

CITY OF GLENCOE, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2005

**CITY OF GLENCOE, MINNESOTA
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YEAR DECEMBER 31, 2005**

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INTRODUCTORY SECTION

**CITY OF GLENCOE, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2005**

Elected Officials

Term Expires

Mayor	1/1/2009	Randal Wilson
Council Member	1/1/2007	Roger Hilgers
Council Member	1/1/2009	Glenn Pohland
Council Member	1/1/2007	Charles Shamlala
Council Member	1/1/2007	Lyle Winterfeldt
Council Member	1/1/2009	Gregory Copas

Appointed Officials

City Administrator	Mark Larson
Finance Director	Todd Trippel
Street Superintendent	Terry Buska
Public Works Director	Gary Schreifels
Chief of Police	Jeffrey Cummins
Park Superintendent	Michael Drew

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

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, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Glencoe's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The budgetary comparison information on pages 38 through 43 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glencoe's basic financial statements. 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LARSON, ALLEN, WEISHAIR & CO., LLP

Austin, Minnesota
April 6, 2006

BASIC FINANCIAL STATEMENTS

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
ASSETS				
Cash and Cash Equivalents	\$ 3,130,379	\$ 790,156	\$ 3,920,535	\$ 363,732
Investments	341,449	-	341,449	-
Accounts Receivable	110,419	108,778	219,197	851,967
Note Receivable	-	34,165	34,165	-
Lease Receivable	-	-	-	86,490
Interest Receivable	41	431	472	-
Taxes Receivable	37,688	-	37,688	-
Special Assessments Receivable	410,269	14,969	425,238	-
Prepaid Items	-	-	-	33,735
Inventory	-	85,498	85,498	186,971
Due from Component Unit	-	170,269	170,269	-
Other Receivables	-	-	-	423,189
Deposits	10,000	-	10,000	-
Investment in Joint Venture	-	-	-	25,513
Deferred Charges	-	-	-	30,295
Restricted Assets	-	-	-	3,118,652
Capital Assets:				
Land	605,775	151,527	757,302	-
Construction in Progress	-	227,371	227,371	5,487,096
Other Capital Assets, Net of Depreciation	6,624,722	6,147,568	12,772,290	10,502,500
Unamortized Bond Issuance Costs	14,484	10,015	24,499	-
Total Assets	<u>11,285,226</u>	<u>7,740,747</u>	<u>19,025,973</u>	<u>21,110,140</u>
LIABILITIES				
Accounts Payable	337,661	230,923	568,584	1,263,962
Retainages Payable	5,289	11,369	16,658	-
Customer Deposits Payable	-	-	-	33,856
Interest Payable	96,163	32,754	128,917	-
Accrued Expenses	47,203	90,044	137,247	136,998
Due to the Primary Government	-	-	-	170,269
Deferred Revenue	-	14,811	14,811	-
Non-Current Liabilities:				
Due Within One Year	979,162	297,000	1,276,162	550,367
Due in More Than One Year	7,619,077	3,041,834	10,660,911	7,639,884
Total Liabilities	<u>9,084,555</u>	<u>3,718,735</u>	<u>12,803,290</u>	<u>9,795,336</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(1,130,428)	3,539,350	2,408,922	7,987,264
Restricted for:				
Library Improvement	234,992	-	234,992	-
Debt Service	682,935	-	682,935	1,178,719
Unrestricted	2,413,172	482,662	2,895,834	2,148,821
Total Net Assets	<u>\$ 2,200,671</u>	<u>\$ 4,022,012</u>	<u>\$ 6,222,683</u>	<u>\$ 11,314,804</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

<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	\$ 833,650	\$ 383,008	\$ -	\$ -
Public Safety	1,523,797	158,115	316,445	6,542
Highways and Streets	950,947	43,894	193,117	117,203
Culture and Recreation	585,393	194,728	-	19,000
Economic Development	561,666	65,560	-	-
Interest on Long-Term Debt	361,232	-	-	-
Total Governmental Activities	<u>4,816,685</u>	<u>845,305</u>	<u>509,562</u>	<u>142,745</u>
Business-Type Activities:				
Water Fund	654,626	725,106	-	55,705
Wastewater Treatment Plant Fund	845,128	1,020,532	-	45,153
Sanitation Fund	83,340	80,867	-	-
Municipal Liquor Fund	942,165	1,055,617	-	-
Airport Fund	131,180	50,933	14,047	-
Storm Water Management Fund	9,354	111,053	-	-
Total Business-Type Activities	<u>2,665,793</u>	<u>3,044,108</u>	<u>14,047</u>	<u>100,858</u>
Total Primary Government	<u>\$ 7,482,478</u>	<u>\$ 3,889,413</u>	<u>\$ 523,609</u>	<u>\$ 243,603</u>
Total Component Unit	<u>\$ 7,576,690</u>	<u>\$ 7,964,590</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes
- Franchise Fees
- Grants and Contributions Not Restricted to Certain Purposes
- Net Income from Joint Venture
- Unrestricted Investment Earnings
- Gain on Disposal of Capital Assets
- Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets-Ending

See accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
\$ (450,642)	\$ -	\$ (450,642)	\$ -
(1,042,695)	-	(1,042,695)	-
(596,733)	-	(596,733)	-
(371,665)	-	(371,665)	-
(496,106)	-	(496,106)	-
(361,232)	-	(361,232)	-
<u>(3,319,073)</u>	<u>-</u>	<u>(3,319,073)</u>	<u>-</u>
-	126,185	126,185	-
-	220,557	220,557	-
-	(2,473)	(2,473)	-
-	113,452	113,452	-
-	(66,200)	(66,200)	-
-	101,699	101,699	-
<u>-</u>	<u>493,220</u>	<u>493,220</u>	<u>-</u>
(3,319,073)	493,220	(2,825,853)	-
			<u>\$ 387,900</u>
\$ 1,783,325	\$ -	\$ 1,783,325	\$ -
41,837	-	41,837	-
1,219,719	-	1,219,719	-
-	-	-	-
73,600	10,686	84,286	143,928
22,225	-	22,225	-
298,957	-	298,957	-
210,226	(210,226)	-	(99,040)
<u>3,649,889</u>	<u>(199,540)</u>	<u>3,450,349</u>	<u>44,888</u>
330,816	293,680	624,496	432,788
<u>1,869,855</u>	<u>3,728,332</u>	<u>5,598,187</u>	<u>10,882,016</u>
<u>\$ 2,200,671</u>	<u>\$ 4,022,012</u>	<u>\$ 6,222,683</u>	<u>\$ 11,314,804</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)

	2005		2004	
	General	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,757,092	\$ 1,373,287	\$ 3,130,379	\$ 3,380,961
Investments	341,449	-	341,449	-
Accounts Receivable	65,916	44,503	110,419	61,390
Interest Receivable	-	41	41	146
Taxes Receivable:				
Current	8,682	6,131	14,813	17,421
Delinquent	16,954	5,921	22,875	14,723
Special Assessments Receivable:				
Current	-	1,303	1,303	984
Deferred	-	408,966	408,966	280,184
Due from Other Funds	209,870	24,500	234,370	246,667
Deposits	10,000	-	10,000	-
Total Assets	\$ 2,409,963	\$ 1,864,652	\$ 4,274,615	\$ 4,002,476
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 154,817	\$ 182,844	\$ 337,661	\$ 423,827
Retainages Payable	-	5,289	5,289	3,667
Accrued Expenses	47,206	-	47,206	44,209
Due to Other Funds	-	234,370	234,370	246,667
Deferred Revenue	16,954	414,887	431,841	306,793
Total Liabilities	218,977	837,390	1,056,367	1,025,163
FUND BALANCES				
Reserved for Library Improvement	-	234,992	234,992	232,370
Unreserved				
Designated for				
Cash Flows	1,500,000	-	1,500,000	1,320,920
Undesignated Reported in				
General Fund	690,986	-	690,986	528,844
Special Revenue Funds	-	192,955	192,955	127,551
Debt Service Funds	-	342,614	342,614	589,440
Capital Projects Funds	-	256,701	256,701	178,188
Total Fund Balances	2,190,986	1,027,262	3,218,248	2,977,313
Total Liabilities and Fund Balances	\$ 2,409,963	\$ 1,864,652	\$ 4,274,615	\$ 4,002,476

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

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

Total Fund Balances for Governmental Funds		\$ 3,218,248
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:</p>		
Land	\$ 605,775	
Buildings, Net of \$743,693 Accumulated Depreciation	1,303,020	
Office Equipment and Furniture, Net of \$13,795		
Accumulated Depreciation	14,506	
Vehicles, Net of \$1,056,460 Accumulated Depreciation	338,670	
Machinery and Shop Equipment, Net of \$304,195		
Accumulated Depreciation	325,365	
Improvements Other than Buildings, Net of \$571,530		
Accumulated Depreciation	1,775,704	
Infrastructure, Net of \$5,936,372 Accumulated Depreciation	2,867,457	7,230,497
<p>Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the governmental funds.</p>		
		431,844
<p>Bond issuance costs are reported as expenditures in the governmental funds. A total of \$16,771 of costs have been incurred and are shown net of \$2,287 of accumulated amortization on the Statement of Net Assets as unamortized bond issuance costs.</p>		
		14,484
<p>Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. Accrued interest for bonds and other long-term debt is included in the Statement of Net Assets.</p>		
		(96,163)
<p>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 Assets. Balances at year-end are:</p>		
Bonds, Leases, Loans and		
Certificates of Participation Payable	(8,375,409)	
Compensated Absences Payable	(222,830)	(8,598,239)
Total Net Assets of Governmental Activities		\$ 2,200,671

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	2005		2004	
	General	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,004,109	\$ 771,369	\$ 1,775,478	\$ 1,728,962
Licenses and Permits	101,765	-	101,765	81,800
Intergovernmental	1,492,221	242,040	1,734,261	1,405,303
Charges for Services	215,816	245,151	460,967	258,506
Fines and Forfeits	33,538	-	33,538	57,895
Interest Income	60,876	12,724	73,600	36,832
Contributions and Donations	655	25,542	26,197	109,008
Payment in Lieu of Taxes	50,000	-	50,000	50,000
Franchise Fees	-	41,837	41,837	34,415
Miscellaneous	476,227	16,130	492,357	127,214
Total Revenues	<u>3,435,207</u>	<u>1,354,793</u>	<u>4,790,000</u>	<u>3,889,935</u>
EXPENDITURES				
Current:				
General Government	688,576	14,105	702,681	618,528
Public Safety	1,239,754	964	1,240,718	1,109,757
Highways and Streets	358,407	141,404	499,811	608,517
Culture-Recreation	262,084	175,413	437,497	402,054
Economic Development	6,329	340,295	346,624	101,341
Miscellaneous	85,077	-	85,077	142,154
Capital Outlay:				
General Government	107,097	-	107,097	7,659
Public Safety	382,118	19,397	401,515	146,651
Highways and Streets	40,380	-	40,380	1,152,056
Culture-Recreation	93,667	29,736	123,403	27,773
Economic Development	-	42	42	196,358
Debt Service:				
Principal	187,454	531,000	718,454	435,000
Interest	53,359	306,453	359,812	267,252
Fiscal Charges	1,250	1,963	3,213	9,578
Total Expenditures	<u>3,505,552</u>	<u>1,560,772</u>	<u>5,066,324</u>	<u>5,224,678</u>
Revenues Under Expenditures	(70,345)	(205,979)	(276,324)	(1,334,743)
OTHER FINANCING SOURCES (USES)				
Transfers In	113,534	430,103	543,637	446,579
Transfers Out	(9,000)	(324,411)	(333,411)	(243,413)
Lease Proceeds	216,904	-	216,904	-
Bond Proceeds	-	-	-	1,100,000
Bond Discount	-	-	-	(21,560)
Loan Proceeds	67,904	-	67,904	-
Proceeds from the Sale of Capital Assets	22,225	-	22,225	-
Total Other Financing Sources (Uses)	<u>411,567</u>	<u>105,692</u>	<u>517,259</u>	<u>1,281,606</u>
Net Change in Fund Balances	341,222	(100,287)	240,935	(53,137)
Fund Balance - Beginning	1,849,764	1,127,549	2,977,313	3,030,450
Fund Balance - Ending	<u>\$ 2,190,986</u>	<u>\$ 1,027,262</u>	<u>\$ 3,218,248</u>	<u>\$ 2,977,313</u>

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

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

Net Change in Fund Balances - Total Governmental Funds	\$	240,935
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Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	\$ 353,838		
Depreciation Expense	<u>(601,932)</u>		(248,094)

In the Statement of Activities, the loss on disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds.			(215,000)
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The governmental funds report bond, lease and loan 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 Assets, 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 accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds, leases, loans and related items is as follows:

Loan and Lease Proceeds	(284,808)		
Repayment of Bond, Lease, and Loan Principal	718,454		
Change in Accrued Interest	607		
Amortization of Bond Issuance Costs	(1,525)		
Amortization of Bond Discounts	<u>(1,960)</u>		430,768

Delinquent and deferred property taxes and special assessments 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 deferred in the governmental funds.

