

CITY OF GLENCOE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2006

**CITY OF GLENCOE, MINNESOTA
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INTRODUCTORY SECTION

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**CITY OF GLENCOE, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2006**

Elected Officials

Term Expires

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

Appointed Officials

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

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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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Glencoe's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The City of Glencoe has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 39 through 44 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glencoe's basic financial statements. The combining fund statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LarsonAllen LLP

LarsonAllen LLP

Austin, Minnesota
May 14, 2007

BASIC FINANCIAL STATEMENTS

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**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
ASSETS				
Cash and Cash Equivalents	\$ 2,189,598	\$ 865,512	\$ 3,055,110	\$ 175,247
Investments	512,964	-	512,964	-
Interest Receivable	6,344	294	6,638	-
Taxes Receivable	52,527	-	52,527	-
Accounts Receivable	116,278	53,606	169,884	705,624
Special Assessments Receivable	324,513	7,714	332,227	-
Note Receivable	-	21,249	21,249	-
Lease Receivable	-	-	-	78,431
Other Receivables	-	-	-	319,394
Prepaid Items	-	-	-	36,767
Internal Balances	6,814	(6,814)	-	-
Inventory	-	102,692	102,692	219,838
Land Held for Resale	455,157	-	455,157	-
Due from Primary Government	-	-	-	27,084
Due from Component Unit	-	220,324	220,324	-
Deferred Charges	-	-	-	28,275
Restricted Assets	-	-	-	3,097,339
Capital Assets:				
Land	805,775	151,527	957,302	-
Construction in Progress	-	-	-	2,061,945
Other Capital Assets, Net of Depreciation	6,471,915	6,149,367	12,621,282	13,744,789
Deferred Bond Issuance Costs	12,959	9,320	22,279	-
Total Assets	<u>10,954,844</u>	<u>7,574,791</u>	<u>18,529,635</u>	<u>20,494,733</u>
LIABILITIES				
Accounts Payable	155,918	167,566	323,484	469,316
Accrued Interest Payable	99,379	23,931	123,310	-
Accrued Expenses	48,848	98,305	147,153	130,545
Customer Deposits Payable	-	-	-	41,475
Other Deposits Payable	-	-	-	370
Due to the Primary Government	-	-	-	220,324
Due to Component Unit	9,028	18,056	27,084	-
Deferred Revenue	-	7,412	7,412	-
Non-Current Liabilities:				
Due Within One Year	1,080,455	335,000	1,415,455	554,009
Due in More Than One Year	7,476,075	2,713,545	10,189,620	7,228,153
Total Liabilities	<u>8,869,703</u>	<u>3,363,815</u>	<u>12,233,518</u>	<u>8,644,192</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(514,056)	3,261,669	2,747,613	8,208,217
Restricted for:				
Library Improvement	243,403	-	243,403	-
Debt Service	631,825	-	631,825	1,359,439
Unrestricted	1,723,969	949,307	2,673,276	2,282,885
Total Net Assets	<u>\$ 2,085,141</u>	<u>\$ 4,210,976</u>	<u>\$ 6,296,117</u>	<u>\$ 11,850,541</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,245,447	\$ 229,281	\$ -	\$ 632
Public Safety	1,380,381	176,174	94,474	7,867
Highways and Streets	1,914,556	42,604	-	1,046,722
Culture and Recreation	594,259	154,926	-	46,000
Economic Development	64,625	30,964	-	-
Interest on Long-Term Debt	363,699	-	-	-
Total Governmental Activities	<u>5,562,967</u>	<u>633,949</u>	<u>94,474</u>	<u>1,101,221</u>
Business-Type Activities:				
Water Fund	572,651	792,889	-	1,083
Wastewater Treatment Plant Fund	909,612	1,137,650	-	7,414
Sanitation Fund	28,060	32,753	-	-
Municipal Liquor Fund	966,934	1,067,362	-	-
Airport Fund	99,542	52,855	13,776	-
Storm Water Management Fund	2,249	113,112	-	-
Total Business-Type Activities	<u>2,579,048</u>	<u>3,196,621</u>	<u>13,776</u>	<u>8,497</u>
Total Primary Government	<u>\$ 8,142,015</u>	<u>\$ 3,830,570</u>	<u>\$ 108,250</u>	<u>\$ 1,109,718</u>
Total Component Unit	<u>\$ 8,300,693</u>	<u>\$ 8,850,201</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes
- Franchise Fees
- Grants and Contributions Not Restricted to Certain Purposes
- Unrestricted Investment Earnings
- Other

