

**CITY OF GLENCOE, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2004**

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## INTRODUCTORY SECTION

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**CITY OF GLENCOE, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
DECEMBER 31, 2004**

Position	Term Expires	Name
<b>ELECTED OFFICIALS</b>		
Mayor	1/1/2005	Leon Johnson
Council Member	1/1/2007	Roger Hilgers
Council Member	1/1/2005	Glenn Pohland
Council Member	1/1/2007	Charles Shamla
Council Member	1/1/2007	Lyle Winterfeldt
Council Member	1/1/2005	Lori Adamietz
<b>APPOINTED OFFICIALS</b>		
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

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## FINANCIAL SECTION



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## INDEPENDENT AUDITORS' REPORT

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

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, 2004, 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 financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Glencoe, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

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

The budgetary comparison information on pages 41 through 46 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. Such information has been subjected to the auditing procedures applied by us 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*  
LARSON, ALLEN, WEISHAIR & CO., LLP

Austin, Minnesota  
April 20, 2005

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,380,961	\$ 112,018	\$ 3,492,979	\$ 321,408
Accounts Receivable	61,390	199,516	260,906	541,066
Notes Receivable	-	39,849	39,849	-
Leases Receivable	-	-	-	93,600
Accrued Interest Receivable	146	-	146	-
Taxes Receivable	32,144	-	32,144	-
Special Assessments Receivable	281,168	19,794	300,962	-
Unamortized Bond Issuance Cost	16,009	-	16,009	-
Prepaid Items	-	-	-	36,192
Inventories	-	87,629	87,629	98,649
Due from Other Funds	-	-	-	-
Other Receivables	-	-	-	202,829
Investment in Joint Venture	-	-	-	47,531
Deferred Charges	-	-	-	32,315
Restricted Assets	-	-	-	7,203,478
Capital Assets:				
Land	752,871	151,527	904,398	-
Other Capital Assets, Net of Depreciation	6,940,720	6,362,359	13,303,079	11,664,612
Total Assets	<u>11,465,409</u>	<u>6,972,692</u>	<u>18,438,101</u>	<u>20,241,680</u>
<b>LIABILITIES</b>				
Accounts Payable	423,827	84,062	507,889	489,080
Retainage Payable	3,667	-	3,667	-
Customer Deposits Payable	-	-	-	31,295
Accrued Interest Payable	96,770	-	96,770	-
Accrued Expenses	44,209	98,031	142,240	139,135
Due to the Primary Government	-	-	-	117,083
Deferred Revenue	-	19,459	19,459	-
Non-Current Liabilities:				
Due Within One Year	911,647	279,000	1,190,647	541,455
Due in More Than One Year	8,115,434	2,763,808	10,879,242	8,041,616
Total Liabilities	<u>9,595,554</u>	<u>3,244,360</u>	<u>12,839,914</u>	<u>9,359,664</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	(1,097,494)	3,471,078	2,373,584	7,578,499
Restricted for:				
Library Improvement	232,370	-	232,370	-
Debt Service	1,023,480	-	1,023,480	886,383
Unrestricted	1,711,499	257,254	1,968,753	2,417,134
Total Net Assets	<u>\$ 1,869,855</u>	<u>\$ 3,728,332</u>	<u>\$ 5,598,187</u>	<u>\$ 10,882,016</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 777,022	\$ 286,654	\$ -	\$ 48,000
Public Safety	1,290,168	96,862	216,147	4,826
Highways and Streets	1,794,399	61,084	91,618	174,904
Culture and Recreation	455,465	116,253	-	38,300
Economic Development	142,699	2	-	-
Interest on Long-Term Debt	284,386	-	-	-
Total Governmental Activities	<u>4,744,139</u>	<u>560,855</u>	<u>307,765</u>	<u>266,030</u>
Business-Type Activities:				
Water Fund	478,951	639,509	-	1,925
Wastewater Treatment Plant Fund	840,547	902,256	-	119,887
Sanitation Fund	78,044	101,752	-	-
Municipal Liquor Fund	923,938	1,043,304	-	-
Airport Fund	136,770	37,434	17,995	-
Storm Water Management Fund	2,178	108,241	-	-
Total Business-Type Activities	<u>2,460,428</u>	<u>2,832,496</u>	<u>17,995</u>	<u>121,812</u>
Total Primary Government	<u>\$ 7,204,567</u>	<u>\$ 3,393,351</u>	<u>\$ 325,760</u>	<u>\$ 387,842</u>
Component Unit	<u>\$ 5,961,793</u>	<u>\$ 6,023,967</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property Taxes

Franchise Taxes

Grants and Contributions Not

Restricted to Certain Purposes

Net Income from Joint Venture

Unrestricted Investment Earnings

Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets-Beginning

As Originally Stated

Prior Period Adjustment

Net Assets - Beginning - As Restated

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
\$ (442,368)	\$ -	\$ (442,368)	\$ -
(972,333)	-	(972,333)	-
(1,466,793)	-	(1,466,793)	-
(300,912)	-	(300,912)	-
(142,697)	-	(142,697)	-
(284,386)	-	(284,386)	-
<u>(3,609,489)</u>	<u>-</u>	<u>(3,609,489)</u>	<u>-</u>
-	162,483	162,483	-
-	181,596	181,596	-
-	23,708	23,708	-
-	119,366	119,366	-
-	(81,341)	(81,341)	-
-	106,063	106,063	-
<u>-</u>	<u>511,875</u>	<u>511,875</u>	<u>-</u>
<u>(3,609,489)</u>	<u>511,875</u>	<u>(3,097,614)</u>	<u>-</u>
			<u>62,174</u>
1,446,333	-	1,446,333	-
34,415	-	34,415	-
1,185,226	-	1,185,226	-
-	-	-	47,531
36,836	5,399	42,235	77,840
8,519	-	8,519	-
203,166	(203,166)	-	-
<u>2,914,495</u>	<u>(197,767)</u>	<u>2,716,728</u>	<u>125,371</u>
(694,994)	314,108	(380,886)	187,545
2,564,849	3,418,451	5,983,300	10,694,471
-	(4,227)	(4,227)	-
<u>2,564,849</u>	<u>3,414,224</u>	<u>5,979,073</u>	<u>10,694,471</u>
<u>\$ 1,869,855</u>	<u>\$ 3,728,332</u>	<u>\$ 5,598,187</u>	<u>\$ 10,882,016</u>



**CITY OF GLENCOE, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

		Major Funds	
		General	2004 Street Improvement
<b>ASSETS</b>			
Cash and Cash Equivalents		\$ 1,698,774	\$ 66,691
Accounts Receivable		48,777	-
Interest Receivable		-	-
Taxes Receivable:			
Current		12,762	-
Delinquent		11,149	-
Special Assessments Receivable:			
Current		-	-
Deferred		-	-
Due from Other Funds		218,667	-
Total Assets		<u>\$ 1,990,129</u>	<u>\$ 66,691</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable		\$ 81,341	\$ 40,076
Retainage Payable		3,667	-
Accrued Expenses		44,209	-
Due to Other Funds		-	-
Deferred Revenue		11,148	-
Total Liabilities		<u>140,365</u>	<u>40,076</u>
<b>FUND BALANCES</b>			
Reserved for Library Improvement		-	-
Unreserved			
Designated for			
Cash Flows		1,320,920	-
Undesignated Reported in			
General Fund		528,844	-
Special Revenue		-	-
Debt Service		-	-
Capital Projects Funds		-	26,615
Total Fund Balances		<u>1,849,764</u>	<u>26,615</u>
Total Liabilities and Fund Balances		<u>\$ 1,990,129</u>	<u>\$ 66,691</u>

See accompanying Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 1,615,496	\$ 3,380,961
12,613	61,390
146	146
4,659	17,421
3,574	14,723
984	984
280,184	280,184
28,000	246,667
<u>\$ 1,945,656</u>	<u>\$ 4,002,476</u>

\$ 302,410	\$ 423,827
-	3,667
-	44,209
246,667	246,667
295,645	306,793
<u>844,722</u>	<u>1,025,163</u>
232,370	232,370
-	1,320,920
-	528,844
127,551	127,551
589,440	589,440
151,573	178,188
<u>1,100,934</u>	<u>2,977,313</u>
<u>\$ 1,945,656</u>	<u>\$ 4,002,476</u>

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**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

Total Fund Balances for Governmental Funds	\$ 2,977,313
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Total net assets reported for governmental activities in the statement of net assets is different because:

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

Land	752,872	
Buildings, Net of \$694,826 Accumulated Depreciation	1,351,887	
Office Equipment and Furniture, Net of \$10,466 Accumulated Depreciation	7,835	
Vehicles, Net of \$1,054,067 Accumulated Depreciation	225,957	
Machinery and Shop Equipment, Net of \$274,013 Accumulated Depreciation	305,318	
Improvements Other than Buildings, Net of \$490,621 Accumulated Depreciation	1,809,282	
Infrastructure, Net of \$5,559,889 Accumulated Depreciation	<u>3,240,440</u>	7,693,591

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.	306,793
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Bond issuance costs are reported as expenditures in the governmental funds. A total of \$16,771 costs have been incurred and are shown net of \$762 accumulated amortization on the statement of net assets as issuance costs.	16,009
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Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is included in the statement of net assets.	(96,770)
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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:

Bonds Payable, Loan Contracts Payable and Certificates of Participation	(8,807,094)	
Compensated Absence Payable	<u>(219,987)</u>	<u>(9,027,081)</u>

Total Net Assets of Governmental Activities	<u><u>\$ 1,869,855</u></u>
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**CITY OF GLENCOE, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Major Funds	
	General	2004 Street Improvement
<b>REVENUES</b>		
Taxes	\$ 952,490	\$ -
Licenses and Permits	81,800	-
Intergovernmental	1,275,681	-
Charges for Services	155,759	-
Fines and Forfeits	53,273	-
Interest Income	14,038	982
Contributions and Donations	4,800	-
Payment in Lieu of Taxes	50,000	-
Miscellaneous	94,296	-
Total Revenues	<u>2,682,137</u>	<u>982</u>
<b>EXPENDITURES</b>		
Current:		
General Government	605,235	-
Public Safety	1,108,516	-
Highways and Streets	338,793	105,040
Culture-Recreation	247,018	-
Economic Development	10,917	-
Miscellaneous	142,154	-
Capital Outlay:		
General Government	3,798	-
Public Safety	127,481	-
Highways and Streets	45,082	435,024
Culture-Recreation	12,845	-
Economic Development	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Fiscal Charges	-	4,525
Total Expenditures	<u>2,641,839</u>	<u>544,589</u>
Revenue Over (Under) Expenditures	40,298	(543,607)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	105,166	-
Transfer Out	(10,000)	-
Bond Proceeds	-	581,884
Bond Discount	-	(11,662)
Total Other Financing Sources (Uses)	<u>95,166</u>	<u>570,222</u>
Net Change in Fund Balances	135,464	26,615
Fund Balance - Beginning		
As Originally Stated	1,714,300	-
Prior Period Adjustment	-	-
Fund Balance - Beginning - As Restated	<u>1,714,300</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,849,764</u>	<u>\$ 26,615</u>

See accompanying Notes to Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 776,472	\$ 1,728,962
-	81,800
129,622	1,405,303
102,747	258,506
4,622	57,895
21,812	36,832
104,208	109,008
34,415	84,415
32,918	127,214
<u>1,206,816</u>	<u>3,889,935</u>
13,293	618,528
1,241	1,109,757
164,684	608,517
155,036	402,054
90,424	101,341
-	142,154
3,861	7,659
19,170	146,651
671,950	1,152,056
14,928	27,773
196,358	196,358
435,000	435,000
267,252	267,252
5,053	9,578
<u>2,038,250</u>	<u>5,224,678</u>
(831,434)	(1,334,743)
341,413	446,579
(233,413)	(243,413)
518,116	1,100,000
(9,898)	(21,560)
<u>616,218</u>	<u>1,281,606</u>
(215,216)	(53,137)
1,323,430	3,037,730
(7,280)	(7,280)
<u>1,316,150</u>	<u>3,030,450</u>
<u>\$ 1,100,934</u>	<u>\$ 2,977,313</u>

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**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, 2004**

Net Change in Fund Balances-Total Governmental Funds \$ (53,137)

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

Governmental funds report capital outlays as expenditures. 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 outlays exceeded in the current period.