Deferred Revenue - December 31, 2004	306,794		
Deferred Revenue - December 31, 2005	<u>431,844</u>		125,050

In the Statement of Activities, compensated absences 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). During fiscal year 2005, compensated absences payable increased.

		<u>(2,843)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>330,816</u></u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2005
 (WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 474,933	\$ 239,572	\$ 15,446
Accounts Receivable	35,880	52,149	16,803
Interest Receivable	-	431	-
Due from Component Unit	59,292	94,374	2,868
Note Receivable	-	7,916	-
Special Assessments Receivable	1,003	13,966	-
Inventory	-	-	-
Total Current Assets	<u>571,108</u>	<u>408,408</u>	<u>35,117</u>
NON-CURRENT ASSETS			
Capital Assets			
Land	46,628	41,500	-
Construction in Progress	227,371	-	-
Other Fixed Assets (Net of Accumulated Depreciation)	1,449,935	4,175,970	-
Total Capital Assets	<u>1,723,934</u>	<u>4,217,470</u>	<u>-</u>
Other Assets			
Note Receivable	-	26,249	-
Bond Issuance Costs	10,015	-	-
Total Other Assets	<u>10,015</u>	<u>26,249</u>	<u>-</u>
Total Non-Current Assets	<u>1,733,949</u>	<u>4,243,719</u>	<u>-</u>
Total Assets	<u>\$ 2,305,057</u>	<u>\$ 4,652,127</u>	<u>\$ 35,117</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 89,845	\$ 94,834	\$ 4,668
Retainages Payable	11,369	-	-
Compensated Absences Payable	12,291	52,320	-
Interest Payable	17,672	14,375	-
Accrued Expenses	6,868	6,870	-
Deferred Revenue	1,003	13,808	-
Revenue Bonds Payable	-	267,000	-
Total Current Liabilities	<u>139,048</u>	<u>449,207</u>	<u>4,668</u>
NON-CURRENT LIABILITIES			
Revenue Bonds Payable	569,074	2,327,760	-
Total Liabilities	<u>708,122</u>	<u>2,776,967</u>	<u>4,668</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,506,578	1,622,710	-
Unrestricted	90,357	252,450	30,449
Total Net Assets	<u>1,596,935</u>	<u>1,875,160</u>	<u>30,449</u>
Total Liabilities and Net Assets	<u>\$ 2,305,057</u>	<u>\$ 4,652,127</u>	<u>\$ 35,117</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2005 Total Proprietary Funds	2004 Total Proprietary Funds
\$ 43,554	\$ 15,503	\$ 1,148	\$ 790,156	\$ 112,018
49	3,897	-	108,778	82,433
-	-	-	431	-
-	-	13,735	170,269	117,083
-	-	-	7,916	9,477
-	-	-	14,969	19,794
85,498	-	-	85,498	87,629
<u>129,101</u>	<u>19,400</u>	<u>14,883</u>	<u>1,178,017</u>	<u>428,434</u>
-	63,399	-	151,527	151,527
-	-	-	227,371	-
<u>315,330</u>	<u>206,333</u>	<u>-</u>	<u>6,147,568</u>	<u>6,362,359</u>
<u>315,330</u>	<u>269,732</u>	<u>-</u>	<u>6,526,466</u>	<u>6,513,886</u>
-	-	-	26,249	30,372
-	-	-	10,015	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>36,264</u>	<u>30,372</u>
<u>315,330</u>	<u>269,732</u>	<u>-</u>	<u>6,562,730</u>	<u>6,544,258</u>
<u>\$ 444,431</u>	<u>\$ 289,132</u>	<u>\$ 14,883</u>	<u>\$ 7,740,747</u>	<u>\$ 6,972,692</u>
\$ 38,057	\$ 3,147	\$ 372	\$ 230,923	\$ 84,062
-	-	-	11,369	-
8,879	-	-	73,490	65,636
707	-	-	32,754	15,744
2,816	-	-	16,554	16,651
-	-	-	14,811	19,459
30,000	-	-	297,000	279,000
<u>80,459</u>	<u>3,147</u>	<u>372</u>	<u>676,901</u>	<u>480,552</u>
145,000	-	-	3,041,834	2,763,808
<u>225,459</u>	<u>3,147</u>	<u>372</u>	<u>3,718,735</u>	<u>3,244,360</u>
140,330	269,732	-	3,539,350	3,471,078
78,642	16,253	14,511	482,662	257,254
<u>218,972</u>	<u>285,985</u>	<u>14,511</u>	<u>4,022,012</u>	<u>3,728,332</u>
<u>\$ 444,431</u>	<u>\$ 289,132</u>	<u>\$ 14,883</u>	<u>\$ 7,740,747</u>	<u>\$ 6,972,692</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED DECEMBER 31, 2005
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 719,130	\$ 1,015,716	\$ 57,532
Other Operating Revenues	5,976	4,816	23,335
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>725,106</u>	<u>1,020,532</u>	<u>80,867</u>
OPERATING EXPENSES			
Personal Services	199,791	234,029	8,947
Materials and Supplies	39,499	22,263	-
Repairs and Maintenance	93,257	102,985	-
Management Fees	16,363	15,974	66,136
Professional Services	83,283	65,294	-
Insurance	19,830	22,178	1,002
Utilities	63,677	99,629	428
Depreciation	50,886	170,523	-
Other	69,521	17,038	6,827
Total Operating Expenses	<u>636,107</u>	<u>749,913</u>	<u>83,340</u>
Operating Income (Loss)	88,999	270,619	(2,473)
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	297	5,757	-
State Grants	-	-	-
Interest on Investments	5,574	3,852	142
Interest Expense and Fiscal Charges	(17,672)	(89,263)	-
Amortization Expense	(847)	(5,952)	-
Total Nonoperating Revenues (Expenses)	<u>(12,648)</u>	<u>(85,606)</u>	<u>142</u>
Net Income (Loss) Before Contributions and Transfers	76,351	185,013	(2,331)
CONTRIBUTIONS AND TRANSFERS			
Contributions	55,408	39,396	-
Transfers In	-	37,707	-
Transfers Out	(43,790)	(11,083)	-
Total Contributions and Transfers	<u>11,618</u>	<u>66,020</u>	<u>-</u>
Change in Net Assets	<u>87,969</u>	<u>251,033</u>	<u>(2,331)</u>
Net Assets - Beginning	<u>1,508,966</u>	<u>1,624,127</u>	<u>32,780</u>
Net Assets - Ending	<u>\$ 1,596,935</u>	<u>\$ 1,875,160</u>	<u>\$ 30,449</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2005 Total Proprietary Funds	2004 Total Proprietary Funds
\$ -	\$ 46,975	\$ 111,053	\$ 1,950,406	\$ 1,760,409
-	3,958	-	38,085	28,783
1,055,617	-	-	1,055,617	1,043,304
(806,521)	-	-	(806,521)	(794,924)
<u>249,096</u>	<u>50,933</u>	<u>111,053</u>	<u>2,237,587</u>	<u>2,037,572</u>
70,176	-	-	512,943	493,698
13,428	22,847	-	98,037	96,558
1,794	2,261	-	200,297	115,551
-	541	-	99,014	96,983
2,490	1,375	9,354	161,796	143,107
4,630	13,475	-	61,115	56,443
10,688	4,347	-	178,769	134,059
16,923	77,862	-	316,194	318,780
5,325	8,472	-	107,183	83,305
<u>125,454</u>	<u>131,180</u>	<u>9,354</u>	<u>1,735,348</u>	<u>1,538,484</u>
123,642	(80,247)	101,699	502,239	499,088
-	-	-	6,054	67,256
-	14,047	-	14,047	17,995
539	161	418	10,686	5,399
(10,190)	-	-	(117,125)	(121,068)
-	-	-	(6,799)	(5,952)
<u>(9,651)</u>	<u>14,208</u>	<u>418</u>	<u>(93,137)</u>	<u>(36,370)</u>
113,991	(66,039)	102,117	409,102	462,718
-	-	-	94,804	54,556
-	-	-	37,707	-
(96,000)	-	(97,060)	(247,933)	(203,166)
<u>(96,000)</u>	<u>-</u>	<u>(97,060)</u>	<u>(115,422)</u>	<u>(148,610)</u>
<u>17,991</u>	<u>(66,039)</u>	<u>5,057</u>	<u>293,680</u>	<u>314,108</u>
<u>200,981</u>	<u>352,024</u>	<u>9,454</u>	<u>3,728,332</u>	<u>3,414,224</u>
<u>\$ 218,972</u>	<u>\$ 285,985</u>	<u>\$ 14,511</u>	<u>\$ 4,022,012</u>	<u>\$ 3,728,332</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2005
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 673,110	\$ 1,002,182	\$ 78,930
Cash Paid to Suppliers	(316,772)	(267,404)	(74,361)
Cash Paid to Employees	(197,714)	(229,767)	(8,947)
Net Cash Provided (Used) by Operating Activities	158,624	505,011	(4,378)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	-	37,707	-
Transfers to Other Funds	(43,790)	(11,083)	-
Cash Received on Note Receivable	-	5,684	-
Net Cash Provided (Used) by Noncapital Financing Activities	(43,790)	32,308	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Sale of Bonds	580,000	-	-
Principal Paid on Bonds	-	(244,000)	-
Collection of Special Assessments	297	5,934	-
Interest and Agent Fees on Revenue Bonds	-	(89,873)	-
Acquisition of Capital Assets	(227,370)	(6,599)	-
Bond Issuance Costs	(10,420)	-	-
State Grants Received	-	-	-
Capital Contributions	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	342,507	(334,538)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	5,574	3,420	142
Net Increase (Decrease) in Cash and Cash Equivalents	462,915	206,201	(4,236)
Cash and Cash Equivalents - January 1	12,018	33,371	19,682
Cash and Cash Equivalents - December 31	\$ 474,933	\$ 239,572	\$ 15,446
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 88,999	\$ 270,619	\$ (2,473)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	50,886	170,523	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(33,381)	10,902	(873)
Increase in Due from Component Unit	(18,615)	(29,252)	(1,064)
(Increase) Decrease in Inventory	-	-	-
(Increase) Decrease in Other	-	-	-
Increase (Decrease) in Accounts Payable	68,658	77,957	32
Increase (Decrease) in Compensated Absences Payable	1,994	4,307	-
Increase (Decrease) in Accrued Expenses	83	(45)	-
Net Cash Provided (Used) by Operating Activities	\$ 158,624	\$ 505,011	\$ (4,378)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Bond Issuance Costs	\$ 405	\$ -	\$ -
Capital Contributions	\$ 55,408	\$ 39,396	\$ -

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2005 Total Proprietary Funds	2004 Total Proprietary Funds
\$ 1,055,689 (845,184) (68,668)	\$ 48,204 (50,854) -	\$ 106,462 (9,165) -	\$ 2,964,577 (1,563,740) (505,096)	\$ 2,755,688 (1,649,116) (481,220)
141,837	(2,650)	97,297	895,741	625,352
- (96,000) -	- - -	- (97,060) -	37,707 (247,933) 5,684	87,782 (213,790) (39,849)
(96,000)	-	(97,060)	(204,542)	(165,857)
- (35,000) - (10,332) - - -	- - - - - 14,047 -	- - - - - - -	580,000 (279,000) 6,231 (100,205) (233,969) (10,420) 14,047 -	- (410,000) 66,921 (112,648) (173,950) - 17,995 54,556
(45,332)	14,047	-	(23,316)	(557,126)
539	162	418	10,255	5,399
1,044	11,559	655	678,138	(92,232)
42,510	3,944	493	112,018	204,250
<u>\$ 43,554</u>	<u>\$ 15,503</u>	<u>\$ 1,148</u>	<u>\$ 790,156</u>	<u>\$ 112,018</u>
\$ 123,642	\$ (80,247)	\$ 101,699	\$ 502,239	\$ 499,088
16,923	77,862	-	316,194	318,780
72	(2,729)	(336)	(26,345)	(58,072)
-	-	(4,255)	(53,186)	(18,737)
2,131	-	-	2,131	(2,010)
-	-	-	-	1,081
(2,439)	2,464	189	146,861	(126,175)
1,553	-	-	7,854	-
(45)	-	-	(7)	11,397
<u>\$ 141,837</u>	<u>\$ (2,650)</u>	<u>\$ 97,297</u>	<u>\$ 895,741</u>	<u>\$ 625,352</u>
\$ -	\$ -	\$ -	\$ 405	\$ -
\$ -	\$ -	\$ -	\$ 94,804	\$ -

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Glencoe have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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.

As required by generally accepted accounting principles of the United States of America, the financial statements of the reporting entity consist of the City of Glencoe and the component units for which the City of Glencoe is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the primary government.

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 column in the general purpose 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, tax levies are determined by the association and are only reviewed by the City, and the association pays benefits directly to its members.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. 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 Assets 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: (1) 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 (2) 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 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 government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, 2005**

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities 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 recorded when the related fund liability is incurred. However, debt service expenditures, as well as 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 fund:

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.

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.

Waste Water Treatment Plant Fund – This accounts for the waste water treatment plant service charges, which are used to finance the waste water treatment plant operating expenses.