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets-Ending

See accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
\$ (1,015,534)	\$ -	\$ (1,015,534)	\$ -
(1,101,866)	-	(1,101,866)	-
(825,230)	-	(825,230)	-
(393,333)	-	(393,333)	-
(33,661)	-	(33,661)	-
(363,699)	-	(363,699)	-
<u>(3,733,323)</u>	<u>-</u>	<u>(3,733,323)</u>	<u>-</u>
-	221,321	221,321	-
-	235,452	235,452	-
-	4,693	4,693	-
-	100,428	100,428	-
-	(32,911)	(32,911)	-
-	110,863	110,863	-
<u>-</u>	<u>639,846</u>	<u>639,846</u>	<u>-</u>
<u>(3,733,323)</u>	<u>639,846</u>	<u>(3,093,477)</u>	<u>-</u>
			<u>\$ 549,508</u>
\$ 1,644,618	\$ -	\$ 1,644,618	\$ -
32,130	-	32,130	-
1,372,987	-	1,372,987	-
80,048	32,450	112,498	137,960
4,678	-	4,678	-
483,332	(483,332)	-	(151,731)
<u>3,617,793</u>	<u>(450,882)</u>	<u>3,166,911</u>	<u>(13,771)</u>
(115,530)	188,964	73,434	535,737
<u>2,200,671</u>	<u>4,022,012</u>	<u>6,222,683</u>	<u>11,314,804</u>
<u>\$ 2,085,141</u>	<u>\$ 4,210,976</u>	<u>\$ 6,296,117</u>	<u>\$ 11,850,541</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)

	2006				2005
	General	Municipal	Other	Total	Total
		State	Governmental	Governmental	Governmental
		Aid	Funds	Funds	Funds
ASSETS					
Cash and Cash Equivalents	\$ 933,175	\$ 72,654	\$ 1,183,769	\$ 2,189,598	\$ 3,130,379
Investments	512,964	-	-	512,964	341,449
Accounts Receivable	68,655	-	47,623	116,278	110,419
Interest Receivable	6,344	-	-	6,344	41
Taxes Receivable					
Current	11,405	-	4,305	15,710	14,813
Delinquent	26,684	-	10,133	36,817	22,875
Special Assessments Receivable					
Current	-	-	1,311	1,311	1,303
Deferred	-	-	323,202	323,202	408,966
Due from Other Funds	774,464	-	21,000	795,464	234,370
Deposits	-	-	-	-	10,000
Land Held for Resale	-	-	455,157	455,157	-
Total Assets	<u>\$ 2,333,691</u>	<u>\$ 72,654</u>	<u>\$ 2,046,500</u>	<u>\$ 4,452,845</u>	<u>\$ 4,274,615</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 119,210	\$ 2,528	\$ 34,180	\$ 155,918	\$ 337,661
Retainages Payable	-	-	-	-	5,289
Accrued Expenses	48,850	-	-	48,850	47,206
Due to Other Funds	-	-	788,650	788,650	234,370
Due to Component Unit	9,028	-	-	9,028	-
Deferred Revenue	26,684	-	333,336	360,020	431,841
Total Liabilities	<u>203,772</u>	<u>2,528</u>	<u>1,156,166</u>	<u>1,362,466</u>	<u>1,056,367</u>
FUND BALANCES					
Reserved					
Reserved for Library Improvement	-	-	243,403	243,403	234,992
Reserved for Land Held for Resale	-	-	455,157	455,157	-
Unreserved					
Designated for					
Cash Flows	1,500,000	-	-	1,500,000	1,500,000
Undesignated Reported in					
General Fund	629,919	-	-	629,919	690,986
Special Revenue Funds	-	70,126	201,152	271,278	192,955
Debt Service Funds	-	-	368,661	368,661	342,614
Capital Projects Funds	-	-	(378,039)	(378,039)	256,701
Total Fund Balances	<u>2,129,919</u>	<u>70,126</u>	<u>890,334</u>	<u>3,090,379</u>	<u>3,218,248</u>
Total Liabilities and Fund Balances	<u>\$ 2,333,691</u>	<u>\$ 72,654</u>	<u>\$ 2,046,500</u>	<u>\$ 4,452,845</u>	<u>\$ 4,274,615</u>