Capital Outlays	522,604	
Contributed Capital	63,765	
Depreciation Expense	<u>(601,537)</u>	(15,168)

The governmental funds report bond proceeds as financing sources, while repayment of bond 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 the liability. Also, governmental funds report the effect of issuance costs, premiums and discounts 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 general obligation bonds and related items is as follows:

Issuance of general obligation bonds	(1,100,000)	
Bond Discount	21,560	
Bond Issuance Costs	16,771	
Repayment of Bond Principal	588,611	
Interest Expense for General Obligation Bonds	(16,969)	
Amortization of Bond Issuance Costs	(762)	
Amortization of Bond Discount	<u>(980)</u>	(491,769)

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, 2003	414,514	
Deferred Revenue - December 31, 2004	<u>306,793</u>	(107,721)

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 2004, compensated absence payable increased.

(27,199)

Change in Net Assets of Governmental Activities		<u><u>\$ (694,994)</u></u>
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**CITY OF GLENCOE, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 12,018	\$ 33,371	\$ 19,682
Accounts Receivable	43,176	128,173	17,734
Notes Receivable - Current Portion	-	9,477	-
Special Assessments Receivable	1,203	18,591	-
Inventories	-	-	-
Total Current Assets	<u>56,397</u>	<u>189,612</u>	<u>37,416</u>
<b>NON-CURRENT ASSETS</b>			
Notes Receivable - Non-Current Portion	-	30,372	-
Land	46,628	41,500	-
Other Fixed Assets (Net of Accumulated Depreciation)	1,445,413	4,300,497	-
Total Non-Current Assets	<u>1,492,041</u>	<u>4,372,369</u>	<u>-</u>
Total Assets	<u><u>\$ 1,548,438</u></u>	<u><u>\$ 4,561,981</u></u>	<u><u>\$ 37,416</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 21,187	\$ 16,877	\$ 4,636
Compensated Absences Payable	10,297	48,013	-
Accrued Interest	-	14,985	-
Accrued Liabilities	6,785	6,915	-
Deferred Revenue	1,203	18,256	-
Bonds Due in Less Than 1 Year	-	244,000	-
Total Current Liabilities	<u>39,472</u>	<u>349,046</u>	<u>4,636</u>
<b>NON-CURRENT LIABILITIES</b>			
Bonds Due in More Than 1 Year	<u>-</u>	<u>2,588,808</u>	<u>-</u>
Total Liabilities	39,472	2,937,854	4,636
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,492,041	1,509,189	-
Unrestricted	<u>16,925</u>	<u>114,938</u>	<u>32,780</u>
Total Net Assets	<u>1,508,966</u>	<u>1,624,127</u>	<u>32,780</u>
Total Liabilities and Net Assets	<u><u>\$ 1,548,438</u></u>	<u><u>\$ 4,561,981</u></u>	<u><u>\$ 37,416</u></u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	Total Proprietary Funds
\$ 42,510	\$ 3,944	\$ 493	\$ 112,018
121	1,168	9,144	199,516
-	-	-	9,477
-	-	-	19,794
87,629	-	-	87,629
<u>130,260</u>	<u>5,112</u>	<u>9,637</u>	<u>428,434</u>
-	-	-	30,372
-	63,399	-	151,527
332,253	284,196	-	6,362,359
<u>332,253</u>	<u>347,595</u>	<u>-</u>	<u>6,544,258</u>
<u>\$ 462,513</u>	<u>\$ 352,707</u>	<u>\$ 9,637</u>	<u>\$ 6,972,692</u>
\$ 40,496	\$ 683	\$ 183	\$ 84,062
7,326	-	-	65,636
849	-	-	15,834
2,861	-	-	16,561
-	-	-	19,459
35,000	-	-	279,000
<u>86,532</u>	<u>683</u>	<u>183</u>	<u>480,552</u>
<u>175,000</u>	<u>-</u>	<u>-</u>	<u>2,763,808</u>
261,532	683	183	3,244,360
122,253	347,595	-	3,471,078
78,728	4,429	9,454	257,254
<u>200,981</u>	<u>352,024</u>	<u>9,454</u>	<u>3,728,332</u>
<u>\$ 462,513</u>	<u>\$ 352,707</u>	<u>\$ 9,637</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, 2004**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 634,344	\$ 901,247	\$ 78,315
Other Operating Revenues	5,165	1,009	23,437
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>639,509</u>	<u>902,256</u>	<u>101,752</u>
<b>OPERATING EXPENSES</b>			
Personal Services	183,724	232,590	8,240
Materials and Supplies	43,585	25,380	-
Repairs and Maintenance	70,395	30,361	-
Management Fees	16,636	16,420	63,440
Professional Services	18,761	112,875	-
Insurance	19,461	17,048	551
Utilities	49,800	70,619	452
Depreciation	52,456	171,383	-
Other	17,716	55,191	5,347
Total Operating Expenses	<u>472,534</u>	<u>731,867</u>	<u>78,030</u>
Operating Income (Loss)	166,975	170,389	23,722
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Special Assessments	1,925	65,331	-
State Grants	-	-	-
Interest on Investments	1,861	2,317	82
Interest Expense and Fiscal Charges	(6,417)	(108,680)	(14)
Total Non-Operating Revenues (Expenses)	<u>(2,631)</u>	<u>(41,032)</u>	<u>68</u>
Net Income (Loss) Before Contributions and Transfers	164,344	129,357	23,790
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Contributions	-	54,556	-
Transfers Out	(1,083)	(1,083)	-
Total Contributions and Transfers	<u>(1,083)</u>	<u>53,473</u>	<u>-</u>
Change in Net Assets	<u>163,261</u>	<u>182,830</u>	<u>23,790</u>
Net Assets - Beginning			
As Originally Stated	1,509,180	1,067,876	8,990
Prior Period Adjustment	(163,475)	373,421	-
As Restated	<u>1,345,705</u>	<u>1,441,297</u>	<u>8,990</u>
Ending Net Assets	<u>\$ 1,508,966</u>	<u>\$ 1,624,127</u>	<u>\$ 32,780</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	Total Proprietary Funds
\$ -	\$ 37,262	\$ 108,241	\$ 1,759,409
-	172	-	29,783
1,043,304	-	-	1,043,304
(794,924)	-	-	(794,924)
<u>248,380</u>	<u>37,434</u>	<u>108,241</u>	<u>2,037,572</u>
69,050	94	-	493,698
10,946	16,647	-	96,558
2,142	12,653	-	115,551
-	487	-	96,983
2,350	6,950	2,171	143,107
3,391	15,992	-	56,443
8,209	4,979	-	134,059
16,923	78,018	-	318,780
4,104	947	-	83,305
<u>117,115</u>	<u>136,767</u>	<u>2,171</u>	<u>1,538,484</u>
131,265	(99,333)	106,070	499,088
-	-	-	67,256
-	17,995	-	17,995
635	60	444	5,399
(11,899)	(3)	(7)	(127,020)
<u>(11,264)</u>	<u>18,052</u>	<u>437</u>	<u>(36,370)</u>
120,001	(81,281)	106,507	462,718
-	-	-	54,556
(103,000)	-	(98,000)	(203,166)
<u>(103,000)</u>	<u>-</u>	<u>(98,000)</u>	<u>(148,610)</u>
17,001	(81,281)	8,507	314,108
148,172	683,286	947	3,418,451
35,808	(249,981)	-	(4,227)
<u>183,980</u>	<u>433,305</u>	<u>947</u>	<u>3,414,224</u>
<u>\$ 200,981</u>	<u>\$ 352,024</u>	<u>\$ 9,454</u>	<u>\$ 3,728,332</u>

**CITY OF GLENCOE, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2004**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 597,372	\$ 879,079	\$ 99,173
Cash Paid to Suppliers	(244,524)	(444,194)	(70,433)
Cash Paid to Employees	(179,387)	(225,530)	(8,240)
Net Cash Provided (Used) by Operating Activities	173,461	209,355	20,500
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	41,025	35,903	1,892
Transfers to Other Funds	(1,083)	(1,083)	(2,778)
Cash Receipts from Notes Receivable	-	(39,849)	-
Net Cash Provided (Used) by Noncapital Financing Activities	39,942	(5,029)	(886)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Paid on Bonds	(175,000)	(200,000)	-
Collection of Special Assessments	1,925	64,996	-
Interest and Paying Agent Fees on Revenue Bonds	(7,000)	(93,569)	(14)
Acquisition of Capital Assets	(119,394)	(54,556)	-
State Grants Received	-	-	-
Other	-	54,556	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(299,469)	(228,573)	(14)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	1,861	2,317	82
Net Increase (Decrease) in Cash and Cash Equivalents	(84,205)	(21,930)	19,682
Cash and Cash Equivalents - January 1	96,223	55,301	-
Cash and Cash Equivalents - December 31	<u>\$ 12,018</u>	<u>\$ 33,371</u>	<u>\$ 19,682</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 166,975	\$ 170,389	\$ 23,722
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Depreciation	52,456	171,384	-
Change in Assets and Liabilities:			
Decrease (Increase) in Accounts Receivable	(42,137)	(23,178)	(2,579)
Decrease (Increase) in Other	-	-	-
Increase (Decrease) in Accounts Payable	(8,170)	(116,300)	(643)
Increase (Decrease) in Inventories	-	-	-
Increase (Decrease) in Accrued Expenses	4,337	7,060	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 173,461</u>	<u>\$ 209,355</u>	<u>\$ 20,500</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	Total Proprietary Funds
\$ 1,043,226	\$ 37,731	\$ 99,107	\$ 2,755,688
(829,541)	(58,257)	(2,167)	(1,649,116)
(67,969)	(94)	-	(481,220)
145,716	(20,620)	96,940	625,352
-	-	8,962	87,782
(103,000)	-	(105,846)	(213,790)
-	-	-	(39,849)
(103,000)	-	(96,884)	(165,857)
(35,000)	-	-	(410,000)
-	-	-	66,921
(12,055)	(3)	(7)	(112,648)
-	-	-	(173,950)
-	17,995	-	17,995
-	-	-	54,556
(47,055)	17,992	(7)	(557,126)
635	60	444	5,399
(3,704)	(2,568)	493	(92,232)
46,214	6,512	-	204,250
\$ 42,510	\$ 3,944	\$ 493	\$ 112,018
\$ 131,265	\$ (99,333)	\$ 106,070	\$ 499,088
16,923	78,017	-	318,780
(78)	297	(9,134)	(76,809)
1,081	-	-	1,081
(1,465)	399	4	(126,175)
(2,010)	-	-	(2,010)
-	-	-	11,397
\$ 145,716	\$ (20,620)	\$ 96,940	\$ 625,352

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**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

The financial statements of the City of Glencoe have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Financial Reporting Entity**

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 elected directly by the citizens of Glencoe.

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, 2004**

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

**B. Basic Financial Statements**

**1. Government – Wide Statements**

The Government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the primary government and its component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. 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 to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate fund financial statements are provided for governmental and proprietary funds. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or incidental activities.

CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Basic Financial Statements (Continued)**

2. Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2004 Street Improvement Fund - The 2004 Street Improvement Fund is used to account for the proceeds of bonds issued and the expenditures related to the specific street improvement projects undertaken during 2004.

The City reports the following major proprietary funds:

Water Fund - The water fund accounts for customer water service charges that are used to finance water operating expenses.

Waste Water Treatment Plant Fund - The waste water treatment plant fund accounts for customer service charges that are used to finance waste water treatment plant expenses.

Sanitation Fund - The sanitation fund accounts for customer service charges that are used to finance sanitation expenses.

Municipal Liquor Fund - The municipal liquor fund accounts for revenues from sales to customers that are used to finance the liquor store's expenses.

Airport Fund - The airport fund accounts for fuel sales to customers and rent revenues from customers that are used to finance the airport's expenses.

Storm Water Management - The storm water management fund accounts for customer service charges that are used to finance the storm water management operating expenses.

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

Special Revenue Funds - Special Revenue Funds are used to account for 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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**C. Measurement Focus and Basis of Accounting**

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.

Private-sector standards of accounting and financial reporting issued on or before November 30, 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 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 not to follow subsequent private-sector guidance.

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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating item. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Budgets and Budgetary Accounting**

The budget for each fund is prepared on the same basis of accounting as the financial statements. Each fall, the City Council adopts an annual budget for the following year for the General Fund and certain Special Revenue Funds. 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. Budgeted amounts are reported as originally adopted or as amended and lapse at year end. Budgets are adopted on a basis consistent with U.S generally accepted accounting principles.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**E. Assets and Liabilities and Net Assets**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, checking accounts, certificates of deposits, money market accounts, and savings accounts.

**Taxes and Special Assessments**

Current taxes and special assessments receivable at December 31, 2004, 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 2004 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 30<sup>th</sup> of each year are certified to the County for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as 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.

Delinquent special assessments represent the past seven years of uncollected special assessments that have not been collected within 60 days of year end.

**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 inventory is valued using the latest invoice price, which approximates the first-in, first-out (FIFO) method.

**Capital Assets**

Capital Assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, street lights, water & sewer lines and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 for capitalization of fixed assets. The cost of transactions that do not add value to an asset or materially extend an assets useful life are considered repairs and maintenance and are not capitalized. Significant outlays for capital assets and improvements are capitalized as the individual projects are completed.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**E. Assets and Liabilities and Net Assets (Continued)**

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.

**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 vacation. All 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 entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issue costs, if material, are capitalized and amortized over the term of the related debt using the straight-line method.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issue costs are recognized during the current period. The face amount of the debt issue is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issue costs are reported as debt service expenditures.

**Fund Equity**

In the governmental fund financial statements, reservations of fund balance represent those portions of fund equity not appropriable for expenditure or legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources that are subject to change.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**E. Assets and Liabilities and Net Assets (Continued)**

**Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

All interfund transactions are eliminated except for activity between governmental activities and business-type activities for presentation in the entity-wide statements of net assets and statements of activities.

**Property Tax Revenue Recognition**

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 15 and December 15 of the same year. 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 and due from County taxes receivable. 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.

**F. Prior-Period Adjustments**

Upon review of the City's capital asset inventory, it was determined that there were some major capital improvements in the proprietary funds which had been omitted from the City's financial statements. In addition, several assets were determined to no longer be in use. Accordingly, the financial statements of the proprietary fund for the year ending December 31, 2003 were restated to reflect the inclusion of these assets.

In addition, it was determined that special assessments in the bond sinking fund were overstated at December 31, 2003. Accordingly, beginning fund balance has been restated to correct for this overstatement.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**G. Change in Accounting Principles**

For the year ended December 31, 2004, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type, which had been the mode of presentation in previously issued financial statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at December 31, 2003 to be restated in terms of “net assets” as follows:

Total fund balances - governmental funds - at December 31, 2003	\$ 3,030,450
Add: Cost of capital assets at December 31, 2003	15,191,295
Less: Accumulated Depreciation at December 31, 2003	(7,482,536)
Less: Non-current liabilities:	
Bond principal outstanding at December 31, 2003	(7,212,000)
Compensated absences payable at December 31, 2003	(192,788)
Accrued Interest Payable at December 31, 2003	(79,801)
Loans, Leases and Certificates of Participation Payable at December 31, 2003	(1,104,285)
Add: Deferred revenue at December 31, 2003	414,514
	<u>\$ 2,564,849</u>

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

**Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 2,579,836	\$ 2,651,839
Library Improvement	5,000	5,872
Park Improvement	2,000	13,780
Crime Prevention	5,000	20,411
Aquatic Center	127,037	133,564
Cemetery	7,798	15,631
Municipal State Aid	79,633	212,496

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**Deficit Fund Balances**

Certain funds had deficit fund balances at December 31, 2004, as follows:

Aquatic Center	\$ (37,678)
Economic Development	(8,571)
1997 Storm Sewer Bond	(16,265)
Municipal State Aid	(37,525)
2003 Tax Increment Bond	(11,303)
Tax Increment #8 - Wilson Hardware	(28,510)
Tax Increment #13 - Kestrel Prop.	(1,607)
North Country V/Popelka Addition	(86,722)
North Country VI/Glenknoll	(30,796)
2005, 11th Street Reconstruction	(24,596)

The deficit in the Economic Development Fund will be reduced as revenues are collected. 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.

**NOTE 3    DEPOSITS AND INVESTMENTS**

**Deposits**

The City maintains a cash and investments 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 corporate surety bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rate "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 restrict 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.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

Deposit Balances at December 31, 2004 are as follows:

	Bank Balances	Carrying Amount
Insured	\$ 100,000	\$ 100,000
Collateralized by Securities held by the Pledging Financial Institution's Trust Department or Agent in the City's Name	3,497,885	3,392,979
Total	<u>\$ 3,597,885</u>	<u>\$ 3,492,979</u>
Reported in the Statement of Net Assets as:		
Cash and Cash Equivalents		<u>\$ 3,492,979</u>

**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 whose only investments are in securities described in (a) above.
- c. General obligations of the State of Minnesota or any of its municipalities.
- d. Bankers acceptances of the United States banks eligible for purchase by the Federal Reserve System.
- e. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f. Repurchase or reverse repurchase agreements 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.
- g. Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term gic's issued by Minnesota banks.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 549,871	\$ 203,000	\$ -	\$ 752,871
Total Capital Assets, Not Being Depreciated	549,871	203,000	-	752,871
Capital Assets, Being Depreciated:				
Buildings	2,046,713	-	-	2,046,713
Improvements Other than Buildings	2,294,838	5,064	-	2,299,902
Office Equipment and Furniture	18,301	-	-	18,301
Vehicles	1,271,459	8,565	-	1,280,024
Machinery and Shop Equipment	564,497	14,835	-	579,332
Infrastructure	8,445,616	354,905	(191)	8,800,330
Total Capital Assets, Being Depreciated	14,641,424	383,369	(191)	15,024,602
Accumulated Depreciation for:				
Buildings	(645,638)	(49,188)	-	(694,826)
Improvements Other than Buildings	(411,007)	(79,614)	-	(490,621)
Office Equipment and Furniture	(7,852)	(2,614)	-	(10,466)
Vehicles	(985,646)	(68,421)	-	(1,054,067)
Machinery and Shop Equipment	(241,008)	(33,005)	-	(274,013)
Infrastructure	(5,191,385)	(368,695)	191	(5,559,889)
Total Accumulated Depreciation	(7,482,536)	(601,537)	191	(8,083,882)
Total Capital Assets, Being Depreciated, Net	7,158,888	(218,168)	-	6,940,720
Governmental Activities Capital Assets, Net	<u>\$ 7,708,759</u>	<u>\$ (15,168)</u>	<u>\$ -</u>	<u>\$ 7,693,591</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 8,155
Public Safety	69,466
Public Services	440,945
Culture and Recreation	82,971
Total Depreciation Expense, Governmental Activities	<u>\$ 601,537</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 151,527	\$ -	\$ -	\$ 151,527
Total Capital Assets, Not Being Depreciated	151,527	-	-	151,527
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	2,320,876	173,950	(3,468)	2,491,358
Total Capital Assets, Being Depreciated	11,639,179	173,950	(3,468)	11,809,661
Accumulated Depreciation for:				
Buildings	(2,482,779)	(146,718)	-	(2,629,497)
Improvements Other than Buildings	(718,021)	(73,465)	-	(791,486)
Vehicles	(124,762)	(8,227)	-	(132,989)
Office Equipment and Furniture	(2,161)	(1,441)	-	(3,602)
Machinery and Shop Equipment	(474,439)	(66,202)	-	(540,641)
Infrastructure	(1,329,828)	(22,727)	3,468	(1,349,087)
Total Accumulated Depreciation	(5,131,990)	(318,780)	3,468	(5,447,302)
Total Capital Assets, Being Depreciated, Net	6,507,189	(144,830)	-	6,362,359
Business-Type Capital Assets, Net	\$ 6,658,716	\$ (144,830)	\$ -	\$ 6,513,886

**NOTE 5 INTERFUND RECEIVABLES AND PAYABLES**

The balances at December 31, 2004 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 218,667	
Non Major Governmental Funds		
Special Revenue Funds		
Aquatic Center		\$ 37,761
Economic Development		8,571
Debt Service Funds		
1997 Storm Sewer Bond		16,264
2003 Tax Increment Bond		11,303

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 5 INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

Fund	Interfund Receivable	Interfund Payable
Capital Project Funds:		
Tax Increment #1 - Downtown	\$ 28,000	\$ 2,144
Tax Increment #8 - Wilson Hardware		28,510
North Country V/Popelka Addition		86,722
2004 North CountryVI/Glenknoll		30,796
2005 11th Street Improvement Bond		24,596

**NOTE 6 LONG-TERM LIABILITIES**

Long-term debt consisted of the following at December 31, 2004:

			Balance 12/31/03	Net Issues (Payments)	Balance 12/31/04	Amount Due Within One Year
<b>Governmental Activities -</b>						
<u>General Obligation Bonds</u>						
G.O. Tax Increment	3.75%-	Interest due semi-				
Bonds of 1992	6.10%	annually on 4/1 and				
		10/1 and principal				
		due annually until				
		10/1/05.	\$ 80,000	\$ (40,000)	\$ 40,000	\$ 40,000
G.O. Swimming Pool	5.00% -	Interest due semi-				
Bonds of 1999	5.75%	annually on 12/1 and				
		6/1 and principal due				
		monthly until 12/1/19.	835,000	(30,000)	805,000	30,000
G.O. Tax Increment	3.00% -	Interest due semi-				
Bonds of 2003	6.00%	annually on 2/1 and				
		and 8/1 and principal				
		due annually on 2/1				
		until 2/1/20.	700,000	-	700,000	-
G.O. Refunding	1.10% -	Interest due semi-				
Bonds of 2003 - Series	4.10%	annually on 12/1 and				
2003 B \$974,000 Portion		and 6/1 and principal				
		due annually on 12/1				
		until 12/1/17.	926,000	(49,000)	877,000	55,000
Total General Obligation Bonds			2,541,000	(119,000)	2,422,000	125,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

			Balance 12/31/03	Net Issues (Payments)	Balance 12/31/04	Amount Due Within One Year
<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	\$ 295,000	\$ (20,000)	\$ 275,000	\$ 20,000
\$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	605,000	(50,000)	555,000	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	215,000	(15,000)	200,000	20,000
\$335,000 G.O. Improvement Bonds of 2003	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	-	335,000	25,000
\$745,000 G.O. Improvement Bonds of 2003	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	-	745,000	35,000
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.	230,000	(25,000)	205,000	30,000
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.	1,360,000	(75,000)	1,285,000	80,000
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.	230,000	(51,000)	179,000	58,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