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Project Funds – Capital Project Funds are use to account for the purchase or construction of major capital facilities, which were not financed by proprietary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private-sector guidance except those that conflict with or contradict GASB guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues 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 nonoperating revenues and expenses.

If both restricted and unrestricted resources are available for use for the same purpose, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents of the City consist of cash on hand, a checking account and certificates of deposits.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (Continued)

Investments

Investments consist of shares of common stock of Principal Financial Group Inc. These shares were acquired when Principal Financial Company, a mutual insurance company, was demutualized. This investment is stated at fair market value as of the end of the year.

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 collectibility. The amount of uncollectible accounts is not considered significant.

Taxes and Special Assessments

Current taxes and special assessments receivable at December 31, 2005, 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 2005 and prior years and are offset by deferred 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 30th 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 deferred revenue at the time of the levy. Deferred 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.

Deferred Special Assessments

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

Inventory

Inventories are stated at the lower of cost or market. The municipal liquor fund inventory is valued using the latest invoice price, which approximates the first-in, first-out (FIFO) method.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (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 \$1,000. 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. Significant outlays for capital assets and improvements are capitalized as the individual projects are completed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. 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.

Deferred Revenues

Deferred revenues are those revenues where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Deferred revenues have been reported, in the governmental funds for deferred and delinquent special assessments and delinquent taxes.

Compensated Absences

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

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities and Net Assets (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued and premiums received on debt issuances are reported as other financing sources. 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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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. All other interfund transactions are reported as transfers.

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 deferred revenue because it is not available to finance current expenditures. Deferred revenue in governmental activities is susceptible to full accrual on the government-wide statements.

E. 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 the General Fund and certain Special Revenue 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 2005.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Actual
General Fund	\$ 2,976,950	\$ 3,505,552
Park Improvement Fund	30,000	51,822
Crime Prevention Fund	13,150	20,105
Municipal State Aid Fund	85,328	106,292

C. Deficit Fund Balances

Certain funds had deficit fund balances at December 31, 2005, as follows:

	Fund Balance Deficits
Special Revenue Fund	
Engineering Inspection Service Fund	(69,143)
Debt Service Funds	
1995 Storm Sewer Bond Fund	(13,181)
2004 Street Improvement Bond Fund	(10,775)
Capital Projects Funds	
Tax Increment #8 - Wilson Hardware	(26,208)
Tax Increment #13 - Kestrel Prop.	(1,532)
Tax Increment #15 - Industrial Park	(22,299)
North Country VI/Glenknoll	(2,370)
2005 11th St. Reconstruction	(61,572)

The deficits in the Special Revenue Fund will be reduced as intergovernmental revenues and charges for services are received. The deficits in the Debt Service and Capital Projects Funds will be reduced by future operations, collection of tax increments, and transfers from other funds.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

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 deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is reported on the combined balance sheet as "Cash and Cash Equivalents." The interest income received on these funds is allocated on the average cash balance throughout the year. In accordance with Minnesota Statutes the City maintains deposits at financial institutions which are authorized by the City Council.

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

The City's deposits in the financial institutions at December 31, 2005 were entirely covered by federal depository insurance and issues of U.S. Government Agencies.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Investments

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

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. 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.
- c. General obligations rated "A" or better; Revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Guaranteed Investment Contracts guaranteed by a United States commercial bank, or domestic branch of a foreign bank or a United States insurance company, and with a credit quality in one of the top two highest categories.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- h. Repurchase or reverse repurchase agreement 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.

The City had the following investments as of December 31, 2005:

	Fair Market Value
Principal Financial Group Inc. Common Stock	\$ 341,449

These shares of common stock were acquired when Principal Financial Company, a mutual insurance company, was demutualized. This investment was sold subsequent to year-end on February 22, 2006 for \$349,391.

Credit Risk – The Principal Financial Group Inc. common stock is rated A by Standard & Poor's and A by Fitch Ratings.

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

Deposits	\$ 3,920,535
Principal Financial Group Inc. Common Stock	341,449
Total Cash, Cash Equivalents, and Investments	\$ 4,261,984

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

Cash and Cash Equivalents - Governmental Activities	\$ 3,130,379
Investments - Governmental Activities	341,449
Cash and Cash Equivalents - Business-Type Activities	790,156
	\$ 4,261,984

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 752,871	\$ 67,904	\$ (215,000)	\$ 605,775
Total Capital Assets, Not Being Depreciated	752,871	67,904	(215,000)	605,775
Capital Assets, Being Depreciated:				
Buildings	2,046,713	-	-	2,046,713
Improvements Other than Buildings	2,299,902	47,332	-	2,347,234
Office Equipment and Furniture	18,301	10,000	-	28,301
Vehicles	1,280,024	169,875	(54,769)	1,395,130
Machinery and Shop Equipment	579,332	55,228	(5,000)	629,560
Infrastructure	8,800,330	3,499	-	8,803,829
Total Capital Assets, Being Depreciated	15,024,602	285,934	(59,769)	15,250,767
Accumulated Depreciation:				
Buildings	(694,826)	(48,867)	-	(743,693)
Improvements Other than Buildings	(490,621)	(80,909)	-	(571,530)
Office Equipment and Furniture	(10,466)	(3,329)	-	(13,795)
Vehicles	(1,054,067)	(57,162)	54,769	(1,056,460)
Machinery and Shop Equipment	(274,013)	(35,182)	5,000	(304,195)
Infrastructure	(5,559,889)	(376,483)	-	(5,936,372)
Total Accumulated Depreciation	(8,083,882)	(601,932)	59,769	(8,626,045)
Total Capital Assets, Being Depreciated, Net	6,940,720	(315,998)	-	6,624,722
Governmental Activities Capital Assets, Net	<u>\$ 7,693,591</u>	<u>\$ (248,094)</u>	<u>\$ (215,000)</u>	<u>\$ 7,230,497</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 9,124
Public Safety	68,529
Public Works	438,586
Culture and Recreation	85,693
Total Depreciation Expense, Governmental Activities	<u>\$ 601,932</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2005 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 151,527	\$ -	\$ -	\$ 151,527
Construction in Progress	-	227,371	-	227,371
Total Capital Assets, Not Being Depreciated	151,527	227,371	-	378,898
Capital Assets, Being Depreciated:				
Buildings	7,012,042	-	-	7,012,042
Improvements Other than Buildings	1,032,763	-	-	1,032,763
Vehicles	137,103	-	-	137,103
Office Equipment and Furniture	10,085	-	-	10,085
Machinery and Shop Equipment	1,126,310	-	-	1,126,310
Infrastructure	2,491,358	101,403	-	2,592,761
Total Capital Assets, Being Depreciated	11,809,661	101,403	-	11,911,064
Accumulated Depreciation:				
Buildings	(2,629,497)	(146,561)	-	(2,776,058)
Improvements Other than Buildings	(791,486)	(73,465)	-	(864,951)
Vehicles	(132,989)	(4,114)	-	(137,103)
Office Equipment and Furniture	(3,602)	(1,441)	-	(5,043)
Machinery and Shop Equipment	(540,641)	(64,030)	-	(604,671)
Infrastructure	(1,349,087)	(26,583)	-	(1,375,670)
Total Accumulated Depreciation	(5,447,302)	(316,194)	-	(5,763,496)
Total Capital Assets, Being Depreciated, Net	6,362,359	(214,791)	-	6,147,568
Business-Type Capital Assets, Net	<u>\$ 6,513,886</u>	<u>\$ 12,580</u>	<u>\$ -</u>	<u>\$ 6,526,466</u>

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2005 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 209,870	
Nonmajor Governmental Funds	24,500	\$ 234,370

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2005:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities -							
<u>General Obligation Bonds</u>							
\$365,000 G.O. Tax Increment Bonds of 1992	3.75% - 6.10%	Interest due semi- annually on 4/1 and 10/1 and principal due annually until 10/1/05.	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
\$925,000 G.O. Swimming Pool Bonds of 1999	5.00% - 5.75%	Interest due semi- annually on 12/1 and 6/1 and principal due monthly until 12/1/19.	805,000	-	(30,000)	775,000	35,000
\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G	3.00% - 6.00%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/20.	700,000	-	-	700,000	-
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$974,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/17.	877,000	-	(55,000)	822,000	56,000
Total General Obligation Bonds			<u>2,422,000</u>	<u>-</u>	<u>(125,000)</u>	<u>2,297,000</u>	<u>91,000</u>
<u>Special Assessment Bonds</u>							
\$370,000 G.O. Improvement Bonds of 1999	5.3% - 6.10%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/13	275,000	-	(20,000)	255,000	25,000
\$605,000 G.O. Improvement Bonds of 2001	3.2% - 4.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/13	555,000	-	(50,000)	505,000	50,000
\$215,000 G.O. Improvement Bonds of 2002	4.0% - 4.80%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/13	200,000	-	(20,000)	180,000	20,000
\$335,000 G.O. Improvement Bonds of 2003 - Series 2003A	2.25% - 4.50%	Interest due semi- annually on 8/1 and 2/1 and principal due annually on 2/1 until 2/1/14	335,000	-	(25,000)	310,000	30,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
\$745,000 G.O. Improvement Bonds of 2003 - Series 2003F	2.50% - 4.90%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19.	\$ 745,000	\$ -	\$ (35,000)	\$ 710,000	\$ 40,000
\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$230,000 Portion	1.20% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/10.	205,000	-	(30,000)	175,000	35,000
\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$1,360,000 Portion	1.20% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/17.	1,285,000	-	(80,000)	1,205,000	80,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$284,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/07.	179,000	-	(58,000)	121,000	61,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$346,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/09.	247,000	-	(53,000)	194,000	56,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$389,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/13.	329,000	-	(35,000)	294,000	30,000
\$595,000 G.O. Street Reconstruction Bonds of 2004 - Series 2004A	3.00% - 4.35%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/15.	595,000	-	-	595,000	45,000
\$505,000 G.O. Street Improvement Bonds of 2004 - Series 2004B	3.00% - 4.35%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/15.	505,000	-	-	505,000	40,000
Total Special Assessment Bonds			<u>5,455,000</u>	<u>-</u>	<u>(406,000)</u>	<u>5,049,000</u>	<u>512,000</u>
Total Bonds Payable			<u>\$ 7,877,000</u>	<u>\$ -</u>	<u>\$ (531,000)</u>	<u>\$ 7,346,000</u>	<u>\$ 603,000</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Capital Leases Payable							
Fieldhouse	4.90%	Lease payments of \$57,340 due annually on 3/1 until 3/1/08	\$ 203,506	\$ -	\$ (47,368)	\$ 156,138	\$ 49,689
Fire Truck	10.90%	Lease payments of \$58,141 due annually on 1/1 until 1/19/05	55,277	-	(55,277)	-	-
Lawn Mower & Tractor	5.00%	Lease payments of \$11,397 due annually on 12/20 until 12/20/05	10,378	-	(10,378)	-	-
Skidsteer Loader	8.55%	Lease payments of \$4,332 due annually on 3/22 until 3/22/07	7,768	-	(3,741)	4,027	4,026
Street Sweeper	4.00%	Lease payments of \$25,845 due annually on 5/15 until 5/15/06	48,745	-	(23,895)	24,850	24,850
Bobcat Toolcat	5.50%	Lease payments of \$7,502 due annually on 1/24 until 1/24/10	-	31,735	(7,044)	24,691	5,686
Contender Tanker	4.19%	Lease payments of \$38,231 due annually on 1/22 until 1/22/10	-	169,875	-	169,875	31,718
Lawn Mower	4.30%	Lease payment of \$7,869 due on 4/4/06	-	15,294	(7,750)	7,544	7,544
Total Capital Leases Payable			325,674	216,904	(155,453)	387,125	123,513
Certificates of Participation - Street Maintenance	4.40% - 6.10%	Interest due semi-annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	625,000	-	(20,000)	605,000	20,000
Contract for Deed Schimelpfenig Contract	6.50%	Payments of \$13,453 due annually on 6/1 until 6/1/10	-	67,904	(12,000)	55,904	9,819
Unamortized Bond Discount			(20,580)	-	1,960	(18,620)	-
Compensated Absences Payable			219,987	14,568	(11,725)	222,830	222,830
Total Governmental Activities Long-Term Liabilities			\$ 9,027,081	\$ 299,376	\$ (728,218)	\$ 8,598,239	\$ 979,162

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Business-Type Activities -							
\$460,000 Liquor Store Revenue Bonds of 1995		Interest due semi- annually on 6/1 and 12/1 and principal due annually until 12/1/10.	\$ 210,000	\$ -	\$ (35,000)	\$ 175,000	\$ 30,000
\$465,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003D	1.50% - 4.90%	Interest due semi- annually on 8/1 and and 2/1 and principal due annually on 2/1 until 2/1/23.	465,000	-	(10,000)	455,000	10,000
\$105,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003E	2.35% - 3.15%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/09.	105,000	-	(15,000)	90,000	20,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$417,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/08.	298,000	-	(69,000)	229,000	72,000
\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$2,155,000 Portion	1.20% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/14.	2,015,000	-	(150,000)	1,865,000	165,000
\$580,000 G.O. Water Revenue Bonds of 2005 - 2005A	3.10% - 4.55%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/21.	-	580,000	-	580,000	-
Unamortized Bond Discount			(50,193)	(11,368)	6,395	(55,166)	-
Total Business-Type Long-Term Liabilities			\$ 3,042,807	\$ 568,632	\$ (272,605)	\$ 3,338,834	\$ 297,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

General Obligation Water Revenue Bonds, Series 2005A were issued on May 1, 2005 in the amount of \$580,000. The purpose of the issue was to obtain funding for various improvements to the water system within the City.

