b>REVENUES</b>			
Taxes	\$ 134,318	\$ 14,165	\$ 35,508
Intergovernmental	-	-	-
Interest Income	43	6	1,197
Miscellaneous	-	-	11,672
Total Revenues	<u>134,361</u>	<u>14,171</u>	<u>48,377</u>
<b>EXPENDITURES</b>			
Current:			
Economic Development	2,790	-	-
Capital Outlay:			
Economic Development	-	-	-
Total Expenditures	<u>2,790</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	131,571	14,171	48,377
<b>OTHER FINANCING USES</b>			
Transfers Out	<u>(133,500)</u>	<u>(15,000)</u>	<u>(112,000)</u>
Total Other Financing Uses	<u>(133,500)</u>	<u>(15,000)</u>	<u>(112,000)</u>
Net Change in Fund Balances	(1,929)	(829)	(63,623)
Fund Balances - Beginning	<u>2,628</u>	<u>1,226</u>	<u>310,820</u>
Fund Balances - Ending	<u>\$ 699</u>	<u>\$ 397</u>	<u>\$ 247,197</u>



Capital Project Funds		
	2013	2012
Tax		
Increment #16-Grand Meadows	Total Capital Projects	Total Capital Projects
\$ 113,386	\$ 297,377	\$ 297,248
-	-	127,791
102	1,348	1,683
-	11,672	10,447
<u>113,488</u>	<u>310,397</u>	<u>437,169</u>
189,641	192,431	151,491
-	-	223,149
<u>189,641</u>	<u>192,431</u>	<u>374,640</u>
(76,153)	117,966	62,529
<u>-</u>	<u>(260,500)</u>	<u>(272,500)</u>
-	(260,500)	(272,500)
(76,153)	(142,534)	(209,971)
152,056	466,730	676,701
<u>\$ 75,903</u>	<u>\$ 324,196</u>	<u>\$ 466,730</u>

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## **SUPPLEMENTARY INFORMATION**

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
DECEMBER 31, 2013**

	\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	
	Principal	Interest	Principal	Interest
2014	\$ 60,000	\$ 16,425	\$ 75,000	\$ 5,892
2015	65,000	14,205	75,000	4,805
2016	70,000	11,800	75,000	3,493
2017	70,000	9,000	85,000	1,955
2018	75,000	6,200	-	-
2019	80,000	3,200	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 420,000</u>	<u>\$ 60,830</u>	<u>\$ 310,000</u>	<u>\$ 16,145</u>



**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2013**

	\$245,000 G.O. Equipment Certificates of Indebtedness Series 2013		\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A - \$1,015,000 Portion	
	Principal	Interest	Principal	Interest
2014	\$ 51,652	\$ 2,348	\$ 815,000	\$ 33,080
2015	46,332	5,881	-	-
2016	47,741	4,472	-	-
2017	49,185	3,028	-	-
2018	50,090	1,523	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 245,000</u>	<u>\$ 17,252</u>	<u>\$ 815,000</u>	<u>\$ 33,080</u>

\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A		\$945,000 G.O. Refunding Bonds - Series 2008B \$215,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 85,000	\$ 43,935	\$ 35,000	\$ 1,295	\$ 100,000	\$ 7,985
85,000	40,875	-	-	100,000	6,535
90,000	37,545	-	-	110,000	4,785
90,000	33,945	-	-	110,000	2,530
100,000	30,145	-	-	-	-
100,000	26,145	-	-	-	-
105,000	21,993	-	-	-	-
110,000	17,585	-	-	-	-
115,000	12,915	-	-	-	-
115,000	8,085	-	-	-	-
135,000	2,835	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,130,000</u>	<u>\$ 276,003</u>	<u>\$ 35,000</u>	<u>\$ 1,295</u>	<u>\$ 420,000</u>	<u>\$ 21,835</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2013**

	\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$275,000 Portion	
	Principal	Interest	Principal	Interest
2014	\$ 55,000	\$ 5,880	\$ 75,000	\$ 1,087
2015	55,000	5,082	-	-
2016	60,000	4,120	-	-
2017	55,000	2,890	-	-
2018	65,000	1,625	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 290,000</u>	<u>\$ 19,597</u>	<u>\$ 75,000</u>	<u>\$ 1,087</u>