			Balance 12/31/03	Net Issues (Payments)	Balance 12/31/04	Amount Due Within One Year
<u>Special Assessment Bonds Continued)</u>						
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.	\$ 298,000	\$ (51,000)	\$ 247,000	\$ 53,000
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.	358,000	(29,000)	329,000	35,000
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	-
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	-
Total Special Assessments			4,671,000	784,000	5,455,000	406,000
Total Bonds Payable			\$ 7,212,000	\$ 665,000	\$ 7,877,000	\$ 531,000
Loan Contract Payable						
Fieldhouse	4.90%	Principal and interest of \$57,340 due annually on 3/1 until 3/1/08.	248,661	(45,155)	203,506	47,368
Fire Truck	10.90%	Lease payments of \$58,141 due annually on 1/1 until 1/19/05	107,832	(52,555)	55,277	55,277
Lawn Mower & Tractor	5.00%	Lease payments of \$11,397 due annually on 12/20 until 12/20/05	19,828	(9,450)	10,378	10,378
Skidsteer Loader	8.55%	Lease payment of \$4,332 due annually on 3/22 until 3/22/07	11,243	(3,475)	7,768	3,742
Street Sweeper	4.00%	Lease payment of \$25,845 due annually on 5/15 until 5/15/06	71,721	(22,976)	48,745	23,895
Total Loan Contract Payable			459,285	(133,611)	325,674	140,660

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

			Balance 12/31/03	Net Issues (Payments)	Balance 12/31/04	Amount Due Within One Year
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	\$ 645,000	\$ (20,000)	\$ 625,000	\$ 20,000
Unamortized Bond Discount			-	(20,580)	(20,580)	-
Compensated Absence Payable			192,788	27,199	219,987	219,987
Total Governmental Activities Long-Term Debt			<u>\$ 8,509,073</u>	<u>\$ 518,008</u>	<u>\$ 9,027,081</u>	<u>\$ 911,647</u>
<b>Business-Type Activities -</b>						
Liquor Store Revenue Bonds of 1995		Interest due semi- annually on 6/1 and 12/1 and principal due annually until 12/1/10.	\$ 245,000	\$ (35,000)	\$ 210,000	\$ 35,000
G. O. Water Revenue Refunding Bonds of 1999A	3.6%- 4.00%	Interest due semi- annually on 6/1 and 12/1 and principal due annually until 12/1/08.	175,000	(175,000)	-	-
G. O. Sewer Revenue Bonds of 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	-	465,000	10,000
G. O. Sewer Revenue Bonds of 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	-	105,000	15,000
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.	358,000	(60,000)	298,000	69,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

			Balance 12/31/03	Net Issues (Payments)	Balance 12/31/04	Amount Due Within One Year
G.O. Refunding	1.20% -	Interest due semi-				
Bonds of 2003 - Series	4.10%	annually on 12/1 and				
2003C \$2,155,000 Portion		and 6/1 and principal due annually on 12/1 until 12/1/14.	\$ 2,155,000	\$ (140,000)	\$ 2,015,000	\$ 150,000
Unamortized Bond Discount			(56,145)	5,952	(50,193)	-
Total Business-Type Long-Term Debt			<u>\$ 3,446,855</u>	<u>\$ (404,048)</u>	<u>\$ 3,042,807</u>	<u>\$ 279,000</u>

The following are the scheduled principal and interest payments on the City's Bonds:

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 531,000	\$ 306,451	\$ 279,000	\$ 101,105	\$ 810,000	\$ 407,556
2006	603,000	287,765	297,000	96,067	900,000	383,832
2007	670,000	270,133	310,000	90,156	980,000	360,289
2008	658,000	249,902	327,000	82,756	985,000	332,658
2009	635,000	227,084	275,000	73,744	910,000	300,828
2010-2014	3,260,000	741,449	1,305,000	248,588	4,565,000	990,037
2015-2019	1,495,000	179,335	150,000	64,645	1,645,000	243,980
2020-2024	25,000	746	150,000	15,431	175,000	16,177
Total	<u>\$ 7,877,000</u>	<u>\$ 2,262,865</u>	<u>\$ 3,093,000</u>	<u>\$ 772,492</u>	<u>\$ 10,970,000</u>	<u>\$ 3,035,357</u>

The following is a schedule of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2004.

Year Ending December 31	Capital Leases Payable
2005	\$ 157,054
2006	87,516
2007	57,341
2008	56,987
Total Minimum Lease Payments	358,898
Less Amount Representing Interest	<u>33,224</u>
Present Value of Minimum Lease Payments	<u>\$ 325,674</u>



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

The following are the scheduled principal and interest payments on the City's Certificate of Participation:

Year Ending December 31	Certificate of Participation	
	Principal	Interest
2005	\$ 20,000	\$ 36,505
2006	20,000	35,505
2007	25,000	34,485
2008	25,000	33,185
2009	30,000	31,860
2010-2014	200,000	130,120
2015-2019	305,000	59,425
	<u>\$ 625,000</u>	<u>\$ 361,085</u>

General Obligation Street Reconstruction Bonds, Series 2004A were issued on July 1, 2004 in the amount of \$595,000. The purpose of the issue was to obtain funding for street reconstruction projects within the City.

General Obligation Street Improvement Bonds, Series 2004B were issued on July 1, 2004 in the amount of \$505,000. The purpose of the issue was to obtain funding for street improvement projects including: water, sewer, storm sewer, sidewalks and blacktopping.

**Defeasance of Debt**

As of April 1, 2001, the City of Glencoe entered into an agreement with Glencoe Regional Health Services (GRHS). As part of this agreement, the City issued \$19,400,000 Health Care Revenue Bonds (Glencoe Regional Health Services Project) Series 2001 bonds. The proceeds of these bonds were loaned to GRHS. GRHS used the bond proceeds to pay off existing debt and to complete a construction project. The bonds are to be paid back solely by GRHS and the City is not obligated in any way to pay for these bonds. Accordingly, this debt is considered "conduit debt" and is not reflected in the City's financial statements. The balance outstanding in these bonds at December 31, 2004 is \$18,825,000. Under the agreement, GRHS deposited a portion of the bond proceeds into an irrevocable trust to provide for all future debt service payments on the Hospital and Nursing Home Revenue Bonds of 1993, the Hospital Revenue Bonds of 1996 and the Health Care Refunding Revenue Bonds of 1997. These bonds are considered defeased and are not included in the financial statements. As of December 31, 2004, the remaining principal amount on the defeased bonds is \$1,345,000 on the \$1,910,000 Refunding Revenue Bonds of 1997. The balance in the irrevocable trust held at US Bank as of December 31, 2004 is \$1,541,272.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

**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, 2004, there were two series of Industrial Revenue Bonds outstanding, with original issue amounts of \$6,320,000 and an aggregate principal amount outstanding of \$3,323,768.

**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	\$ 232,370
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Unreserved, Designated Fund Balance is to be Used for Operations in 2005 Until the City Receives Their State Aid and County Tax Settlements	\$ 1,320,920
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**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, 2004**

**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, 2004, 2003, and 2002 were \$93,335 and \$88,210, and \$84,084, 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, 2004, 2003, and 2002.

**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, 2004**

**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 \$67,058 for 2004.

**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 RECONCILIATION OF OPERATING TRANSFERS IN AND OUT**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund Types		
General Fund	\$ 105,166	\$ 10,000
Special Revenue Funds		
Library Improvement	10,000	-
Total Special Revenue Funds	<u>10,000</u>	<u>-</u>
Debt Service Funds		
City Sinking Fund	83,832	77,842
1992 Willow Ridge/Country Club	-	2,773
1993 Willow Ridge II/North Country	-	8,019
2002 Willow Ridge Est. 2nd Addition	16,320	-
1995 Storm Sewer Bond	57,000	-
1997 Storm Sewer Bond	41,000	-
1989 Tax Increment Bond	-	2
1992 Tax Increment Bond	45,000	-
1997 Tax Increment Bond	84,680	-
2000 Tax Increment Bond	442	-
2003 Tax Increment Bond	3,100	-
County State Aid #33 Bond	39	-
Total Debt Service Funds	<u>331,413</u>	<u>88,636</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 12 RECONCILIATION OF OPERATING TRANSFERS IN AND OUT (CONTINUED)**

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Project Funds		
Tax Increment #3 - Lakeland	\$ -	\$ 3,100
Tax Increment #4 - Industrial Park	-	80,318
Tax Increment #9 - Nordictrack	-	45,000
Willow Ridge Pond 2nd	-	16,320
County State Aid #33	-	39
Total Capital Project Funds	<u>-</u>	<u>144,777</u>
Proprietary Fund Types		
Water Fund	-	1,083
Waste Water Treatment Plant	-	1,083
Liquor Store	-	103,000
Storm Water Management	-	98,000
Total Proprietary Funds	<u>-</u>	<u>203,166</u>
Total Operating Transfers	<u>\$ 446,579</u>	<u>\$ 446,579</u>

## REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -				
General Property Taxes	\$ 1,077,000	\$ 1,077,000	\$ 952,490	\$ (124,510)
Special Assessments	2,000	2,000	-	(2,000)
Total Taxes	1,079,000	1,079,000	952,490	(126,510)
Licenses and Permits	59,600	59,600	81,800	22,200
Intergovernmental -				
Local Government Aid	919,743	919,743	919,745	2
Market Value Credit	-	-	142,635	142,635
HACA	7,000	7,000	3,444	(3,556)
PERA Aid	4,500	4,500	4,491	(9)
Low Income Housing Aid	6,700	6,700	-	(6,700)
Fire and Police Department	75,000	75,000	84,040	9,040
Miscellaneous State Aid	4,000	4,000	10,519	6,519
Miscellaneous Federal Aid	90,000	90,000	110,807	20,807
Total Intergovernmental	1,106,943	1,106,943	1,275,681	168,738
Charges for Services -				
Special Services, Police	30,000	30,000	11,779	(18,221)
Special Services, Fire	29,000	29,000	34,762	5,762
Miscellaneous Charges	37,350	37,350	109,218	71,868
Total Charges for Services	96,350	96,350	155,759	59,409
Fines and Forfeits	30,000	30,000	53,273	23,273
Interest	30,000	30,000	14,038	(15,962)
Contributions and Donations	2,000	2,000	4,800	2,800
Payments in Lieu of Taxes	50,000	50,000	50,000	-
Miscellaneous -				
Administrative Fees	25,000	25,000	-	(25,000)
Park Fees	4,200	4,200	8,136	3,936
Reimbursements and Refunds	77,000	77,000	86,160	9,160
Total Miscellaneous	106,200	106,200	94,296	(11,904)
Total Revenues	2,560,093	2,560,093	2,682,137	122,044