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
2006	\$ 603,000	\$ 287,764	\$ 297,000	\$ 123,135	\$ 900,000	\$ 410,899
2007	670,000	270,132	335,000	109,923	1,005,000	380,055
2008	658,000	249,901	357,000	100,946	1,015,000	350,847
2009	635,000	227,864	305,000	90,302	940,000	318,166
2010	660,000	203,503	295,000	80,341	955,000	283,844
2011 - 2015	3,060,000	604,682	1,250,000	247,192	4,310,000	851,874
2016 - 2020	1,060,000	112,350	385,000	86,629	1,445,000	198,979
2021 - 2025	-	-	170,000	10,193	170,000	10,193
Total	\$ 7,346,000	\$ 1,956,196	\$ 3,394,000	\$ 848,661	\$ 10,740,000	\$ 2,804,857

In 2005, the City of Glencoe entered into lease agreements as a lessee for financing the acquisition of various pieces of equipment. The City did not issue any down payments and financed the balances of \$216,904. 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 future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005 are as follows:

Year Ending December 31	Capital Leases Payable
2006	\$ 141,118
2007	103,074
2008	102,721
2009	45,733
2010	38,232
Total Minimum Lease Payments	430,878
Less Amount Representing Interest	43,753
Present Value of Minimum Lease Payments	<u>\$ 387,125</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for the City's certificates of participation are as follows:

Year Ending December 31	Certificates of Participation	
	Principal	Interest
2006	\$ 20,000	\$ 35,505
2007	25,000	34,485
2008	25,000	33,185
2009	30,000	31,860
2010	35,000	30,240
2011 - 2015	215,000	118,435
2016 - 2020	255,000	40,870
	<u>\$ 605,000</u>	<u>\$ 324,580</u>

In 2005, the City of Glencoe entered into a contract for deed for financing the acquisition of certain real property. This contract will mature in 2010 with an annual interest rate of 6.50%.

Annual debt service requirements to maturity for the City's contract for deed are as follows:

Year Ending December 31	Contract for Deed	
	Principal	Interest
2006	\$ 9,819	\$ 3,634
2007	10,457	2,995
2008	11,137	2,316
2009	11,861	1,592
2010	12,630	821
	<u>\$ 55,904</u>	<u>\$ 11,358</u>

Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2005, there was one series of Industrial Revenue Bonds outstanding, with an original issue amount of \$6,000,000 and an aggregate principal amount outstanding of \$2,708,833.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Conduit Debt (Continued)

On April 1, 2001, the City issued Healthcare Facilities Revenue Bonds, Series 2001. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to pay off existing debt 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 August 1, 2005, the City issued Healthcare 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. As of December 31, 2005, the principal amount outstanding was \$25,075,000.

NOTE 7 RESERVED AND DESIGNATED FUND BALANCES

Reserved for Library Improvement - Reserves to be Used for Purposes of Improving the Library as Deemed Appropriate by the City Council or Library Board	\$ 234,992
Unreserved, Designated Fund Balance is to be Used for Operations in 2005 Until the City Receives Their State Aid and County Tax Settlements	\$ 1,500,000

NOTE 8 DEFINED BENEFIT PENSION PLANS

Plan Descriptions

All full-time and certain part-time employees of the City of Glencoe are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer defined benefit pension plans. PERA provides retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by State Statute and vest after three years of credited service. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters, and peace officers who qualify for membership by statute are covered by the PEPFF. PERA issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by contacting PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy

Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10%, respectively, of the annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 11.78% for Basic Plan members and 5.53% for Coordinated Plan members. PEPFF members are required to contribute 6.20% of their annual covered salary, and the City is required to contribute 9.30% of covered payroll. The contribution requirements of plan members and the City are established and may be amended by State Statute. The City's contributions to PERA for the years ending December 31, 2005, 2004, and 2003 were \$103,369, \$93,335, and \$88,210, respectively, equal to the required contributions for each year.

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.

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 were \$58,342 for the years ended December 31, 2005, 2004, and 2003.

NOTE 9 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 has implemented GASB Statement No. 32, "Accounting and Financial Reporting, for the Internal Revenue Code Section 457 Deferred Compensation Plans." Previously all amounts deferred by the plan participants were reported as assets of the employer until made available to the participants or their beneficiaries. Now all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Under these new requirements, the City no longer owns the amounts deferred by the employees or related income on those amounts. Therefore, the City is no longer reporting the assets of the plan nor the related liability on its combined balance sheet.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 10 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.

For years beginning in 1998, the Commission and the City of Glencoe agreed that the annual transfers in lieu of taxes will be \$50,000. In addition, the Commission provided street lights and street light maintenance in the amount of \$49,040 for 2005.

NOTE 11 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 12 COMMITMENTS

During 2005, the City entered into purchase agreements for the acquisition of two parcels of real property for a future industrial park in the amount of \$200,000 and \$330,000, respectively. The City deposited earnest money in the amount of \$5,000 per parcel prior to December 31, 2005. Subsequent to year end these purchases were completed.

NOTE 13 RECONCILIATION OF OPERATING TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund Types		
General Fund	\$ 113,534	\$ (9,000)
Nonmajor Governmental Funds	430,103	(324,411)
Proprietary Fund Types		
Water Fund	-	(43,790)
Waste Water Treatment Plant	37,707	(11,083)
Liquor Store	-	(96,000)
Storm Water Management	-	(97,060)
Total Proprietary Funds	<u>37,707</u>	<u>(247,933)</u>
Total Operating Transfers	<u>\$ 581,344</u>	<u>\$ (581,344)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Original Budget	Final Budget	2005 Actual	Variance with Final Budget Positive (Negative)	2004 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,127,000	\$ 1,127,000	\$ 1,004,109	\$ (122,891)	\$ 952,490
Special Assessments	2,000	2,000	-	(2,000)	-
Total Taxes	<u>1,129,000</u>	<u>1,129,000</u>	<u>1,004,109</u>	<u>(124,891)</u>	<u>952,490</u>
Licenses and Permits	73,000	73,000	101,765	28,765	81,800
Intergovernmental -					
Local Government Aid	1,028,000	1,028,000	1,028,007	7	919,745
Market Value Credit	-	-	133,597	133,597	142,635
HACA	7,000	7,000	4,046	(2,954)	3,444
PERA Aid	4,500	4,500	4,491	(9)	4,491
Low Income Housing Aid	6,700	6,700	-	(6,700)	-
Fire and Police Department	74,000	74,000	85,277	11,277	84,040
Miscellaneous State Aid	4,000	4,000	22,476	18,476	10,519
Miscellaneous Federal Aid	80,000	212,723	214,327	1,604	110,807
Total Intergovernmental	<u>1,204,200</u>	<u>1,336,923</u>	<u>1,492,221</u>	<u>155,298</u>	<u>1,275,681</u>
Charges for Services -					
Special Services, Police	38,000	38,000	68,034	30,034	11,779
Special Services, Fire	30,000	30,000	18,721	(11,279)	34,762
Miscellaneous Charges	92,050	92,050	129,061	37,011	109,218
Total Charges for Services	<u>160,050</u>	<u>160,050</u>	<u>215,816</u>	<u>55,766</u>	<u>155,759</u>
Fines and Forfeits	50,000	50,000	33,538	(16,462)	53,273
Interest	20,000	20,000	60,876	40,876	14,038
Contributions and Donations	3,500	3,500	655	(2,845)	4,800
Payments in Lieu of Taxes	50,000	50,000	50,000	-	50,000
Miscellaneous -					
Administrative Fees	25,000	25,000	-	(25,000)	-
Park Fees	10,000	10,000	12,707	2,707	8,136
Reimbursements and Refunds	84,500	84,500	463,520	379,020	86,160
Total Miscellaneous	<u>119,500</u>	<u>119,500</u>	<u>476,227</u>	<u>356,727</u>	<u>94,296</u>
Total Revenues	<u>2,809,250</u>	<u>2,941,973</u>	<u>3,435,207</u>	<u>493,234</u>	<u>2,682,137</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Original Budget	Final Budget	2005 Actual	Variance with Final Budget Positive (Negative)	2004 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 128,175	\$ 128,175	\$ 137,260	\$ (9,085)	\$ 124,118
Employee Benefits	45,254	45,254	35,363	9,891	37,431
Payroll Taxes	7,953	7,953	8,105	(152)	7,457
Workers' Compensation	1,000	1,000	1,465	(465)	1,421
Office Supplies	6,500	6,500	10,336	(3,836)	6,903
Printing and Binding	4,000	4,000	5,610	(1,610)	5,775
Repairs and Maintenance	8,000	8,000	12,603	(4,603)	7,664
Professional Services	30,000	30,000	63,832	(33,832)	40,436
Auditing and Accounting	21,000	21,000	43,875	(22,875)	21,200
Legal Fees	52,000	52,000	38,229	13,771	50,020
Chamber	22,000	22,000	19,548	2,452	20,120
Computer Software	1,000	1,000	1,500	(500)	426
Telephone	6,500	6,500	6,808	(308)	7,855
Postage	2,200	2,200	3,185	(985)	2,347
Advertising	3,000	3,000	4,271	(1,271)	3,871
Travel	1,800	1,800	1,759	41	1,794
Training	750	750	535	215	563
Insurance	7,000	7,000	9,435	(2,435)	5,069
Utilities	63,000	63,000	116,320	(53,320)	87,700
Subscriptions	-	-	147	(147)	174
Continuing Education and Dues	1,800	1,800	1,125	675	2,270
League of Minnesota Cities	14,000	14,000	6,559	7,441	11,045
Contract for Deed Principal	-	-	12,000	(12,000)	-
Capital Outlay	50,000	50,000	106,312	(56,312)	1,724
Miscellaneous	16,900	16,900	2,597	14,303	637
Total Administration	<u>493,832</u>	<u>493,832</u>	<u>648,779</u>	<u>(154,947)</u>	<u>448,020</u>
Finance:					
Salaries	91,191	91,191	90,564	627	81,725
Employee Benefits	17,337	17,337	18,602	(1,265)	15,315
Payroll Taxes	5,654	5,654	5,379	275	5,062
Unemployment Insurance	-	-	-	-	2,060
Office Supplies	2,000	2,000	935	1,065	611
Printing and Binding	500	500	697	(197)	796
Repairs and Maintenance	400	400	-	400	440
Computer Software	3,800	3,800	6,119	(2,319)	6,739
Postage	50	50	25	25	31
Travel	500	500	73	427	529
Continuing Education & Dues	400	400	35	365	200
Subscriptions	50	50	-	50	198
Capital Outlay	2,000	2,000	445	1,555	2,074
Training	300	300	-	300	4,058
Miscellaneous	700	700	576	124	749
Total Finance	<u>124,882</u>	<u>124,882</u>	<u>123,450</u>	<u>1,432</u>	<u>120,587</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Original Budget	Final Budget	2005 Actual	Variance with Final Budget Positive (Negative)	2004 Actual
Expenditures: - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 29,200	\$ 29,200	\$ 29,838	\$ (638)	\$ 34,244
Employee Benefits	1,519	1,519	1,547	(28)	1,615
Payroll Taxes	769	769	481	288	1,182
Workers' Compensation	50	50	121	(71)	99
Insurance	600	600	632	(32)	945
Office Supplies	500	500	541	(41)	854
Travel	500	500	278	222	423
Training	500	500	440	60	515
Dues and Subscriptions	200	200	-	200	-
Capital Outlay	-	-	340	(340)	-
Miscellaneous	500	500	1,226	(726)	549
Total City Council	<u>34,338</u>	<u>34,338</u>	<u>35,444</u>	<u>(1,106)</u>	<u>40,426</u>
Total General Government	<u>653,052</u>	<u>653,052</u>	<u>807,673</u>	<u>(154,621)</u>	<u>609,033</u>
Public Safety -					
Police Department:					
Salaries	581,698	581,698	658,544	(76,846)	581,048
Employee Benefits	168,226	168,226	178,572	(10,346)	151,419
Payroll Taxes	3,764	3,764	4,255	(491)	3,889
Workers' Compensation	16,000	16,000	23,808	(7,808)	18,487
Supplies	10,500	10,500	9,142	1,358	5,610
Motor Fuels	6,000	6,000	3,863	2,137	5,653
Repairs and Maintenance	21,300	21,300	20,221	1,079	18,006
Training	20,500	20,500	20,147	353	18,590
Continuing Education and Dues	2,000	2,000	690	1,310	1,493
Investigation	2,500	2,500	2,025	475	1,782
Vaccinations	500	500	404	96	152
Telephone	17,000	17,000	20,305	(3,305)	18,726
Printing and Binding	1,000	1,000	99	901	1,450
Insurance	21,000	21,000	16,418	4,582	20,489
Legal Fees	1,000	1,000	834	166	750
Uniforms	12,000	12,000	9,201	2,799	10,757
Animal control	2,000	2,000	3,752	(1,752)	2,372
Capital Outlay	73,100	73,100	61,177	11,923	58,744
Miscellaneous	5,100	5,100	4,602	498	3,519
Total Police Department	<u>965,188</u>	<u>965,188</u>	<u>1,038,059</u>	<u>(72,871)</u>	<u>922,936</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Original Budget	Final Budget	2005 Actual	Variance with Final Budget Positive (Negative)	2004 Actual
Expenditures: - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 15,436	\$ 15,436	\$ 15,506	\$ (70)	\$ 14,246
Firemen's Relief Contribution	89,000	89,000	96,064	(7,064)	97,745
Payroll Taxes	1,181	1,181	1,186	(5)	1,101
Workers' Compensation	2,900	2,900	4,996	(2,096)	4,456
Office Supplies	500	500	345	155	302
Motor Fuels	3,000	3,000	3,735	(735)	2,613
Repairs and Maintenance	15,000	15,000	14,648	352	14,688
Training	9,000	9,000	9,684	(684)	6,953
Telephone	2,000	2,000	1,695	305	1,662
Travel	1,600	1,600	1,108	492	641
Advertising	600	600	384	216	720
Insurance	13,284	13,284	11,583	1,701	13,876
Utilities	5,100	5,100	7,877	(2,777)	6,366
Continuing Education and Dues	6,000	6,000	4,907	1,093	4,794
Capital Lease Principal	55,277	55,277	55,277	-	52,555
Capital Lease Interest	2,864	2,864	2,863	1	5,586
Capital Outlay	18,200	158,670	320,941	(162,271)	10,596
Miscellaneous	4,650	4,650	4,559	91	4,644
Total Fire Protection	<u>245,592</u>	<u>386,062</u>	<u>557,358</u>	<u>(171,296)</u>	<u>243,544</u>
Code Enforcement:					
Office Supplies	1,000	1,000	658	342	951
Building Inspector	40,000	40,000	83,937	(43,937)	68,566
Total Code Enforcement	<u>41,000</u>	<u>41,000</u>	<u>84,595</u>	<u>(43,595)</u>	<u>69,517</u>
Total Public Safety	<u>1,251,780</u>	<u>1,392,250</u>	<u>1,680,012</u>	<u>(287,762)</u>	<u>1,235,997</u>
Streets and Highways -					
Salaries	174,304	174,304	182,128	(7,824)	126,651
Employee Benefits	53,011	53,011	46,772	6,239	31,251
Payroll Taxes	10,807	10,807	11,028	(221)	7,909
Workers' Compensation	8,000	8,000	12,402	(4,402)	10,063
Supplies	200	200	97	103	206
Motor Fuels	12,000	12,000	20,075	(8,075)	12,421
Repairs and Maintenance	23,500	23,500	30,248	(6,748)	25,235
Street Maintenance	68,505	68,505	31,378	37,127	75,765
Street Overlay and Seal Coat	20,596	20,596	-	20,596	20,442
Landscaping	1,000	1,000	4,888	(3,888)	2,542
Telephone	600	600	937	(337)	817