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

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

Total Fund Balances for Governmental Funds		\$ 3,090,379
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 805,775	
Buildings, Net of Accumulated Depreciation	1,294,360	
Office Equipment and Furniture, Net of Accumulated Depreciation	23,331	
Vehicles, Net of Accumulated Depreciation	279,974	
Machinery and Shop Equipment, Net of Accumulated Depreciation	312,157	
Improvements Other than Buildings, Net of Accumulated Depreciation	2,071,206	
Infrastructure, Net of Accumulated Depreciation	<u>2,490,887</u>	7,277,690
Some of the City's property taxes and special assessments will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the governmental funds.		
		360,022
Bond issuance costs are reported as expenditures in the governmental funds.		
		12,959
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
		(99,379)
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, Leases, Loans and		
Certificates of Participation Payable	(8,310,024)	
Compensated Absences Payable	<u>(246,506)</u>	<u>(8,556,530)</u>
Total Net Assets of Governmental Activities		<u>\$ 2,085,141</u>

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	2006			2005	
	General	Municipal State Aid	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,052,135	\$ -	\$ 794,344	\$ 1,846,479	\$ 1,775,478
Licenses and Permits	81,523	-	-	81,523	101,765
Intergovernmental	1,414,523	915,963	51,756	2,382,242	1,734,261
Charges for Services	186,152	-	170,782	356,934	460,967
Fines and Forfeits	32,400	-	3,945	36,345	33,538
Interest Income	62,600	4,151	13,297	80,048	73,600
Contributions and Donations	5,145	-	55,127	60,272	26,197
Payment in Lieu of Taxes	50,000	-	-	50,000	50,000
Franchise Fees	-	-	32,130	32,130	41,837
Miscellaneous	93,786	-	16,168	109,954	492,357
Total Revenues	<u>2,978,264</u>	<u>920,114</u>	<u>1,137,549</u>	<u>5,035,927</u>	<u>4,790,000</u>
EXPENDITURES					
Current:					
General Government	691,345	-	17,084	708,429	702,681
Public Safety	1,263,241	-	124	1,263,365	1,240,718
Highways and Streets	454,587	12,723	40,336	507,646	499,811
Culture-Recreation	288,371	-	183,819	472,190	437,497
Economic Development	7,293	-	53,782	61,075	346,624
Miscellaneous	71,989	-	-	71,989	85,077
Capital Outlay:					
General Government	741,583	-	-	741,583	107,097
Public Safety	100,720	-	22,805	123,525	401,515
Highways and Streets	20,944	966,626	200,000	1,187,570	40,380
Culture-Recreation	64,076	-	11,947	76,023	123,403
Economic Development	-	-	3,550	3,550	42
Debt Service:					
Principal	172,972	56,000	547,000	775,972	718,454
Interest	73,390	27,503	260,264	361,157	359,812
Fiscal Charges	1,250	-	431	1,681	3,213
Total Expenditures	<u>3,951,761</u>	<u>1,062,852</u>	<u>1,341,142</u>	<u>6,355,755</u>	<u>5,066,324</u>
Deficiency of Revenues Over Expenditures	(973,497)	(142,738)	(203,593)	(1,319,828)	(276,324)
OTHER FINANCING SOURCES (USES)					
Transfers In	203,803	179,329	333,998	717,130	543,637
Transfers Out	-	(15,000)	(218,798)	(233,798)	(333,411)
Lease Proceeds	708,627	-	-	708,627	216,904
Loan Proceeds	-	-	-	-	67,904
Proceeds from the Sale of Capital Assets	-	-	-	-	22,225
Total Other Financing Sources (Uses)	<u>912,430</u>	<u>164,329</u>	<u>115,200</u>	<u>1,191,959</u>	<u>517,259</u>
Net Change in Fund Balances	(61,067)	21,591	(88,393)	(127,869)	240,935
Fund Balance - Beginning	2,190,986	48,535	978,727	3,218,248	2,977,313
Fund Balance - Ending	<u>\$ 2,129,919</u>	<u>\$ 70,126</u>	<u>\$ 890,334</u>	<u>\$ 3,090,379</u>	<u>\$ 3,218,248</u>

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

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

Net Change in Fund Balances - Total Governmental Funds \$ (127,869)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the asset. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	\$ 665,731	
Depreciation Expense	<u>(618,538)</u>	47,193

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

Loan and Lease Proceeds	(708,627)	
Repayment of Bond, Lease, and Loan Principal	775,972	
Change in Accrued Interest	(3,216)	
Amortization of Bond Issuance Costs	(1,525)	
Amortization of Bond Discounts	<u>(1,960)</u>	60,644

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, 2005	431,844	
Deferred Revenue - December 31, 2006	<u>360,022</u>	(71,822)

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).