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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government -				
Administration:				
Salaries	\$ 119,316	\$ 119,316	\$ 124,118	\$ (4,802)
Employee Benefits	41,328	41,328	37,431	3,897
Payroll Taxes	7,398	7,398	7,457	(59)
Workers' Compensation	1,000	1,000	1,421	(421)
Office Supplies	5,250	5,250	6,903	(1,653)
Printing and Binding	4,300	4,300	5,775	(1,475)
Repairs and Maintenance	7,000	7,000	7,664	(664)
Professional Services	34,000	34,000	40,436	(6,436)
Auditing and Accounting	16,000	16,000	21,200	(5,200)
Legal Fees	53,000	53,000	50,020	2,980
Chamber	22,000	22,000	20,120	1,880
Computer Software	1,000	1,000	426	574
Telephone	6,500	6,500	7,855	(1,355)
Postage	2,200	2,200	2,347	(147)
Advertising	500	500	3,871	(3,371)
Travel	1,800	1,800	1,794	6
Training	500	500	563	(63)
Insurance	6,000	6,000	5,069	931
Utilities	62,200	62,200	87,700	(25,500)
Subscriptions	-	-	174	(174)
Continuing Education and Dues	1,500	1,500	2,270	(770)
League of Minnesota Cities	14,000	14,000	11,045	2,955
Capital Outlay	500	500	1,724	(1,224)
Miscellaneous	700	700	637	63
Total Administration	407,992	407,992	448,020	(40,028)
Finance:				
Salaries	80,335	80,335	81,725	(1,390)
Employee Benefits	15,584	15,584	15,315	269
Payroll Taxes	4,981	4,981	5,062	(81)
Unemployment Insurance	-	-	2,060	(2,060)
Office Supplies	2,000	2,000	611	1,389
Printing and Binding	500	500	796	(296)
Repairs and Maintenance	500	500	440	60
Computer Software	7,000	7,000	6,739	261
Postage	50	50	31	19
Travel	500	500	529	(29)
Continuing Education & Dues	400	400	200	200
Subscriptions	50	50	198	(148)
Capital Outlay	2,000	2,000	2,074	(74)
Training	300	300	4,058	(3,758)
Miscellaneous	600	600	749	(149)
Total Finance	114,800	114,800	120,587	(5,787)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures: - (Cont'd.)				
General Government - (Cont'd.)				
City Council:				
Salaries	\$ 31,200	\$ 31,200	\$ 34,244	\$ (3,044)
Employee Benefits	1,513	1,513	1,615	(102)
Payroll Taxes	744	744	1,182	(438)
Workers' Compensation	-	-	99	(99)
Insurance	600	600	945	(345)
Office Supplies	500	500	854	(354)
Travel	500	500	423	77
Training	500	500	515	(15)
Dues and Subscriptions	200	200	-	200
Miscellaneous	500	500	549	(49)
Total City Council	36,257	36,257	40,426	(4,169)
Total General Government	559,049	559,049	609,033	(49,984)
Public Safety -				
Police Department:				
Salaries	563,100	563,100	581,048	(17,948)
Employee Benefits	156,303	156,303	151,419	4,884
Payroll Taxes	3,378	3,378	3,889	(511)
Unemployment Insurance	-	-	-	-
Workers' Compensation	12,000	12,000	18,487	(6,487)
Supplies	11,000	11,000	5,610	5,390
Motor Fuels	5,000	5,000	5,653	(653)
Repairs and Maintenance	23,425	23,425	18,006	5,419
Training	20,300	20,300	18,590	1,710
Continuing Education and Dues	1,000	1,000	1,493	(493)
Investigation	2,800	2,800	1,782	1,018
Vaccinations	500	500	152	348
Telephone	17,000	17,000	18,726	(1,726)
Printing and Binding	1,500	1,500	1,450	50
Insurance	21,500	21,500	20,489	1,011
Legal Fees	1,000	1,000	750	250
Uniforms	12,000	12,000	10,757	1,243
Animal control	2,000	2,000	2,372	(372)
Capital Outlay	45,234	45,234	58,744	(13,510)
Miscellaneous	4,500	4,500	3,519	981
Total Police Department	903,540	903,540	922,936	(19,396)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures: - (Cont'd.)				
Public Safety - (Cont'd.)				
Fire Department:				
Salaries	\$ 11,873	\$ 11,873	\$ 14,246	\$ (2,373)
Firemen's Relief Contribution	89,000	89,000	97,745	(8,745)
Payroll Taxes	908	908	1,101	(193)
Workers' Compensation	2,500	2,500	4,456	(1,956)
Office Supplies	500	500	302	198
Motor Fuels	3,000	3,000	2,613	387
Repairs and Maintenance	15,000	15,000	14,688	312
Training	9,000	9,000	6,953	2,047
Telephone	2,000	2,000	1,662	338
Travel	1,600	1,600	641	959
Advertising	600	600	720	(120)
Insurance	13,284	13,284	13,876	(592)
Utilities	5,100	5,100	6,366	(1,266)
Continuing Education and Dues	6,000	6,000	4,794	1,206
Capital Outlay	68,141	68,141	68,737	(596)
Miscellaneous	4,650	4,650	4,644	6
Total Fire Protection	233,156	233,156	243,544	(10,388)
Code Enforcement:				
Office Supplies	600	600	951	(351)
Building Inspector	40,000	40,000	68,566	(28,566)
Total Code Enforcement	40,600	40,600	69,517	(28,917)
Total Public Safety	1,177,296	1,177,296	1,235,997	(58,701)
Streets and Highways -				
Salaries	134,642	134,642	126,651	7,991
Employee Benefits	37,066	37,066	31,251	5,815
Payroll Taxes	8,348	8,348	7,909	439
Unemployment Insurance	-	-	-	-
Workers' Compensation	6,500	6,500	10,063	(3,563)
Supplies	150	150	206	(56)
Motor Fuels	11,000	11,000	12,421	(1,421)
Repairs and Maintenance	23,500	23,500	25,235	(1,735)
Street Maintenance	72,485	72,485	75,765	(3,280)
Street Overlay and Seal Coat	80,000	80,000	20,442	59,558
Landscaping	1,000	1,000	2,542	(1,542)
Telephone	600	600	817	(217)

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures: - (Cont'd.)				
Streets and Highways - (Cont'd.)				
Mosquito Control	\$ 2,000	\$ 2,000	\$ 2,325	\$ (325)
Insurance	16,700	16,700	15,471	1,229
Utilities	7,500	7,500	5,351	2,149
Capital Outlay	56,990	56,990	45,082	11,908
Miscellaneous	2,400	2,400	2,344	56
Total Street and Highways	460,881	460,881	383,875	77,006
Culture and Recreation -				
Parks and Recreation:				
Salaries	95,831	95,831	95,162	669
Employee Benefits	26,860	26,860	22,285	4,575
Payroll Taxes	5,942	5,942	5,985	(43)
Workers' Compensation	3,600	3,600	3,304	296
Supplies	7,250	7,250	12,593	(5,343)
Motor Fuels	2,600	2,600	3,184	(584)
Repairs and Maintenance	12,000	12,000	13,075	(1,075)
Management Fees	2,500	2,500	2,500	-
Telephone	900	900	1,348	(448)
Insurance	12,500	12,500	14,088	(1,588)
Utilities	3,200	3,200	3,891	(691)
Capital Outlay	12,800	12,800	7,043	5,757
Miscellaneous	2,100	2,100	2,788	(688)
Total Park and Recreation	188,083	188,083	187,246	837
Library and Community Center:				
Supplies	1,560	1,560	1,764	(204)
Repairs and Maintenance	610	610	1,249	(639)
Management Fees	52,072	52,072	52,089	(17)
Janitorial	3,500	3,500	1,674	1,826
Telephone	2,035	2,035	1,963	72
Insurance	1,000	1,000	1,136	(136)
Utilities	7,020	7,020	6,714	306
Capital Outlay	5,170	5,570	5,802	(232)
Continuing Education and Dues	300	300	226	74
Miscellaneous	20	20	-	20
Total Library and Community Center	73,287	73,687	72,617	1,070
Total Culture and Recreation	261,370	261,770	259,863	1,907

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures: - (Cont'd.)				
Economic Development	\$ -	\$ -	\$ 10,917	\$ (10,917)
Miscellaneous -				
Sales Tax	1,000	1,000	2,964	(1,964)
State Surcharge	3,500	3,500	3,897	(397)
Vehicle Towing	5,000	5,000	8,058	(3,058)
Insurance	-	-	388	(388)
Refunds and Reimbursements	50,000	50,000	66,277	(16,277)
Field House	57,340	57,340	57,340	-
Electrical Availability Charge	-	-	3,000	(3,000)
Other	4,000	4,000	230	3,770
Total Miscellaneous	<u>120,840</u>	<u>120,840</u>	<u>142,154</u>	<u>(21,314)</u>
Total Expenditures	<u>2,579,436</u>	<u>2,579,836</u>	<u>2,641,839</u>	<u>(62,003)</u>
Excess (Deficit) Revenues Over Expenditures	(19,343)	(19,743)	40,298	60,041
Other Financing Sources (Uses):				
Operating Transfers In	120,000	120,000	105,166	(14,834)
Operating Transfers Out	-	-	(10,000)	(10,000)
Total Other Financing Sources (Uses)	<u>120,000</u>	<u>120,000</u>	<u>95,166</u>	<u>(24,834)</u>
Excess Revenues and Other Sources Over Expenditures and Other Uses	100,657	100,257	135,464	35,207
Fund Balance, Beginning	<u>1,714,300</u>	<u>1,714,300</u>	<u>1,714,300</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 1,814,957</u>	<u>\$ 1,814,557</u>	<u>\$ 1,849,764</u>	<u>\$ 35,207</u>

## COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2004**

	Special Revenue			
	Library Improvement	Park Improvement	Police K-9	Crime Prevention
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 240,550	\$ 40,135	\$ 5,390	\$ 22,365
Accounts Receivable	-	-	455	-
Interest Receivable	-	-	-	-
Taxes Receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Special Assessments Receivable:				
Current	-	-	-	-
Deferred	-	-	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 240,550</u>	<u>\$ 40,135</u>	<u>\$ 5,845</u>	<u>\$ 22,365</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 1,680	\$ -	\$ 143
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,680</u>	<u>-</u>	<u>143</u>
<b>FUND BALANCES</b>				
Reserved for Library Improvement	232,370	-	-	-
Unreserved, Reported in				
Special Revenue	8,180	38,455	5,845	22,222
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Total Fund Balances	<u>240,550</u>	<u>38,455</u>	<u>5,845</u>	<u>22,222</u>
Total Liabilities and Fund Balances	<u>\$ 240,550</u>	<u>\$ 40,135</u>	<u>\$ 5,845</u>	<u>\$ 22,365</u>

Special Revenue					
Charitable Gambling	Aquatic Center	Cable TV	Cemetery	Economic Development	Capital Improvement
\$ 13,078	\$ -	\$ 41,488	\$ 94,791	\$ -	\$ 9
-	270	-	-	-	-
-	-	-	146	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 13,078</u>	<u>\$ 270</u>	<u>\$ 41,488</u>	<u>\$ 94,937</u>	<u>\$ -</u>	<u>\$ 9</u>
\$ -	\$ 187	\$ 12,878	\$ 10	\$ -	\$ -
-	37,761	-	-	8,571	-
-	-	-	-	-	-
<u>-</u>	<u>37,948</u>	<u>12,878</u>	<u>10</u>	<u>8,571</u>	<u>-</u>
-	-	-	-	-	-
13,078	(37,678)	28,610	94,927	(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>\$ 13,078</u>	<u>\$ 270</u>	<u>\$ 41,488</u>	<u>\$ 94,937</u>	<u>\$ -</u>	<u>\$ 9</u>



**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2004**

	<u>Special Revenue</u>		<u>Debt Service</u>	
	<u>Municipal State Aid</u>	<u>Special Revenue Subtotal</u>	<u>City Sinking</u>	<u>1989 Tax Increment Bond</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 80,961	\$ 538,767	\$ -	\$ -
Accounts Receivable	-	725	-	-
Interest Receivable	-	146	-	-
Taxes Receivable:				
Current	-	-	224	-
Delinquent	-	-	-	-
Special Assessments Receivable:				
Current	-	-	-	-
Deferred	-	-	-	-
Due from Other Funds	-	-	-	-
	<u>\$ 80,961</u>	<u>\$ 539,638</u>	<u>\$ 224</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 118,487	\$ 133,385	\$ -	\$ -
Due to Other Funds	-	46,332	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>118,487</u>	<u>179,717</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Reserved for Library Improvement	-	232,370	-	-
Unreserved, Reported in				
Special Revenue	(37,526)	127,551	-	-
Debt Service	-	-	224	-
Capital Projects	-	-	-	-
Total Fund Balances	<u>(37,526)</u>	<u>359,921</u>	<u>224</u>	<u>-</u>
	<u>\$ 80,961</u>	<u>\$ 539,638</u>	<u>\$ 224</u>	<u>\$ -</u>
Total Liabilities and Fund Balances	<u>\$ 80,961</u>	<u>\$ 539,638</u>	<u>\$ 224</u>	<u>\$ -</u>