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Original Budget	Final Budget	2005 Actual	Variance with Final Budget Positive (Negative)	2004 Actual
Expenditures: - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ -	\$ -	\$ 3,431	\$ (3,431)	\$ 2,325
Insurance	17,000	17,000	10,785	6,215	15,471
Utilities	6,600	6,600	9,184	(2,584)	5,351
Capital Lease Principal	91,713	91,713	56,143	35,570	54,163
Capital Lease Interest	3,116	3,116	39,770	(36,654)	42,729
Fiscal Agent Fees	-	-	1,250	(1,250)	1,250
Capital Outlay	24,667	24,667	40,380	(15,713)	5,675
Miscellaneous	(40,072)	(40,072)	(4,946)	(35,126)	(56,391)
Total Street and Highways	<u>475,547</u>	<u>475,547</u>	<u>495,950</u>	<u>(20,403)</u>	<u>383,875</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	97,827	97,827	97,667	160	95,162
Employee Benefits	21,999	21,999	22,624	(625)	22,285
Payroll Taxes	6,065	6,065	5,976	89	5,985
Workers' Compensation	3,600	3,600	3,253	347	3,304
Supplies	7,250	7,250	13,034	(5,784)	12,593
Motor Fuels	2,600	2,600	5,513	(2,913)	3,184
Repairs and Maintenance	12,000	12,000	11,687	313	13,075
Management Fees	2,500	2,500	2,500	-	2,500
Telephone	1,000	1,000	1,430	(430)	1,348
Insurance	12,500	12,500	12,790	(290)	14,088
Utilities	3,800	3,800	5,707	(1,907)	3,891
Capital Lease Principal	15,729	15,729	16,664	(935)	1,737
Capital Lease Interest	606	606	754	(148)	429
Capital Outlay	35,165	35,165	77,839	(42,674)	4,877
Miscellaneous	2,100	2,100	5,885	(3,785)	2,788
Total Park and Recreation	<u>224,741</u>	<u>224,741</u>	<u>283,323</u>	<u>(58,582)</u>	<u>187,246</u>
Library and Community Center:					
Supplies	2,000	2,000	2,123	(123)	1,764
Repairs and Maintenance	750	750	1,910	(1,160)	1,249
Management Fees	55,000	55,000	55,000	-	52,089
Janitorial	2,000	2,000	1,900	100	1,674
Telephone	2,000	2,000	2,458	(458)	1,963
Insurance	1,200	1,200	1,229	(29)	1,136
Utilities	7,400	7,400	8,924	(1,524)	6,714
Capital Outlay	18,900	18,900	15,828	3,072	5,802
Continuing Education and Dues	250	250	171	79	226
Miscellaneous	20	20	303	(283)	-
Total Library and Community Center	<u>89,520</u>	<u>89,520</u>	<u>89,846</u>	<u>(326)</u>	<u>72,617</u>
Total Culture and Recreation	<u>314,261</u>	<u>314,261</u>	<u>373,169</u>	<u>(58,908)</u>	<u>259,863</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Original Budget	Final Budget	2005 Actual	Variance with Final Budget Positive (Negative)	2004 Actual
Expenditures: - (Cont'd.)					
Economic Development	\$ -	\$ -	\$ 6,329	\$ (6,329)	\$ 10,917
Miscellaneous -					
Sales Tax	1,000	1,000	2,099	(1,099)	2,964
State Surcharge	3,500	3,500	6,590	(3,090)	3,897
Vehicle Towing	6,000	6,000	8,860	(2,860)	8,058
Insurance	-	-	-	-	388
Refunds and Reimbursements	50,000	50,000	42,236	7,764	66,277
Electrical Availability Charge	20,000	20,000	14,720	5,280	3,000
Capital Lease Principal	47,368	47,368	47,370	(2)	45,155
Capital Lease Interest	9,972	9,972	9,972	-	12,185
Other	4,000	4,000	10,572	(6,572)	230
Total Miscellaneous	<u>141,840</u>	<u>141,840</u>	<u>142,419</u>	<u>(579)</u>	<u>142,154</u>
Total Expenditures	<u>2,836,480</u>	<u>2,976,950</u>	<u>3,505,552</u>	<u>(528,602)</u>	<u>2,641,839</u>
Excess (Deficit) Revenues Over Expenditures	<u>(27,230)</u>	<u>(34,977)</u>	<u>(70,345)</u>	<u>(35,368)</u>	<u>40,298</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	120,000	120,000	113,534	(6,466)	105,166
Operating Transfers Out	-	-	(9,000)	(9,000)	(10,000)
Lease Proceeds	-	-	216,904	216,904	-
Loan Proceeds	-	-	67,904	67,904	-
Proceeds from the Sale of Capital Assets	-	-	22,225	22,225	-
Total Other Financing Sources (Uses)	<u>120,000</u>	<u>120,000</u>	<u>411,567</u>	<u>291,567</u>	<u>95,166</u>
Excess Revenues and Other Sources Over Expenditures and Other Uses	92,770	85,023	341,222	256,199	135,464
Fund Balance - Beginning	<u>1,849,764</u>	<u>1,849,764</u>	<u>1,849,764</u>	<u>-</u>	<u>1,714,300</u>
Fund Balance - Ending	<u>\$ 1,942,534</u>	<u>\$ 1,934,787</u>	<u>\$ 2,190,986</u>	<u>\$ 256,199</u>	<u>\$ 1,849,764</u>

COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

		Other Governmental Funds		
		2005		
		Special Revenue	Debt Service	Capital Projects
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$	496,878	\$ 362,254	\$ 514,155
Accounts Receivable		44,503	-	-
Interest Receivable		41	-	-
Taxes Receivable				
Current		-	3,013	3,118
Delinquent		-	5,921	-
Special Assessments Receivable				
Current		-	1,303	-
Deferred		-	408,966	-
Due from Other Funds		-	-	24,500
		-	-	-
Total Assets	\$	<u>541,422</u>	<u>\$ 781,457</u>	<u>\$ 541,773</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$	7,511	\$ -	\$ 175,333
Retainages Payable		-	-	5,289
Due to Other Funds		105,964	23,956	104,450
Deferred Revenue		-	414,887	-
Total Liabilities		<u>113,475</u>	<u>438,843</u>	<u>285,072</u>
FUND BALANCES				
Reserved for Library Improvement		234,992	-	-
Unreserved, Reported in				
Special Revenue		192,955	-	-
Debt Service		-	342,614	-
Capital Projects		-	-	256,701
Total Fund Balances		<u>427,947</u>	<u>342,614</u>	<u>256,701</u>
		-	-	-
Total Liabilities and Fund Balances	\$	<u>541,422</u>	<u>\$ 781,457</u>	<u>\$ 541,773</u>

<u>2005</u>	<u>2004</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 1,373,287	\$ 1,682,187
44,503	12,613
41	146
6,131	4,659
5,921	3,574
1,303	984
408,966	280,184
24,500	28,000
<u>\$ 1,864,652</u>	<u>\$ 2,012,347</u>
\$ 182,844	\$ 342,486
5,289	-
234,370	246,667
414,887	295,645
<u>837,390</u>	<u>884,798</u>
234,992	232,370
192,955	127,551
342,614	589,440
256,701	178,188
<u>1,027,262</u>	<u>1,127,549</u>
<u>\$ 1,864,652</u>	<u>\$ 2,012,347</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Other Governmental Funds		
	2005		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 7,288	\$ 453,097	\$ 310,984
Intergovernmental	193,117	46,669	2,254
Charges for Services	245,151	-	-
Fines and Forfeits	-	-	-
Interest Income	5,297	4,478	2,949
Contributions and Donations	25,542	-	-
Franchise Taxes	41,837	-	-
Miscellaneous	16,130	-	-
Total Revenues	534,362	504,244	316,187
EXPENDITURES			
Current:			
General Government	8,605	5,500	-
Public Safety	964	-	-
Highways and Streets	22,874	-	118,530
Culture-Recreation	175,413	-	-
Economic Development	134,551	-	205,744
Capital Outlay			
General Government	-	-	-
Public Safety	19,397	-	-
Highways and Streets	-	-	-
Culture-Recreation	29,736	-	-
Economic Development	-	-	42
Debt Service			
Principal	55,000	476,000	-
Interest	28,328	278,125	-
Fiscal Charges	90	1,873	-
Total Liabilities	474,958	761,498	324,316
Deficiency of Revenue Over Expenditures	59,404	(257,254)	(8,129)
OTHER FINANCING SOURCES (USES)			
Transfers In	69,575	185,478	175,050
Transfers Out	(60,953)	(175,050)	(88,408)
Bond Proceeds	-	-	-
Bond Discount	-	-	-
Total Other Financing Sources (Uses)	8,622	10,428	86,642
Net Change in Fund Balances	68,026	(246,826)	78,513
Fund Balances - Beginning	359,921	589,440	178,188
Fund Balances - Ending	\$ 427,947	\$ 342,614	\$ 256,701