**CITY OF GLENCOE, MINNESOTA  
 SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
 DECEMBER 31, 2013**

	Capital Lease Heritage Series Tanker/Pumper		Capital Lease Phone System	
	Principal	Interest	Principal	Interest
2014	\$ 44,893	\$ 2,105	\$ 7,466	\$ 762
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 44,893</u>	<u>\$ 2,105</u>	<u>\$ 7,466</u>	<u>\$ 762</u>

Capital Lease 2012 John Deere Mower		Capital Lease 2013 Bobcat Skid Steer Loader		\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A - \$1,350,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 1,334	\$ -	\$ 8,145	\$ 2,259	\$ 1,190,000	\$ 48,710
-	-	8,659	1,745	-	-
-	-	9,205	1,198	-	-
-	-	9,786	618	-	-
-	-	1	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,334</u>	<u>\$ -</u>	<u>\$ 35,796</u>	<u>\$ 5,820</u>	<u>\$ 1,190,000</u>	<u>\$ 48,710</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2013**

	\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A		\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B	
	Principal	Interest	Principal	Interest
2014	\$ 80,000	\$ 95,535	\$ 25,000	\$ 8,700
2015	80,000	93,075	25,000	7,700
2016	80,000	90,255	25,000	6,700
2017	85,000	86,991	25,000	5,700
2018	85,000	83,336	25,000	4,700
2019	90,000	79,330	30,000	3,600
2020	90,000	75,010	35,000	2,300
2021	95,000	70,406	40,000	800
2022	100,000	65,408	-	-
2023	100,000	60,158	-	-
2024	105,000	54,646	-	-
2025	105,000	48,845	-	-
2026	115,000	42,628	-	-
2027	120,000	35,840	-	-
2028	120,000	28,730	-	-
2029	125,000	21,317	-	-
2030	135,000	13,320	-	-
2031	145,000	4,568	-	-
	<u>\$ 1,855,000</u>	<u>\$ 1,049,398</u>	<u>\$ 230,000</u>	<u>\$ 40,200</u>



**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2013**

	\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion		\$626,000 Gross Revenue Event Facility Refunding Bonds - Series 2013A	
	Principal	Interest	Principal	Interest
2014	\$ -	\$ 21,755	\$ 40,000	\$ 21,825
2015	75,000	21,549	34,000	22,782
2016	75,000	21,061	34,000	21,932
2017	80,000	20,400	35,000	21,070
2018	80,000	19,560	36,000	20,183
2019	80,000	18,560	37,000	18,992
2020	75,000	17,439	38,000	17,493
2021	80,000	16,158	40,000	15,932
2022	85,000	14,607	42,000	14,293
2023	90,000	12,813	43,000	12,592
2024	90,000	10,855	45,000	10,664
2025	95,000	8,726	47,000	8,479
2026	90,000	6,507	49,000	6,199
2027	95,000	4,146	52,000	3,800
2028	105,000	1,444	54,000	1,282
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 1,195,000</u>	<u>\$ 215,580</u>	<u>\$ 626,000</u>	<u>\$ 217,518</u>

Capital Lease Dishwasher		Total	
Principal	Interest	Principal	Interest
\$ 802	\$ -	\$ 3,341,044	\$ 383,487
335	-	993,148	279,004
-	-	1,016,930	256,713
-	-	1,037,212	231,149
-	-	871,690	203,185
-	-	785,061	177,458
-	-	538,632	153,559
-	-	531,315	134,619
-	-	442,000	117,720
-	-	403,000	101,588
-	-	430,000	85,744
-	-	307,000	71,470
-	-	314,000	59,314
-	-	322,000	46,302
-	-	344,000	32,350
-	-	125,000	21,317
-	-	135,000	13,320
-	-	145,000	4,568
<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 12,082,032</u>	<u>\$ 2,372,867</u>

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## **OTHER REPORTS SECTION**

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and  
Members of the City Council  
City of Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated May 19, 2014.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Glencoe, Minnesota failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Glencoe, Minnesota's noncompliance with the above-referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 19, 2014