Debt Service

1992 Tax Increment Bond	1992 Willow Ridge/ Country Club	1993 Willow Ridge II/ North Country	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond	1997 Storm Sewer Bond
\$ 104	\$ -	\$ -	\$ 56	\$ 17,876	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	511	-
-	-	-	-	415	-
-	-	-	-	-	-
-	-	-	-	49,852	-
-	-	-	-	-	-
<u>\$ 104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 68,654</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	16,264
-	-	-	-	50,267	-
-	-	-	-	50,267	16,264
-	-	-	-	-	-
-	-	-	-	-	-
104	-	-	56	18,387	(16,264)
-	-	-	-	-	-
<u>104</u>	<u>-</u>	<u>-</u>	<u>56</u>	<u>18,387</u>	<u>(16,264)</u>
<u>\$ 104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 68,654</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2004**

	Debt Service			
	1997 Tax Increment Bond	1997 McLoed/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 101,368	\$ 40,981	\$ 21,305
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
Taxes Receivable				
Current	-	925	306	931
Delinquent	-	778	259	810
Special Assessments Receivable				
Current	-	-	-	-
Deferred	-	465	330	-
Due from Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 103,536</u>	<u>\$ 41,876</u>	<u>\$ 23,046</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	1,243	589	809
Total Liabilities	<u>-</u>	<u>1,243</u>	<u>589</u>	<u>809</u>
<b>FUND BALANCES</b>				
Reserved for Library Improvement	-	-	-	-
Unreserved, Reported in				
Special Revenue	-	-	-	-
Debt Service	-	102,293	41,287	22,237
Capital Projects	-	-	-	-
Total Fund Balances	<u>-</u>	<u>102,293</u>	<u>41,287</u>	<u>22,237</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 103,536</u>	<u>\$ 41,876</u>	<u>\$ 23,046</u>

Debt Service

2000 Tax Increment Bond	County State Aid #33 Bond	Willow Ridge 1st Addition	2001 N. Country V/Popelka	2002 Willow Ridge Est. 2nd Addition	2003 Tax Increment Bond
\$ -	\$ 1,152	\$ 34,370	\$ 156,735	\$ 143,498	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	383	260	326	104	-
-	327	259	311	104	-
-	-	984	-	-	-
-	17,638	9,159	157,439	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 19,500</u>	<u>\$ 45,032</u>	<u>\$ 314,811</u>	<u>\$ 143,706</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	11,303
-	17,965	9,418	157,750	104	-
-	17,965	9,418	157,750	104	11,303
-	-	-	-	-	-
-	-	-	-	-	-
-	1,535	35,614	157,061	143,602	(11,303)
-	-	-	-	-	-
-	1,535	35,614	157,061	143,602	(11,303)
<u>\$ -</u>	<u>\$ 19,500</u>	<u>\$ 45,032</u>	<u>\$ 314,811</u>	<u>\$ 143,706</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2004**

	Debt Service			
	County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	Debt Service Subtotal
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 38,232	\$ 41,994	\$ 14,069	\$ 611,740
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
Taxes Receivable				
Current	312	-	-	4,282
Delinquent	311	-	-	3,574
Special Assessments Receivable				
Current	-	-	-	984
Deferred	45,301	-	-	280,184
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 84,156</u>	<u>\$ 41,994</u>	<u>\$ 14,069</u>	<u>\$ 900,764</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	27,567
Deferred Revenue	45,612	-	-	283,757
Total Liabilities	<u>45,612</u>	<u>-</u>	<u>-</u>	<u>311,324</u>
<b>FUND BALANCES</b>				
Reserved for Library Improvement	-	-	-	-
Unreserved, Reported in				
Special Revenue	-	-	-	-
Debt Service	38,544	41,994	14,069	589,440
Capital Projects	-	-	-	-
Total Fund Balances	<u>38,544</u>	<u>41,994</u>	<u>14,069</u>	<u>589,440</u>
Total Liabilities and Fund Balances	<u>\$ 84,156</u>	<u>\$ 41,994</u>	<u>\$ 14,069</u>	<u>\$ 900,764</u>

Capital Projects

Tax Increment #1- Downtown	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park	Tax Increment #5- Morngingside	Tax Increment #8- Wilson Hardware
\$ -	\$ 37,702	\$ 39,363	\$ 5,435	\$ 52,756	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	377	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
28,000	-	-	-	-	-
<u>\$ 28,000</u>	<u>\$ 37,702</u>	<u>\$ 39,740</u>	<u>\$ 5,435</u>	<u>\$ 52,756</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,144	-	-	-	-	28,510
-	-	-	-	-	-
<u>2,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,510</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,856	37,702	39,740	5,435	52,756	(28,510)
<u>25,856</u>	<u>37,702</u>	<u>39,740</u>	<u>5,435</u>	<u>52,756</u>	<u>(28,510)</u>
<u>\$ 28,000</u>	<u>\$ 37,702</u>	<u>\$ 39,740</u>	<u>\$ 5,435</u>	<u>\$ 52,756</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2004**

	Capital Projects			
	Tax Increment #9- Nordictrack	Tax Increment #10- Oliver Apts.	Tax Increment #11- G.G. Warehouse	Tax Increment #12- Pizza Ranch
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 15,420	\$ 14,917	\$ 22,779	\$ 15,091
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	-	-
Taxes Receivable				
Current	-	-	-	-
Delinquent	-	-	-	-
Special Assessments Receivable				
Current	-	-	-	-
Deferred	-	-	-	-
Due from Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 15,420</u>	<u>\$ 14,917</u>	<u>\$ 22,779</u>	<u>\$ 15,091</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Reserved for Library Improvement	-	-	-	-
Unreserved, Reported in				
Special Revenue	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	15,420	14,917	22,779	15,091
Total Fund Balances	<u>15,420</u>	<u>14,917</u>	<u>22,779</u>	<u>15,091</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 15,420</u>	<u>\$ 14,917</u>	<u>\$ 22,779</u>	<u>\$ 15,091</u>

Capital Projects

<u>Tax Increment #13- Kestrel Prop.</u>	<u>Tax Increment #14- Downtown Redevel.</u>	<u>North Country V/Popelka Addition</u>	<u>Willow Ridge Pond 2nd</u>	<u>2003 County State Aid #3</u>	<u>County State Aid #33</u>
\$ 11,893	\$ 93,673	\$ -	\$ -	\$ 155,960	\$ -
-	-	-	-	11,888	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 11,893</u>	<u>\$ 93,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,848</u>	<u>\$ -</u>
\$ 13,500	\$ 794	\$ -	\$ -	\$ 154,731	\$ -
-	-	86,722	-	-	-
-	-	-	-	11,888	-
<u>13,500</u>	<u>794</u>	<u>86,722</u>	<u>-</u>	<u>166,619</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,607)	92,879	(86,722)	-	1,229	-
<u>(1,607)</u>	<u>92,879</u>	<u>(86,722)</u>	<u>-</u>	<u>1,229</u>	<u>-</u>
<u>\$ 11,893</u>	<u>\$ 93,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,848</u>	<u>\$ -</u>



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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
DECEMBER 31, 2004**

	Capital Projects			Total Other Governmental Funds
	North Country VI/Glenknoll	2005 11th St. Reconstruction	Capital Projects Subtotal	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 464,989	\$ 1,615,496
Accounts Receivable	-	-	11,888	12,613
Interest Receivable	-	-	-	146
Taxes Receivable				
Current	-	-	377	4,659
Delinquent	-	-	-	3,574
Special Assessments Receivable				
Current	-	-	-	984
Deferred	-	-	-	280,184
Due from Other Funds	-	-	28,000	28,000
	<u>-</u>	<u>-</u>	<u>28,000</u>	<u>28,000</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,254</u>	<u>\$ 1,945,656</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ 169,025	\$ 302,410
Due to Other Funds	30,796	24,596	172,768	246,667
Deferred Revenue	-	-	11,888	295,645
Total Liabilities	<u>30,796</u>	<u>24,596</u>	<u>353,681</u>	<u>844,722</u>
<b>FUND BALANCES</b>				
Reserved for Library Improvement	-	-	-	232,370
Unreserved, Reported in				
Special Revenue	-	-	-	127,551
Debt Service	-	-	-	589,440
Capital Projects	(30,796)	(24,596)	151,573	151,573
Total Fund Balances	<u>(30,796)</u>	<u>(24,596)</u>	<u>151,573</u>	<u>1,100,934</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,254</u>	<u>\$ 1,945,656</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Special Revenue			
	Library Improvement	Park Improvement	Police K-9	Crime Prevention
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for Services	-	10,550	-	-
Fines and Forfeits	-	-	-	4,622
Interest Income	2,597	242	42	232
Contributions and Donations	1,100	30,000	-	4,826
Franchise Taxes	-	-	-	-
Miscellaneous	-	1,550	3,979	10,974
Total Revenues	3,697	42,342	4,021	20,654
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	1,241
Highways and Streets	-	-	-	-
Culture-Recreation	5,872	1,590	-	-
Economic Development	-	-	-	-
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	19,170
Highways and Streets	-	-	-	-
Culture-Recreation	-	12,190	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	5,872	13,780	-	20,411
Excess (Deficiency) of Revenue Over Expenditures	(2,175)	28,562	4,021	243
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	10,000	-	-	-
Transfers Out	-	-	-	-
Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	10,000	-	-	-
Net Change in Fund Balances	7,825	28,562	4,021	243
Fund Balances - Beginning, As Originally Stated	232,725	9,893	1,824	21,979
Prior Period Adjustment	-	-	-	-
Fund Balance - Beginning - As Restated	232,725	9,893	1,824	21,979
Fund Balances - Ending	\$ 240,550	\$ 38,455	\$ 5,845	\$ 22,222