<u>2005</u>		<u>2004</u>	
Total		Total	
Other		Other	
Governmental		Governmental	
Funds		Funds	
\$	771,369	\$	776,472
	242,040		129,622
	245,151		102,747
	-		4,622
	12,724		22,794
	25,542		104,208
	41,837		34,415
	16,130		32,918
	<u>1,354,793</u>		<u>1,207,798</u>
	14,105		13,293
	964		1,241
	141,404		269,724
	175,413		155,036
	340,295		90,424
	-		3,861
	19,397		19,170
	-		1,106,974
	29,736		14,928
	42		196,358
	531,000		435,000
	306,453		267,252
	1,963		9,578
	<u>1,560,772</u>		<u>2,582,839</u>
	(205,979)		(1,375,041)
	430,103		341,413
	(324,411)		(233,413)
	-		1,100,000
	-		(21,560)
	<u>105,692</u>		<u>1,186,440</u>
	(100,287)		(188,601)
	<u>1,127,549</u>		<u>1,316,150</u>
\$	<u>1,027,262</u>	\$	<u>1,127,549</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Special Revenue Funds			
	2005			
	Library Improvement	Park Improvement	Police K-9	Crime Prevention
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 244,567	\$ 63,825	\$ 6,926	\$ 22,712
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
Total Assets	<u>\$ 244,567</u>	<u>\$ 63,825</u>	<u>\$ 6,926</u>	<u>\$ 22,712</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 590	\$ 300	\$ -	\$ 28
Due to Other Funds	-	-	-	-
Total Liabilities	<u>590</u>	<u>300</u>	<u>-</u>	<u>28</u>
FUND BALANCES				
Reserved for Library Improvement	234,992	-	-	-
Unreserved, Undesignated	8,985	63,525	6,926	22,684
Total Fund Balances	<u>243,977</u>	<u>63,525</u>	<u>6,926</u>	<u>22,684</u>
Total Liabilities and Fund Balances	<u>\$ 244,567</u>	<u>\$ 63,825</u>	<u>\$ 6,926</u>	<u>\$ 22,712</u>

Special Revenue Funds

2005

<u>Charitable Gambling</u>	<u>Aquatic Center</u>	<u>Cable TV</u>	<u>Cemetery</u>	<u>Economic Development</u>	<u>Capital Improvement</u>
\$ 13,220	\$ 377	\$ -	\$ 94,287	\$ -	\$ -
-	126	8,396	421	-	-
-	-	-	41	-	-
<u>\$ 13,220</u>	<u>\$ 503</u>	<u>\$ 8,396</u>	<u>\$ 94,749</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 377	\$ 2,663	\$ 10	\$ -	\$ -
-	-	2,375	-	-	-
-	377	5,038	10	-	-
-	-	-	-	-	-
13,220	126	3,358	94,739	-	-
<u>13,220</u>	<u>126</u>	<u>3,358</u>	<u>94,739</u>	<u>-</u>	<u>-</u>
<u>\$ 13,220</u>	<u>\$ 503</u>	<u>\$ 8,396</u>	<u>\$ 94,749</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Special Revenue Funds			
	2005		2004	
	Municipal State Aid	Engineering Inspection Service Fund	Total Special Revenue	Total Special Revenue
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 50,964	\$ -	\$ 496,878	\$ 538,767
Accounts Receivable	-	35,560	44,503	725
Interest Receivable	-	-	41	146
Total Assets	\$ 50,964	\$ 35,560	\$ 541,422	\$ 539,638
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 2,429	\$ 1,114	\$ 7,511	\$ 133,385
Due to Other Funds	-	103,589	105,964	46,332
Total Liabilities	2,429	104,703	113,475	179,717
FUND BALANCES				
Reserved for Library Improvement	-	-	234,992	232,370
Unreserved, Undesignated	48,535	(69,143)	192,955	127,551
Total Fund Balances	48,535	(69,143)	427,947	359,921
Total Liabilities and Fund Balances	\$ 50,964	\$ 35,560	\$ 541,422	\$ 539,638

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – SPECIAL REVENUE FUNDS
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Special Revenue Funds			
	2005			
	Library Improvement	Park Improvement	Police K-9	Crime Prevention
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,359
Charges for Services	-	60,322	-	-
Fines and Forfeits	-	-	-	-
Interest Income	2,623	570	67	236
Contributions and Donations	3,000	16,000	1,263	5,279
Franchise Taxes	-	-	-	-
Miscellaneous	-	-	7	13,693
Total Revenues	<u>5,623</u>	<u>76,892</u>	<u>1,337</u>	<u>20,567</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	256	708
Highways and Streets	-	-	-	-
Culture-Recreation	2,196	22,086	-	-
Economic Development	-	-	-	-
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	19,397
Highways and Streets	-	-	-	-
Culture-Recreation	-	29,736	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	<u>2,196</u>	<u>51,822</u>	<u>256</u>	<u>20,105</u>
Excess (Deficiency) of Revenue Over Expenditures	3,427	25,070	1,081	462
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,427	25,070	1,081	462
Fund Balance - Beginning	240,550	38,455	5,845	22,222
Fund Balances - Ending	<u>\$ 243,977</u>	<u>\$ 63,525</u>	<u>\$ 6,926</u>	<u>\$ 22,684</u>

Special Revenue Funds

2005

Charitable Gambling	Aquatic Center	Cable TV	Cemetery	Economic Development	Capital Improvement
\$ -	\$ 7,288	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	112,128	-	7,141	-	-
-	-	-	-	-	-
142	(403)	473	1,206	(60)	-
-	-	-	-	-	-
-	-	41,837	-	-	-
-	2,360	-	70	-	-
<u>142</u>	<u>121,373</u>	<u>42,310</u>	<u>8,417</u>	<u>(60)</u>	<u>-</u>
-	-	-	8,605	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	144,144	6,987	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>144,144</u>	<u>6,987</u>	<u>8,605</u>	<u>-</u>	<u>-</u>
142	(22,771)	35,323	(188)	(60)	-
-	60,575	-	-	9,000	-
<u>-</u>	<u>-</u>	<u>(60,575)</u>	<u>-</u>	<u>(369)</u>	<u>(9)</u>
-	60,575	(60,575)	-	8,631	(9)
142	37,804	(25,252)	(188)	8,571	(9)
<u>13,078</u>	<u>(37,678)</u>	<u>28,610</u>	<u>94,927</u>	<u>(8,571)</u>	<u>9</u>
<u>\$ 13,220</u>	<u>\$ 126</u>	<u>\$ 3,358</u>	<u>\$ 94,739</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – SPECIAL REVENUE FUNDS (CONTINUED)
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Special Revenue Funds			
	2005		2004	
	Municipal State Aid	Engineering Inspection Service Fund	Total Special Revenue	
REVENUES				
Taxes	\$ -	\$ -	\$ 7,288	\$ 5,574
Intergovernmental	191,758	-	193,117	81,946
Charges for Services	-	65,560	245,151	102,747
Fines and Forfeits	-	-	-	4,622
Interest Income	595	(152)	5,297	6,697
Contributions and Donations	-	-	25,542	104,208
Franchise Taxes	-	-	41,837	34,415
Miscellaneous	-	-	16,130	23,244
Total Revenues	<u>192,353</u>	<u>65,408</u>	<u>534,362</u>	<u>363,453</u>
EXPENDITURES				
Current:				
General Government	-	-	8,605	11,770
Public Safety	-	-	964	1,241
Highways and Streets	22,874	-	22,874	16,020
Culture-Recreation	-	-	175,413	155,036
Economic Development	-	134,551	134,551	94
Capital Outlay				
General Government	-	-	-	3,861
Public Safety	-	-	19,397	19,170
Highways and Streets	-	-	-	118,487
Culture-Recreation	-	-	29,736	14,928
Debt Service				
Principal	55,000	-	55,000	49,000
Interest	28,328	-	28,328	28,916
Fiscal Charges	90	-	90	72
Total Expenditures	<u>106,292</u>	<u>134,551</u>	<u>474,958</u>	<u>418,595</u>
Excess (Deficiency) of Revenue Over Expenditures	86,061	(69,143)	59,404	(55,142)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	69,575	10,000
Transfers Out	-	-	(60,953)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,622</u>	<u>10,000</u>
Net Change in Fund Balances	86,061	(69,143)	68,026	(45,142)
Fund Balance - Beginning	<u>(37,526)</u>	<u>-</u>	<u>359,921</u>	<u>405,063</u>
Fund Balances - Ending	<u>\$ 48,535</u>	<u>\$ (69,143)</u>	<u>\$ 427,947</u>	<u>\$ 359,921</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Debt Service Funds			
	2005			
	City Sinking	1992 Tax Increment Bond	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 613	\$ -	\$ -	\$ 8,657
Taxes Receivable:				
Current	11	-	-	323
Delinquent	-	-	-	633
Special Assessments Receivable:				
Current	-	-	-	-
Deferred	-	-	-	43,621
	<u>624</u>	<u>-</u>	<u>-</u>	<u>43,621</u>
Total Assets	<u>\$ 624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,234</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 13,181	\$ -
Deferred Revenue	-	-	-	44,254
Total Liabilities	<u>-</u>	<u>-</u>	<u>13,181</u>	<u>44,254</u>
FUND BALANCES				
Unreserved, Undesignated	624	-	(13,181)	8,980
Total Fund Balances	<u>624</u>	<u>-</u>	<u>(13,181)</u>	<u>8,980</u>
Total Liabilities and Fund Balances	<u>\$ 624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,234</u>

Debt Service Funds

2005

1997 Storm Sewer Bond	1997 McLoed/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition
\$ 2	\$ 81,875	\$ 22,308	\$ 23,241	\$ 1,144	\$ 29,588
-	760	193	580	241	226
-	1,507	376	1,130	467	452
-	-	-	-	-	940
-	232	293	-	14,196	7,851
<u>\$ 2</u>	<u>\$ 84,374</u>	<u>\$ 23,170</u>	<u>\$ 24,951</u>	<u>\$ 16,048</u>	<u>\$ 39,057</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,739	669	1,130	14,663	8,303
-	1,739	669	1,130	14,663	8,303
2	82,635	22,501	23,821	1,385	30,754
<u>2</u>	<u>82,635</u>	<u>22,501</u>	<u>23,821</u>	<u>1,385</u>	<u>30,754</u>
<u>\$ 2</u>	<u>\$ 84,374</u>	<u>\$ 23,170</u>	<u>\$ 24,951</u>	<u>\$ 16,048</u>	<u>\$ 39,057</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Debt Service Funds			
	2005			
	2001 N. Country V/Popelka	2002 Willow Ridge Est. 2nd Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 64,586	\$ 71,286	\$ -	\$ 12,478
Taxes Receivable				
Current	231	5	-	229
Delinquent	452	-	-	452
Special Assessments Receivable				
Current	-	-	-	363
Deferred	134,233	-	-	38,605
Total Assets	\$ 199,502	\$ 71,291	\$ -	\$ 52,127
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	134,685	-	-	39,057
Total Liabilities	134,685	-	-	39,057
FUND BALANCES				
Unreserved, Undesignated	64,817	71,291	-	13,070
Total Fund Balances	64,817	71,291	-	13,070
Total Liabilities and Fund Balances	\$ 199,502	\$ 71,291	\$ -	\$ 52,127

Debt Service Funds

2004 N. Country/ Glenknoll Area	2005 2004 Street Improvement Bond	Total Debt Service	2004 Total Debt Service
\$ 46,476	\$ -	\$ 362,254	\$ 611,740
214	-	3,013	4,282
452	-	5,921	3,574
-	-	1,303	984
<u>169,935</u>	<u>-</u>	<u>408,966</u>	<u>280,184</u>
<u>\$ 217,077</u>	<u>\$ -</u>	<u>\$ 781,457</u>	<u>\$ 900,764</u>
\$ -	\$ 10,775	\$ 23,956	\$ 27,567
<u>170,387</u>	<u>-</u>	<u>414,887</u>	<u>283,757</u>
170,387	10,775	438,843	311,324
<u>46,690</u>	<u>(10,775)</u>	<u>342,614</u>	<u>589,440</u>
<u>46,690</u>	<u>(10,775)</u>	<u>342,614</u>	<u>589,440</u>
<u>\$ 217,077</u>	<u>\$ -</u>	<u>\$ 781,457</u>	<u>\$ 900,764</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – DEBT SERVICE FUNDS
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Debt Service Funds			
	2005			
	City Sinking	1992 Tax Increment Bond	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond
REVENUES				
Taxes	\$ 386	\$ -	\$ -	\$ 46,909
Intergovernmental	-	-	-	4,988
Interest Income	4	(85)	(17)	256
Total Revenues	<u>390</u>	<u>(85)</u>	<u>(17)</u>	<u>52,153</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Debt Service				
Principal	-	40,000	30,000	58,000
Interest	-	2,440	5,070	3,470
Fiscal Charges	-	-	150	90
Total Expenditures	<u>-</u>	<u>42,440</u>	<u>35,220</u>	<u>61,560</u>
Excess (Deficiency) of Revenue Over Expenditures	390	(42,525)	(35,237)	(9,407)
OTHER FINANCING SOURCES (USES)				
Transfers In	10	42,421	22,000	-
Transfers Out	-	-	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>10</u>	<u>42,421</u>	<u>22,000</u>	<u>-</u>
Net Change in Fund Balances	<u>400</u>	<u>(104)</u>	<u>(13,237)</u>	<u>(9,407)</u>
Fund Balances - Beginning	<u>224</u>	<u>104</u>	<u>56</u>	<u>18,387</u>
Fund Balances - Ending	<u>\$ 624</u>	<u>\$ -</u>	<u>\$ (13,181)</u>	<u>\$ 8,980</u>

Debt Service Funds

2005

1997 Storm Sewer Bond	1997 McLoed/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition
\$ -	\$ 88,646	\$ 22,216	\$ 66,455	\$ 32,196	\$ 28,465
-	11,876	2,969	8,907	3,681	3,562
(185)	1,123	438	235	36	129
<u>(185)</u>	<u>101,645</u>	<u>25,623</u>	<u>75,597</u>	<u>35,913</u>	<u>32,156</u>
-	-	-	-	-	-
53,000	80,000	35,000	30,000	20,000	25,000
5,519	41,153	9,319	44,013	16,063	12,016
90	150	90	-	-	-
<u>58,609</u>	<u>121,303</u>	<u>44,409</u>	<u>74,013</u>	<u>36,063</u>	<u>37,016</u>
(58,794)	(19,658)	(18,786)	1,584	(150)	(4,860)
75,060	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>75,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,266</u>	<u>(19,658)</u>	<u>(18,786)</u>	<u>1,584</u>	<u>(150)</u>	<u>(4,860)</u>
<u>(16,264)</u>	<u>102,293</u>	<u>41,287</u>	<u>22,237</u>	<u>1,535</u>	<u>35,614</u>
<u>\$ 2</u>	<u>\$ 82,635</u>	<u>\$ 22,501</u>	<u>\$ 23,821</u>	<u>\$ 1,385</u>	<u>\$ 30,754</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Debt Service Funds			
	2005			
	2001 N. Country V/Popelka	2002 Willow Ridge Est. 2nd Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond
REVENUES				
Taxes	\$ 67,303	\$ 80	\$ -	\$ 35,484
Intergovernmental	3,562	-	-	3,562
Interest Income	1,239	1,149	(243)	(40)
Total Revenues	<u>72,104</u>	<u>1,229</u>	<u>(243)</u>	<u>39,006</u>
EXPENDITURES				
Current:				
General Government	5,500	-	-	-
Debt Service				
Principal	50,000	20,000	-	35,000
Interest	22,048	8,540	34,038	29,480
Fiscal Charges	-	-	403	-
Total Expenditures	<u>77,548</u>	<u>28,540</u>	<u>34,441</u>	<u>64,480</u>
Excess (Deficiency) of Revenue Over Expenditures	(5,444)	(27,311)	(34,684)	(25,474)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	45,987	-
Transfers Out	(86,800)	(45,000)	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>(86,800)</u>	<u>(45,000)</u>	<u>45,987</u>	<u>-</u>
Net Change in Fund Balances	(92,244)	(72,311)	11,303	(25,474)
Fund Balances - Beginning	157,061	143,602	(11,303)	38,544
Fund Balances - Ending	<u>\$ 64,817</u>	<u>\$ 71,291</u>	<u>\$ -</u>	<u>\$ 13,070</u>

Debt Service Funds

		2005		2004	
2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	Total Debt Service	Total Debt Service	Total Debt Service	Total Debt Service
\$ 64,957	\$ -	\$ 453,097	\$ 467,412		
3,562	-	46,669	45,708		
474	(35)	4,478	7,089		
<u>68,993</u>	<u>(35)</u>	<u>504,244</u>	<u>520,209</u>		
-	-	5,500	1,523		
-	-	476,000	386,000		
20,597	24,359	278,125	238,336		
450	450	1,873	456		
<u>21,047</u>	<u>24,809</u>	<u>761,498</u>	<u>626,315</u>		
47,946	(24,844)	(257,254)	(106,106)		
-	-	185,478	331,413		
(43,250)	-	(175,050)	(88,636)		
-	-	-	24,207		
<u>(43,250)</u>	<u>-</u>	<u>10,428</u>	<u>266,984</u>		
4,696	(24,844)	(246,826)	160,878		
41,994	14,069	589,440	428,562		
<u>\$ 46,690</u>	<u>\$ (10,775)</u>	<u>\$ 342,614</u>	<u>\$ 589,440</u>		

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Capital Project Funds			
	2005			
	Tax Increment #1- Downtown	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,958	\$ 62,083	\$ 62,767	\$ 87,469
Accounts Receivable	-	-	-	-
Taxes Receivable				
Current	-	-	3,026	-
Due from Other Funds	24,500	-	-	-
	<u>27,458</u>	<u>62,083</u>	<u>65,793</u>	<u>87,469</u>
Total Assets	<u>\$ 27,458</u>	<u>\$ 62,083</u>	<u>\$ 65,793</u>	<u>\$ 87,469</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Unreserved, Undesignated	27,458	62,083	65,793	87,469
Total Fund Balances	<u>27,458</u>	<u>62,083</u>	<u>65,793</u>	<u>87,469</u>
	<u>\$ 27,458</u>	<u>\$ 62,083</u>	<u>\$ 65,793</u>	<u>\$ 87,469</u>
Total Liabilities and Fund Balances	<u>\$ 27,458</u>	<u>\$ 62,083</u>	<u>\$ 65,793</u>	<u>\$ 87,469</u>

Capital Project Funds

2005

Tax Increment #5- Morningside	Tax Increment #8- Wilson Hardware	Tax Increment #9- Nordictrack	Tax Increment #10- Oliver Apts.	Tax Increment #11- G.G. Warehouse	Tax Increment #12- Pizza Ranch
\$ 81,390	\$ -	\$ 26,185	\$ 15,079	\$ 41,855	\$ 6,516
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 81,390</u>	<u>\$ -</u>	<u>\$ 26,185</u>	<u>\$ 15,079</u>	<u>\$ 41,855</u>	<u>\$ 6,516</u>
\$ 81,390	\$ -	\$ 26,185	\$ -	\$ 41,855	\$ -
-	-	-	-	-	-
-	26,208	-	-	-	-
-	-	-	-	-	-
<u>81,390</u>	<u>26,208</u>	<u>26,185</u>	<u>-</u>	<u>41,855</u>	<u>-</u>
-	(26,208)	-	15,079	-	6,516
-	(26,208)	-	15,079	-	6,516
<u>\$ 81,390</u>	<u>\$ -</u>	<u>\$ 26,185</u>	<u>\$ 15,079</u>	<u>\$ 41,855</u>	<u>\$ 6,516</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS (CONTINUED)
DECEMBER 31, 2005
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2004)**

	Capital Project Funds			
	2005			
	Tax Increment #13- Kestrel Prop.	Tax Increment #14- Downtown Redevel.	Tax Increment #15- Industrial Park	North Country V/Popelka Addition
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 14,037	\$ 66,400	\$ -	\$ 34
Accounts Receivable	-	-	-	-
Taxes Receivable				
Current	-	92	-	-
Due from Other Funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 14,037</u>	<u>\$ 66,492</u>	<u>\$ -</u>	<u>\$ 34</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 15,569	\$ -	\$ 5,629	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	16,670	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>15,569</u>	<u>-</u>	<u>22,299</u>	<u>-</u>
FUND BALANCES				
Unreserved, Undesignated	<u>(1,532)</u>	<u>66,492</u>	<u>(22,299)</u>	<u>34</u>
Total Fund Balances	<u>(1,532)</u>	<u>66,492</u>	<u>(22,299)</u>	<u>34</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 14,037</u>	<u>\$ 66,492</u>	<u>\$ -</u>	<u>\$ 34</u>

Capital Project Funds

2005				2004	
2003 County State Aid #3	North Country VI/Glenknoll	2004 Street Improvement	2005 11th Street Reconstruction	Total Capital Projects	Total Capital Projects
\$ 13,539	\$ 1,638	\$ 32,205	\$ -	\$ 514,155	\$ 531,680
-	-	-	-	-	11,888
-	-	-	-	3,118	377
-	-	-	-	24,500	28,000
<u>\$ 13,539</u>	<u>\$ 1,638</u>	<u>\$ 32,205</u>	<u>\$ -</u>	<u>\$ 541,773</u>	<u>\$ 571,945</u>
\$ -	\$ 4,008	\$ 697	\$ -	\$ 175,333	\$ 209,101
-	-	5,289	-	5,289	-
-	-	-	61,572	104,450	172,768
-	-	-	-	-	11,888
-	4,008	5,986	61,572	285,072	393,757
13,539	(2,370)	26,219	(61,572)	256,701	178,188
<u>13,539</u>	<u>(2,370)</u>	<u>26,219</u>	<u>(61,572)</u>	<u>256,701</u>	<u>178,188</u>
<u>\$ 13,539</u>	<u>\$ 1,638</u>	<u>\$ 32,205</u>	<u>\$ -</u>	<u>\$ 541,773</u>	<u>\$ 571,945</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Capital Project Funds			
	2005			
	Tax Increment #1- Downtown	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park
REVENUES				
Taxes	\$ 1,629	\$ 38,919	\$ 44,191	\$ 89,364
Intergovernmental	-	-	375	-
Interest Income	(27)	462	463	270
Miscellaneous	-	-	-	-
Total Revenues	<u>1,602</u>	<u>39,381</u>	<u>45,029</u>	<u>89,634</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Economic Development	-	-	3,976	7,558
Capital Outlay				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	42
Debt Service				
Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,976</u>	<u>7,600</u>
Excess (Deficiency) of Revenue Over Expenditures	1,602	39,381	41,053	82,034
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(15,000)	(15,000)	-
Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net Change in Fund Balances	1,602	24,381	26,053	82,034
Fund Balances - Beginning	<u>25,856</u>	<u>37,702</u>	<u>39,740</u>	<u>5,435</u>
Fund Balances - Ending	<u>\$ 27,458</u>	<u>\$ 62,083</u>	<u>\$ 65,793</u>	<u>\$ 87,469</u>

Capital Project Funds

2005

Tax Increment #5- Morningside	Tax Increment #8- Wilson Hardware	Tax Increment #9- Nordictrack	Tax Increment #10- Oliver Apts.	Tax Increment #11- G.G. Warehouse	Tax Increment #12- Pizza Ranch
\$ 26,217	\$ 2,293	\$ 52,877	\$ -	\$ 18,777	\$ 5,407
1,773	-	-	-	-	-
645	9	309	162	299	88
-	-	-	-	-	-
<u>28,635</u>	<u>2,302</u>	<u>53,186</u>	<u>162</u>	<u>19,076</u>	<u>5,495</u>
-	-	-	-	-	-
81,391	-	26,185	-	41,855	14,070
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>81,391</u>	<u>-</u>	<u>26,185</u>	<u>-</u>	<u>41,855</u>	<u>14,070</u>
(52,756)	2,302	27,001	162	(22,779)	(8,575)
-	-	-	-	-	-
-	-	(42,421)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(42,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(52,756)	2,302	(15,420)	162	(22,779)	(8,575)
<u>52,756</u>	<u>(28,510)</u>	<u>15,420</u>	<u>14,917</u>	<u>22,779</u>	<u>15,091</u>
<u>\$ -</u>	<u>\$ (26,208)</u>	<u>\$ -</u>	<u>\$ 15,079</u>	<u>\$ -</u>	<u>\$ 6,516</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – CAPITAL PROJECT FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2004)**

	Capital Project Funds			
	2005			
	Tax Increment #13- Kestrel Prop.	Tax Increment #14- Downtown Redevel.	Tax Increment #15- Industrial Park	North Country V/Popelka Addition
REVENUES				
Taxes	\$ 15,513	\$ 3,819	\$ -	\$ -
Intergovernmental	106	-	-	-
Interest Income	25	921	-	(862)
Miscellaneous	-	-	-	-
Total Revenues	<u>15,644</u>	<u>4,740</u>	<u>-</u>	<u>(862)</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	22,299	44,182
Economic Development	15,569	15,140	-	-
Capital Outlay				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Fiscal Charges	-	-	-	-
Total Expenditures	<u>15,569</u>	<u>15,140</u>	<u>22,299</u>	<u>44,182</u>
Excess (Deficiency) of Revenue Over Expenditures	75	(10,400)	(22,299)	(45,044)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	131,800
Transfers Out	-	(15,987)	-	-
Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(15,987)</u>	<u>-</u>	<u>131,800</u>
Net Change in Fund Balances	75	(26,387)	(22,299)	86,756
Fund Balances - Beginning	<u>(1,607)</u>	<u>92,879</u>	<u>-</u>	<u>(86,722)</u>
Fund Balances - Ending	<u>\$ (1,532)</u>	<u>\$ 66,492</u>	<u>\$ (22,299)</u>	<u>\$ 34</u>

Capital Project Funds

2005						2004
2003 County State Aid #3	North Country VI/Glenknoll	2004 Street Improvement	2005 11th St. Reconstruction	Total Capital Projects	Total Capital Projects	
\$ 11,978	\$ -	\$ -	\$ -	\$ 310,984	\$ 303,486	
-	-	-	-	2,254	1,968	
332	(165)	301	(283)	2,949	9,008	
-	-	-	-	-	9,674	
<u>12,310</u>	<u>(165)</u>	<u>301</u>	<u>(283)</u>	<u>316,187</u>	<u>324,136</u>	
-	14,659	697	36,693	118,530	253,704	
-	-	-	-	205,744	90,330	
-	-	-	-	-	988,487	
-	-	-	-	42	196,358	
-	-	-	-	-	9,050	
<u>-</u>	<u>14,659</u>	<u>697</u>	<u>36,693</u>	<u>324,316</u>	<u>1,537,929</u>	
12,310	(14,824)	(396)	(36,976)	(8,129)	(1,213,793)	
-	43,250	-	-	175,050	-	
-	-	-	-	(88,408)	(144,777)	
-	-	-	-	-	1,075,793	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,560)</u>	
<u>-</u>	<u>43,250</u>	<u>-</u>	<u>-</u>	<u>86,642</u>	<u>909,456</u>	
12,310	28,426	(396)	(36,976)	78,513	(304,337)	
<u>1,229</u>	<u>(30,796)</u>	<u>26,615</u>	<u>(24,596)</u>	<u>178,188</u>	<u>482,525</u>	
<u>\$ 13,539</u>	<u>\$ (2,370)</u>	<u>\$ 26,219</u>	<u>\$ (61,572)</u>	<u>\$ 256,701</u>	<u>\$ 178,188</u>	