Special Revenue

Charitable Gambling	Aquatic Center	Cable TV	Cemetery	Economic Development	Capital Improvement
\$ -	\$ 5,574	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	86,597	-	5,600	-	-
-	-	-	-	-	-
117	16	294	1,872	-	-
5,846	-	-	62,436	-	-
-	-	34,415	-	-	-
3,500	2,875	-	366	-	-
<u>9,463</u>	<u>95,062</u>	<u>34,709</u>	<u>70,274</u>	<u>-</u>	<u>-</u>
-	-	-	11,770	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	130,826	16,748	-	-	-
-	-	-	-	94	-
-	-	-	3,861	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,738	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>133,564</u>	<u>16,748</u>	<u>15,631</u>	<u>94</u>	<u>-</u>
9,463	(38,502)	17,961	54,643	(94)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9,463	(38,502)	17,961	54,643	(94)	-
3,615	824	10,649	40,284	(8,477)	9
-	-	-	-	-	-
<u>3,615</u>	<u>824</u>	<u>10,649</u>	<u>40,284</u>	<u>(8,477)</u>	<u>9</u>
<u>\$ 13,078</u>	<u>\$ (37,678)</u>	<u>\$ 28,610</u>	<u>\$ 94,927</u>	<u>\$ (8,571)</u>	<u>\$ 9</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Special Revenue		Debt Service	
	Municipal State Aid	Special Revenue Subtotal	City Sinking	1989 Tax Increment Bond
<b>REVENUES</b>				
Taxes	\$ -	\$ 5,574	\$ 1,932	\$ -
Intergovernmental	81,946	81,946	-	-
Charges for Services	-	102,747	-	-
Fines and Forfeits	-	4,622	-	-
Interest Income	1,285	6,697	6	-
Contributions and Donations	-	104,208	-	-
Franchise Taxes	-	34,415	-	-
Miscellaneous	-	23,244	-	-
Total Revenues	83,231	363,453	1,938	-
<b>EXPENDITURES</b>				
Current:				
General Government	-	11,770	893	-
Public Safety	-	1,241	-	-
Highways and Streets	16,020	16,020	-	-
Culture-Recreation	-	155,036	-	-
Economic Development	-	94	-	-
Capital Outlay				
General Government	-	3,861	-	-
Public Safety	-	19,170	-	-
Highways and Streets	118,487	118,487	-	-
Culture-Recreation	-	14,928	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	49,000	49,000	-	-
Interest	28,916	28,916	-	-
Fiscal Charges	72	72	-	-
Total Liabilities	212,495	418,595	893	-
Excess (Deficiency) of Revenue Over Expenditures	(129,264)	(55,142)	1,045	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	10,000	83,832	-
Transfers Out	-	-	(77,842)	(2)
Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	-	10,000	5,990	(2)
Net Change in Fund Balances	(129,264)	(45,142)	7,035	(2)
Fund Balances - Beginning,				
As Originally Stated	91,738	405,063	469	2
Prior Period Adjustment	-	-	(7,280)	-
Fund Balance - Beginning - As Restated	91,738	405,063	(6,811)	2
Fund Balances - Ending	\$ (37,526)	\$ 359,921	\$ 224	\$ -

Debt Service

1992 Tax Increment Bond	1992 Willow Ridge/ Country Club	1993 Willow Ridge II/ North Country	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond	1997 Storm Sewer Bond
\$ -	\$ -	\$ -	\$ -	\$ 45,431	\$ -
-	-	-	-	5,307	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	316	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	51,054	-
140	-	-	337	7	82
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
40,000	-	-	25,000	51,000	51,000
4,840	-	-	5,370	4,082	6,130
-	-	-	120	72	72
44,980	-	-	30,827	55,161	57,284
(44,980)	-	-	(30,827)	(4,107)	(57,284)
45,000	-	-	57,000	-	41,000
-	(2,773)	(8,019)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
45,000	(2,773)	(8,019)	57,000	-	41,000
20	(2,773)	(8,019)	26,173	(4,107)	(16,284)
84	2,773	8,019	(26,117)	22,494	20
-	-	-	-	-	-
84	2,773	8,019	(26,117)	22,494	20
\$ 104	\$ -	\$ -	\$ 56	\$ 18,387	\$ (16,264)

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Debt Service			
	1997 Tax Increment Bond	1997 McLoed/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond
<b>REVENUES</b>				
Taxes	\$ -	\$ 66,297	\$ 28,076	\$ 68,565
Intergovernmental	-	9,951	3,317	10,349
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Interest Income	-	1,511	552	224
Contributions and Donations	-	-	-	-
Franchise Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	77,759	31,945	79,138
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	22
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture-Recreation	-	-	-	-
Economic Development	-	-	-	-
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture-Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	75,000	29,000	30,000
Interest	-	42,053	9,667	45,513
Fiscal Charges	-	120	72	-
Total Liabilities	-	117,173	38,739	75,535
Excess (Deficiency) of Revenue Over Expenditures	-	(39,414)	(6,794)	3,603
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	84,680	-	-	-
Transfers Out	-	-	-	-
Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	84,680	-	-	-
Net Change in Fund Balances	84,680	(39,414)	(6,794)	3,603
Fund Balances - Beginning, As Originally Stated	(84,680)	141,707	48,081	18,634
Prior Period Adjustment	-	-	-	-
Fund Balance - Beginning - As Restated	(84,680)	141,707	48,081	18,634
Fund Balances - Ending	\$ -	\$ 102,293	\$ 41,287	\$ 22,237

Debt Service

2000 Tax Increment Bond	County State Aid #33 Bond	Willow Ridge 1st Addition	2001 N. Country V/Popelka	2002 Willow Ridge Est. 2nd Addition	2003 Tax Increment Bond
\$ -	\$ 32,217	\$ 23,745	\$ 122,987	\$ 8,652	\$ -
-	4,180	3,317	3,980	1,327	-
-	-	-	-	-	-
-	-	-	-	-	-
-	56	205	805	1,368	77
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	36,453	27,267	127,772	11,347	77
-	-	-	-	-	-
-	25	-	-	-	14
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	20,000	-	50,000	15,000	-
-	17,163	12,298	23,698	9,240	28,365
-	-	-	-	-	-
-	37,188	12,298	73,698	24,240	28,379
-	-	-	-	-	-
-	(735)	14,969	54,074	(12,893)	(28,302)
-	-	-	-	-	-
442	39	-	-	16,320	3,100
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
442	39	-	-	16,320	3,100
442	(696)	14,969	54,074	3,427	(25,202)
-	-	-	-	-	-
(442)	2,231	20,645	102,987	140,175	13,899
-	-	-	-	-	-
(442)	2,231	20,645	102,987	140,175	13,899
\$ -	\$ 1,535	\$ 35,614	\$ 157,061	\$ 143,602	\$ (11,303)



**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Debt Service			
	County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	Debt Service Subtotal
<b>REVENUES</b>				
Taxes	\$ 39,418	\$ 30,092	\$ -	\$ 467,412
Intergovernmental	3,980	-	-	45,708
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Interest Income	202	811	956	7,089
Contributions and Donations	-	-	-	-
Franchise Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	43,600	30,903	956	520,209
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	3	1,523
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture-Recreation	-	-	-	-
Economic Development	-	-	-	-
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture-Recreation	-	-	-	-
Economic Development	-	-	-	-
Debt Service				
Principal	-	-	-	386,000
Interest	29,917	-	-	238,336
Fiscal Charges	-	-	-	456
Total Liabilities	29,917	-	3	626,315
Excess (Deficiency) of Revenue Over Expenditures	13,683	30,903	953	(106,106)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	331,413
Transfers Out	-	-	-	(88,636)
Bond Proceeds	-	11,091	13,116	24,207
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	-	11,091	13,116	266,984
Net Change in Fund Balances	13,683	41,994	14,069	160,878
Fund Balances - Beginning, As Originally Stated	24,861	-	-	435,842
Prior Period Adjustment	-	-	-	(7,280)
Fund Balance - Beginning - As Restated	24,861	-	-	428,562
Fund Balances - Ending	\$ 38,544	\$ 41,994	\$ 14,069	\$ 589,440

Capital Projects

Tax Increment #1- Downtown	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park	Tax Increment #5- Morngingside	Tax Increment #8- Wilson Hardware
\$ 1,830	\$ 39,728	\$ 43,088	\$ 86,357	\$ 23,856	\$ 2,254
-	-	452	-	1,516	-
-	-	-	-	-	-
-	-	-	-	-	-
-	103	119	241	365	30
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3	-	-
<u>1,830</u>	<u>39,831</u>	<u>43,659</u>	<u>86,601</u>	<u>25,737</u>	<u>2,284</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
92	3,164	-	634	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	850	218	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>92</u>	<u>3,164</u>	<u>850</u>	<u>852</u>	<u>-</u>	<u>-</u>
1,738	36,667	42,809	85,749	25,737	2,284
-	-	-	-	-	-
-	-	(3,100)	(80,318)	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(3,100)	(80,318)	-	-
<u>1,738</u>	<u>36,667</u>	<u>39,709</u>	<u>5,431</u>	<u>25,737</u>	<u>2,284</u>
24,118	1,035	31	4	27,019	(30,794)
-	-	-	-	-	-
<u>24,118</u>	<u>1,035</u>	<u>31</u>	<u>4</u>	<u>27,019</u>	<u>(30,794)</u>
<u>\$ 25,856</u>	<u>\$ 37,702</u>	<u>\$ 39,740</u>	<u>\$ 5,435</u>	<u>\$ 52,756</u>	<u>\$ (28,510)</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Capital Projects			
	Tax Increment #9- Nordictrack	Tax Increment #10- Oliver Apts.	Tax Increment #11- G.G. Warehouse	Tax Increment #12- Pizza Ranch
<b>REVENUES</b>				
Taxes	\$ 54,011	\$ -	\$ 19,184	\$ 5,444
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Interest Income	394	163	195	120
Contributions and Donations	-	-	-	-
Franchise Taxes	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	54,405	163	19,379	5,564
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture-Recreation	-	-	-	-
Economic Development	-	-	19,232	-
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture-Recreation	-	-	-	-
Economic Development	27,103	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Liabilities	27,103	-	19,232	-
Excess (Deficiency) of Revenue Over Expenditures	27,302	163	147	5,564
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	(45,000)	-	-	-
Bond Proceeds	-	-	-	-
Bond Discount	-	-	-	-
Total Other Financing Sources (Uses)	(45,000)	-	-	-
Net Change in Fund Balances	(17,698)	163	147	5,564
Fund Balances - Beginning, As Originally Stated	33,118	14,754	22,632	9,527
Prior Period Adjustment	-	-	-	-
Fund Balance - Beginning - As Restated	33,118	14,754	22,632	9,527
Fund Balances - Ending	\$ 15,420	\$ 14,917	\$ 22,779	\$ 15,091

Capital Projects

Tax Increment #13- Kestrel Prop.	Tax Increment #14- Downtown Redevel.	North Country V/Popelka Addition	Willow Ridge Pond 2nd	2003 County State Aid #3	County State Aid #33
\$ 15,846	\$ -	\$ -	\$ -	\$ 11,888	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
22	3,030	-	180	1,682	-
-	-	-	-	-	-
-	-	-	-	9,671	-
<u>15,868</u>	<u>3,030</u>	<u>-</u>	<u>180</u>	<u>23,241</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	945	807	10,056	-
-	-	-	-	-	-
13,521	53,687	-	-	-	-
-	-	-	-	-	-
-	-	-	-	154,059	-
-	-	-	-	-	-
-	168,187	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>13,521</u>	<u>221,874</u>	<u>945</u>	<u>807</u>	<u>164,115</u>	<u>-</u>
2,347	(218,844)	(945)	(627)	(140,874)	-
-	-	-	-	-	-
-	-	-	(16,320)	-	(39)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(16,320)	-	(39)
<u>2,347</u>	<u>(218,844)</u>	<u>(945)</u>	<u>(16,947)</u>	<u>(140,874)</u>	<u>(39)</u>
(3,954)	311,723	(85,777)	16,947	142,103	39
-	-	-	-	-	-
<u>(3,954)</u>	<u>311,723</u>	<u>(85,777)</u>	<u>16,947</u>	<u>142,103</u>	<u>39</u>
<u>\$ (1,607)</u>	<u>\$ 92,879</u>	<u>\$ (86,722)</u>	<u>\$ -</u>	<u>\$ 1,229</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2004**