SUPPLEMENTARY INFORMATION

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2005**

	\$925,000 Swimming Pool Bonds of 1999		\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G	
	Principal	Interest	Principal	Interest
2006	\$ 35,000	\$ 42,512	\$ -	\$ 34,038
2007	35,000	40,763	50,000	33,288
2008	40,000	39,012	50,000	31,625
2009	40,000	36,973	50,000	29,675
2010	45,000	34,872	75,000	26,950
2011	50,000	32,510	75,000	23,463
2012	50,000	29,810	100,000	19,163
2013	55,000	27,110	100,000	14,088
2014	60,000	24,085	50,000	10,163
2015	65,000	20,785	25,000	8,094
2016	70,000	17,145	25,000	6,656
2017	70,000	13,225	25,000	5,219
2018	75,000	9,200	25,000	3,750
2019	85,000	4,888	25,000	2,250
2020	-	-	25,000	746
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 775,000</u>	<u>\$ 372,890</u>	<u>\$ 700,000</u>	<u>\$ 249,168</u>

\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$974,000 Portion		\$370,000 G.O. Improvement Bonds of 1999		\$605,000 G.O. Improvement Bonds of 2001	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 56,000	\$ 27,503	\$ 25,000	\$ 14,952	\$ 50,000	\$ 20,260
58,000	26,383	25,000	13,553	55,000	18,291
57,000	25,049	25,000	12,140	60,000	16,030
64,000	23,510	25,000	10,702	60,000	13,570
61,000	21,590	25,000	9,253	65,000	10,943
70,000	19,638	30,000	7,790	65,000	8,147
70,000	17,328	30,000	6,020	75,000	5,062
71,000	14,948	35,000	4,235	75,000	1,688
75,000	12,428	35,000	2,135	-	-
75,000	9,615	-	-	-	-
75,000	6,690	-	-	-	-
90,000	3,690	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 822,000</u>	<u>\$ 208,372</u>	<u>\$ 255,000</u>	<u>\$ 80,780</u>	<u>\$ 505,000</u>	<u>\$ 93,991</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2005**

	<u>\$215,000 G.O. Improvement Bonds of 2002</u>		<u>\$335,000 G.O. Improvement Bonds of 2003 - Series 2003A</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 20,000	\$ 7,720	\$ 30,000	\$ 11,323
2007	20,000	6,880	30,000	10,460
2008	20,000	6,020	30,000	9,523
2009	20,000	5,140	30,000	8,510
2010	25,000	4,125	35,000	7,329
2011	25,000	2,975	35,000	5,973
2012	25,000	1,800	35,000	4,529
2013	25,000	600	40,000	2,905
2014	-	-	45,000	1,010
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 180,000</u>	<u>\$ 35,260</u>	<u>\$ 310,000</u>	<u>\$ 61,562</u>

\$745,000 G.O. Improvement Bonds of 2003 - Series 2003F		\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$230,000 Portion		\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$1,360,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 40,000	\$ 28,543	\$ 35,000	\$ 4,620	\$ 80,000	\$ 39,953
40,000	27,543	35,000	3,920	85,000	38,352
45,000	26,480	35,000	3,115	100,000	36,398
45,000	25,074	35,000	2,170	100,000	33,697
45,000	23,386	35,000	1,120	100,000	30,698
45,000	21,699	-	-	105,000	27,497
50,000	19,918	-	-	125,000	24,033
50,000	17,855	-	-	85,000	19,782
50,000	15,605	-	-	100,000	16,765
55,000	13,188	-	-	100,000	13,015
55,000	10,603	-	-	110,000	9,115
60,000	7,840	-	-	115,000	4,715
60,000	4,900	-	-	-	-
70,000	1,712	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 710,000</u>	<u>\$ 244,346</u>	<u>\$ 175,000</u>	<u>\$ 14,945</u>	<u>\$ 1,205,000</u>	<u>\$ 294,020</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2005**

	\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$284,000 Portion		\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$346,000 Portion	
	Principal	Interest	Principal	Interest
2006	\$ 61,000	\$ 2,600	\$ 56,000	\$ 4,724
2007	60,000	1,380	50,000	3,604
2008	-	-	62,000	2,454
2009	-	-	26,000	780
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 121,000</u>	<u>\$ 3,980</u>	<u>\$ 194,000</u>	<u>\$ 11,562</u>

\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$389,000 Portion		\$595,000 G.O. Street Reconstruction Bonds of 2004 - Series 2004A		\$505,000 G.O. Street Improvement Bonds of 2004 - Series 2004B	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 30,000	\$ 8,794	\$ 45,000	\$ 21,810	\$ 40,000	\$ 18,413
32,000	8,194	50,000	20,385	45,000	17,137
34,000	7,458	55,000	18,810	45,000	15,788
35,000	6,540	55,000	17,160	50,000	14,362
39,000	5,490	60,000	15,135	50,000	12,613
40,000	4,242	60,000	12,735	50,000	10,612
40,000	2,922	60,000	10,335	50,000	8,613
44,000	1,562	65,000	7,721	50,000	6,525
-	-	70,000	4,785	60,000	4,132
-	-	75,000	1,631	65,000	1,414
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 294,000</u>	<u>\$ 45,202</u>	<u>\$ 595,000</u>	<u>\$ 130,507</u>	<u>\$ 505,000</u>	<u>\$ 109,609</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2005**

	Capital Lease Fieldhouse		Capital Lease Skidsteer Loader	
	Principal	Interest	Principal	Interest
2006	\$ 49,689	\$ 7,651	\$ 4,027	\$ 306
2007	52,124	5,216	-	-
2008	54,325	2,662	-	-
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 156,138</u>	<u>\$ 15,529</u>	<u>\$ 4,027</u>	<u>\$ 306</u>

Capital Lease Street Sweeper		Capital Lease Bobcat Toolcat		Capital Lease Contender Tanker	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 24,850	\$ 994	\$ 5,686	\$ 1,816	\$ 31,718	\$ 6,513
-	-	5,999	1,503	32,443	5,789
-	-	6,328	1,173	33,802	4,429
-	-	6,678	825	35,218	3,013
-	-	-	-	36,694	1,538
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 24,850</u>	<u>\$ 994</u>	<u>\$ 24,691</u>	<u>\$ 5,317</u>	<u>\$ 169,875</u>	<u>\$ 21,282</u>

**CITY OF GLENCOE, MINNESOTA
 SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
 DECEMBER 31, 2005**

	Capital Lease Lawn Mower		Certificates of Participation Street Maintenance	
	Principal	Interest	Principal	Interest
2006	\$ 7,544	\$ 324	\$ 20,000	\$ 35,505
2007	-	-	25,000	34,485
2008	-	-	25,000	33,185
2009	-	-	30,000	31,860
2010	-	-	35,000	30,240
2011	-	-	35,000	28,315
2012	-	-	40,000	26,355
2013	-	-	45,000	23,955
2014	-	-	45,000	21,255
2015	-	-	50,000	18,555
2016	-	-	55,000	15,555
2017	-	-	60,000	12,200
2018	-	-	65,000	8,540
2019	-	-	75,000	4,575
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 7,544</u>	<u>\$ 324</u>	<u>\$ 605,000</u>	<u>\$ 324,580</u>

Contract for Deed Schimelpfenig Contract		\$460,000 Liquor Store Revenue Bonds of 1995		\$465,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003D	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 9,819	\$ 3,634	\$ 30,000	\$ 8,610	\$ 10,000	\$ 19,723
10,457	2,995	30,000	7,134	10,000	19,507
11,137	2,316	35,000	5,658	10,000	19,253
11,861	1,592	40,000	3,936	10,000	18,962
12,630	821	40,000	1,968	20,000	18,458
-	-	-	-	20,000	17,732
-	-	-	-	25,000	16,858
-	-	-	-	25,000	15,845
-	-	-	-	25,000	14,801
-	-	-	-	25,000	13,720
-	-	-	-	30,000	12,495
-	-	-	-	30,000	11,130
-	-	-	-	30,000	9,735
-	-	-	-	35,000	8,190
-	-	-	-	35,000	6,493
-	-	-	-	35,000	4,777
-	-	-	-	35,000	3,063
-	-	-	-	45,000	1,102
<u>\$ 55,904</u>	<u>\$ 11,358</u>	<u>\$ 175,000</u>	<u>\$ 27,306</u>	<u>\$ 455,000</u>	<u>\$ 231,844</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2005**

	\$105,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003E		\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$417,000 Portion	
	Principal	Interest	Principal	Interest
2006	\$ 20,000	\$ 2,330	\$ 72,000	\$ 5,379
2007	20,000	1,800	75,000	3,939
2008	25,000	1,156	82,000	2,214
2009	25,000	394	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 90,000</u>	<u>\$ 5,680</u>	<u>\$ 229,000</u>	<u>\$ 11,532</u>

\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$2,155,000 Portion		\$580,000 G.O. Water Revenue Bonds of 2005 - Series 2005A		Total	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 165,000	\$ 57,775	\$ -	\$ 29,319	\$ 1,053,333	\$ 467,644
175,000	54,475	25,000	23,067	1,131,023	430,043
175,000	50,450	30,000	22,215	1,145,592	394,613
200,000	45,725	30,000	21,285	1,023,757	355,455
200,000	39,725	35,000	20,190	1,039,324	316,444
225,000	33,325	35,000	18,930	965,000	275,583
225,000	25,900	30,000	17,700	1,030,000	236,346
250,000	18,250	35,000	16,400	1,050,000	193,469
250,000	9,375	35,000	15,000	900,000	151,539
-	-	45,000	13,355	580,000	113,372
-	-	40,000	11,570	460,000	89,829
-	-	40,000	9,890	490,000	67,909
-	-	50,000	7,925	305,000	44,050
-	-	50,000	5,675	340,000	27,290
-	-	45,000	3,526	105,000	10,765
-	-	55,000	1,252	90,000	6,029
-	-	-	-	35,000	3,063
-	-	-	-	45,000	1,102
<u>\$ 1,865,000</u>	<u>\$ 335,000</u>	<u>\$ 580,000</u>	<u>\$ 237,299</u>	<u>\$ 11,788,029</u>	<u>\$ 3,184,545</u>

OTHER REPORTS SECTION

REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the 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, Minnesota as of and for the year ended December 31, 2005, which collectively comprise the City of Glencoe, Minnesota's basic financial statements and have issued our report thereon dated April 6, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the State Auditor pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, county and city miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested the City of Glencoe, Minnesota complied with the material terms and conditions of applicable legal provisions, except as described in the accompanying schedule of findings.

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

LARSON, ALLEN, WEISHAIR & CO., LLP

Austin, Minnesota
April 6, 2006

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

Finding:

Minnesota Statutes 471.345, subd. 3 require that all contracts exceeding \$50,000 be let on sealed bids and solicited by public notice. Minnesota Statutes 471.345, subd. 4 require that all contracts from \$10,000 to \$50,000 be let on sealed bids or negotiated quotations. The City did not submit a contract exceeding \$50,000 to the sealed bid process. Also, the City did not submit a contract from \$10,000 to \$50,000 to the sealed bid process or obtain two quotations, when possible.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The City will submit future capital projects to these Statutes when applicable or obtain a legal opinion from the City Attorney to support their reasoning.

3. Official Responsible for Ensuring CAP

The City Administrator is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

The Mayor and City Council will be monitoring this corrective action plan.

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

Finding:

Minnesota Statutes 169.022 requires the City to refrain from establishing administrative penalties for traffic regulation, including speeding, DWI, missing plates or tabs, not wearing seatbelts and other similar state traffic offences. The City has established administrative penalties for traffic regulation and other similar state traffic offences.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The City will refrain from establishing future administrative penalties for traffic regulation and obtain a legal opinion from the City Attorney in regards to the administrative penalties already established.

3. Official Responsible for Ensuring CAP

The City Administrator is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

The Mayor and City Council will be monitoring this corrective action plan.

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

Finding:

Minnesota Attorney General Opinions state that the City must refrain from paying for Christmas parties and other employee social events. It was noted that the City paid for a portion (\$318) of the employee Christmas Party and a portion (\$290) of an employee recognition dinner.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The City will refrain from paying for future Christmas parties and other employee social events.

3. Official Responsible for Ensuring CAP

The City Administrator is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

The Mayor and City Council will be monitoring this corrective action plan.