	Capital Projects			Total Other Governmental Funds
	North Country VI/Glenknoll	2005 11th St. Reconstruction	Capital Projects Subtotal	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 303,486	\$ 776,472
Intergovernmental	-	-	1,968	129,622
Charges for Services	-	-	-	102,747
Fines and Forfeits	-	-	-	4,622
Interest Income	1,382	-	8,026	21,812
Contributions and Donations	-	-	-	104,208
Franchise Taxes	-	-	-	34,415
Miscellaneous	-	-	9,674	32,918
Total Revenues	1,382	-	323,154	1,206,816
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	13,293
Public Safety	-	-	-	1,241
Highways and Streets	112,260	24,596	148,664	164,684
Culture-Recreation	-	-	-	155,036
Economic Development	-	-	90,330	90,424
Capital Outlay				
General Government	-	-	-	3,861
Public Safety	-	-	-	19,170
Highways and Streets	399,404	-	553,463	671,950
Culture-Recreation	-	-	-	14,928
Economic Development	-	-	196,358	196,358
Debt Service				
Principal	-	-	-	435,000
Interest	-	-	-	267,252
Fiscal Charges	4,525	-	4,525	5,053
Total Liabilities	516,189	24,596	993,340	2,038,250
Excess (Deficiency) of Revenue Over Expenditures	(514,807)	(24,596)	(670,186)	(831,434)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	341,413
Transfers Out	-	-	(144,777)	(233,413)
Bond Proceeds	493,909	-	493,909	518,116
Bond Discount	(9,898)	-	(9,898)	(9,898)
Total Other Financing Sources (Uses)	484,011	-	339,234	616,218
Net Change in Fund Balances	(30,796)	(24,596)	(330,952)	(215,216)
Fund Balances - Beginning, As Originally Stated	-	-	482,525	1,323,430
Prior Period Adjustment	-	-	-	(7,280)
Fund Balance - Beginning - As Restated	-	-	482,525	1,316,150
Fund Balances - Ending	\$ (30,796)	\$ (24,596)	\$ 151,573	\$ 1,100,934

## **SUPPLEMENTARY INFORMATION**

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2004**

	Tax Increment District No. 9 G.O. Tax Increment Bonds of 1992		Swimming Pool Bonds of 1999	
	Principal	Interest	Principal	Interest
2005	\$ 40,000	\$ 2,440	\$ 30,000	\$ 44,013
2006	-	-	35,000	42,512
2007	-	-	35,000	40,763
2008	-	-	40,000	39,012
2009	-	-	40,000	36,973
2010	-	-	45,000	34,872
2011	-	-	50,000	32,510
2012	-	-	50,000	29,810
2013	-	-	55,000	27,110
2014	-	-	60,000	24,085
2015	-	-	65,000	20,785
2016	-	-	70,000	17,145
2017	-	-	70,000	13,225
2018	-	-	75,000	9,200
2019	-	-	85,000	4,888
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 40,000</u>	<u>\$ 2,440</u>	<u>\$ 805,000</u>	<u>\$ 416,903</u>

Tax Increment District No. 14 G.O. Tax Increment Bonds of 2003		G.O. Refunding Bonds of 2003B \$974,000 Portion		Special Assessment G.O. Improvement Bonds of 1999	
Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ 34,038	\$ 55,000	\$ 28,328	\$ 20,000	\$ 16,062
-	34,038	56,000	27,503	25,000	14,952
50,000	33,288	58,000	26,383	25,000	13,552
50,000	31,625	57,000	25,049	25,000	12,140
50,000	29,675	64,000	23,510	25,000	10,702
75,000	26,950	61,000	21,590	25,000	9,253
75,000	23,463	70,000	19,638	30,000	7,790
100,000	19,163	70,000	17,328	30,000	6,020
100,000	14,088	71,000	14,948	35,000	4,236
50,000	10,163	75,000	12,428	35,000	2,136
25,000	8,094	75,000	9,615	-	-
25,000	6,656	75,000	6,690	-	-
25,000	5,219	90,000	3,690	-	-
25,000	3,750	-	-	-	-
25,000	2,250	-	-	-	-
25,000	746	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 700,000</u>	<u>\$ 283,206</u>	<u>\$ 877,000</u>	<u>\$ 236,700</u>	<u>\$ 275,000</u>	<u>\$ 96,843</u>



**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
DECEMBER 31, 2004**

	Special Assessment G.O. Improvement Bonds of 2001 (North Country V)		Special Assessment G.O. Improvement Bonds of 2002 (Willow Ridge Estates)	
	Principal	Interest	Principal	Interest
2005	\$ 50,000	\$ 22,047	\$ 20,000	\$ 8,540
2006	50,000	20,260	20,000	7,720
2007	55,000	18,291	20,000	6,880
2008	60,000	16,030	20,000	6,020
2009	60,000	13,570	20,000	5,140
2010	65,000	10,943	25,000	4,125
2011	65,000	8,147	25,000	2,975
2012	75,000	5,062	25,000	1,800
2013	75,000	1,688	25,000	600
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 555,000</u>	<u>\$ 116,038</u>	<u>\$ 200,000</u>	<u>\$ 43,800</u>

Special Assessment G.O. Improvement Bonds of 2003 (Willow Pond Estates)		Special Assessment G.O. Street Reconstruction Bonds of 2003		Special Assessment G.O. Refunding Bonds of 2003C \$230,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 25,000	\$ 12,016	\$ 35,000	\$ 29,480	\$ 30,000	\$ 5,070
30,000	11,323	40,000	28,543	35,000	4,620
30,000	10,460	40,000	27,543	35,000	3,920
30,000	9,523	45,000	26,480	35,000	3,115
30,000	8,510	45,000	25,074	35,000	2,170
35,000	7,329	45,000	23,386	35,000	1,120
35,000	5,973	45,000	21,699	-	-
35,000	4,529	50,000	19,918	-	-
40,000	2,905	50,000	17,855	-	-
45,000	1,010	50,000	15,605	-	-
-	-	55,000	13,188	-	-
-	-	55,000	10,603	-	-
-	-	60,000	7,840	-	-
-	-	60,000	4,900	-	-
-	-	70,000	1,712	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 335,000</u>	<u>\$ 73,578</u>	<u>\$ 745,000</u>	<u>\$ 273,826</u>	<u>\$ 205,000</u>	<u>\$ 20,015</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2004**

	Special Assessment G.O. Refunding Bonds of 2003C \$1,360,000 Portion		Special Assessment G.O. Refunding Bonds of 2003B \$284,000 Portion	
	Principal	Interest	Principal	Interest
2005	\$ 80,000	\$ 41,153	\$ 58,000	\$ 3,470
2006	80,000	39,953	61,000	2,600
2007	85,000	38,353	60,000	1,380
2008	100,000	36,398	-	-
2009	100,000	33,698	-	-
2010	100,000	30,698	-	-
2011	105,000	27,498	-	-
2012	125,000	24,033	-	-
2013	85,000	19,783	-	-
2014	100,000	16,765	-	-
2015	100,000	13,015	-	-
2016	110,000	9,115	-	-
2017	115,000	4,710	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 1,285,000</u>	<u>\$ 335,172</u>	<u>\$ 179,000</u>	<u>\$ 7,450</u>

Special Assessment G.O. Refunding Bonds of 2003B \$346,000 Portion		Special Assessment G.O. Refunding Bonds of 2003B \$389,000 Portion		Special Assessment G.O. Street Reconstruction Bonds Series 2004A \$595,000	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 53,000	\$ 5,519	\$ 35,000	\$ 9,319	\$ -	\$ 24,359
56,000	4,724	30,000	8,794	45,000	21,810
50,000	3,604	32,000	8,194	50,000	20,385
62,000	2,454	34,000	7,458	55,000	18,810
26,000	780	35,000	6,540	55,000	17,160
-	-	39,000	5,490	60,000	15,135
-	-	40,000	4,242	60,000	12,735
-	-	40,000	2,922	60,000	10,335
-	-	44,000	1,562	65,000	7,721
-	-	-	-	70,000	4,785
-	-	-	-	75,000	1,631
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 247,000</u>	<u>\$ 17,081</u>	<u>\$ 329,000</u>	<u>\$ 54,521</u>	<u>\$ 595,000</u>	<u>\$ 154,866</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2004**

	Special Assessment G.O. Street Improvement Bonds Series 2004B \$505,000		Fieldhouse Lease of 1998	
	Principal	Interest	Principal	Interest
2005	\$ -	\$ 20,597	\$ 47,368	\$ 9,972
2006	40,000	18,413	49,689	7,651
2007	45,000	17,137	52,124	5,216
2008	45,000	15,788	54,325	2,662
2009	50,000	14,362	-	-
2010	50,000	12,613	-	-
2011	50,000	10,612	-	-
2012	50,000	8,613	-	-
2013	50,000	6,525	-	-
2014	60,000	4,132	-	-
2015	65,000	1,414	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 505,000</u>	<u>\$ 130,206</u>	<u>\$ 203,506</u>	<u>\$ 25,501</u>

Promissory Note Fire Truck of 1999		Promissory Note Lawn Mower & Tractor		Promissory Note Skidsteer Loader	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 55,277	\$ 2,863	\$ 10,378	\$ 1,019	\$ 3,741	\$ 591
-	-	-	-	4,026	306
-	-	-	-	1	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 55,277</u>	<u>\$ 2,863</u>	<u>\$ 10,378</u>	<u>\$ 1,019</u>	<u>\$ 7,768</u>	<u>\$ 897</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2004**

	Promissory Note Street Sweeper		Certificate of Participation Street Maintenance	
	Principal	Interest	Principal	Interest
2005	\$ 23,895	\$ 1,950	\$ 20,000	\$ 36,505
2006	24,850	994	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>\$ 48,745</u>	<u>\$ 2,944</u>	<u>\$ 625,000</u>	<u>\$ 361,085</u>

Liquor Store Revenue Bonds of 1995		G.O. Sewer Revenue Bonds of 2003D		G.O. Sewer Revenue Bonds of 2003E	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 35,000	\$ 10,332	\$ 10,000	\$ 19,893	\$ 15,000	\$ 2,761
30,000	8,610	10,000	19,723	20,000	2,330
30,000	7,134	10,000	19,508	20,000	1,800
35,000	5,658	10,000	19,253	25,000	1,156
40,000	3,936	10,000	18,963	25,000	395
40,000	1,968	20,000	18,458	-	-
-	-	20,000	17,733	-	-
-	-	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	4,778	-	-
-	-	35,000	3,063	-	-
-	-	45,000	1,097	-	-
<u>\$ 210,000</u>	<u>\$ 37,638</u>	<u>\$ 465,000</u>	<u>\$ 251,736</u>	<u>\$ 105,000</u>	<u>\$ 8,442</u>



**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2004**

	G.O. Refunding Bonds of 2003B \$417,000 Portion		G.O. Refunding Bonds Series 2003C	
	Principal	Interest	Principal	Interest
2005	\$ 69,000	\$ 6,414	\$ 150,000	\$ 61,705
2006	72,000	5,379	165,000	60,025
2007	75,000	3,939	175,000	57,775
2008	82,000	2,214	175,000	54,475
2009	-	-	200,000	50,450
2010	-	-	200,000	45,725
2011	-	-	225,000	39,725
2012	-	-	225,000	33,325
2013	-	-	250,000	25,900
2014	-	-	250,000	18,250
2015	-	-	-	9,375
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 298,000</u>	<u>\$ 17,946</u>	<u>\$ 2,015,000</u>	<u>\$ 456,730</u>

Total	
Principal	Interest
\$ 970,659	\$ 460,456
998,565	428,288
1,057,125	399,990
1,064,325	368,505
940,000	333,468
955,000	299,895
930,000	263,055
1,000,000	226,071
1,015,000	184,721
865,000	145,415
535,000	109,392
420,000	78,259
450,000	58,014
255,000	36,125
290,000	21,615
60,000	7,239
35,000	4,778
35,000	3,063
45,000	1,097
<u>\$ 11,920,674</u>	<u>\$ 3,429,446</u>

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## OTHER REPORTS SECTION

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## 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, 2004, which collectively comprise the City of Glencoe, Minnesota's basic financial statements and have issued our report thereon dated April 20, 2005.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the Legal Compliance Task Force 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 six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous. 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.

This report is intended solely for the information and use of management, City Council, and the Office of the State Auditor of Minnesota 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 20, 2005