		<u>(23,676)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(115,530)</u></u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2006
 (WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 353,584	\$ 413,062	\$ 20,577
Interest Receivable	-	294	-
Accounts Receivable	25,453	24,493	3,410
Special Assessments Receivable	-	7,714	-
Note Receivable	-	8,319	-
Inventory	-	-	-
Due from Component Unit	83,506	119,790	3,048
Total Current Assets	<u>462,543</u>	<u>573,672</u>	<u>27,035</u>
NON-CURRENT ASSETS			
Capital Assets			
Land	46,628	41,500	-
Construction in Progress	-	-	-
Other Fixed Assets (Net of Accumulated Depreciation)	1,660,499	4,014,463	-
Total Capital Assets	<u>1,707,127</u>	<u>4,055,963</u>	<u>-</u>
Other Assets			
Note Receivable	-	12,930	-
Bond Issuance Costs	9,320	-	-
Total Other Assets	<u>9,320</u>	<u>12,930</u>	<u>-</u>
Total Non-Current Assets	<u>1,716,447</u>	<u>4,068,893</u>	<u>-</u>
Total Assets	<u>\$ 2,178,990</u>	<u>\$ 4,642,565</u>	<u>\$ 27,035</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 17,914	\$ 86,048	\$ 1,082
Retainages Payable	-	-	-
Accrued Interest Payable	9,670	13,674	-
Compensated Absences Payable	14,935	55,177	-
Accrued Expenses	7,691	7,554	-
Deferred Revenue	-	7,412	-
Due to Other Funds	-	-	-
Due to Component Unit	9,028	9,028	-
Revenue Bonds Payable	25,000	280,000	-
Total Current Liabilities	<u>84,238</u>	<u>458,893</u>	<u>1,082</u>
NON-CURRENT LIABILITIES			
Revenue Bonds Payable	544,832	2,053,713	-
Total Liabilities	<u>629,070</u>	<u>2,512,606</u>	<u>1,082</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,146,615	1,722,250	-
Unrestricted	403,305	407,709	25,953
Total Net Assets	<u>1,549,920</u>	<u>2,129,959</u>	<u>25,953</u>
Total Liabilities and Net Assets	<u>\$ 2,178,990</u>	<u>\$ 4,642,565</u>	<u>\$ 27,035</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2006 Total Proprietary Funds	2005 Total Proprietary Funds
\$ 51,115	\$ 27,174	\$ -	\$ 865,512	\$ 790,156
-	-	-	294	431
157	82	11	53,606	108,778
-	-	-	7,714	14,969
-	-	-	8,319	7,916
102,692	-	-	102,692	85,498
-	-	13,980	220,324	170,269
<u>153,964</u>	<u>27,256</u>	<u>13,991</u>	<u>1,258,461</u>	<u>1,178,017</u>
-	63,399	-	151,527	151,527
-	-	-	-	227,371
313,774	160,631	-	6,149,367	6,147,568
<u>313,774</u>	<u>224,030</u>	<u>-</u>	<u>6,300,894</u>	<u>6,526,466</u>
-	-	-	12,930	26,249
-	-	-	9,320	10,015
-	-	-	22,250	36,264
<u>313,774</u>	<u>224,030</u>	<u>-</u>	<u>6,323,144</u>	<u>6,562,730</u>
<u>\$ 467,738</u>	<u>\$ 251,286</u>	<u>\$ 13,991</u>	<u>\$ 7,581,605</u>	<u>\$ 7,740,747</u>
\$ 59,941	\$ 2,394	\$ 187	\$ 167,566	\$ 230,923
-	-	-	-	11,369
587	-	-	23,931	32,754
9,861	-	-	79,973	73,490
3,087	-	-	18,332	16,554
-	-	-	7,412	14,811
-	-	6,814	6,814	-
-	-	-	18,056	-
30,000	-	-	335,000	297,000
<u>103,476</u>	<u>2,394</u>	<u>7,001</u>	<u>657,084</u>	<u>676,901</u>
115,000	-	-	2,713,545	3,041,834
<u>218,476</u>	<u>2,394</u>	<u>7,001</u>	<u>3,370,629</u>	<u>3,718,735</u>
168,774	224,030	-	3,261,669	3,539,350
80,488	24,862	6,990	949,307	482,662
<u>249,262</u>	<u>248,892</u>	<u>6,990</u>	<u>4,210,976</u>	<u>4,022,012</u>
<u>\$ 467,738</u>	<u>\$ 251,286</u>	<u>\$ 13,991</u>	<u>\$ 7,581,605</u>	<u>\$ 7,740,747</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED DECEMBER 31, 2006
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 734,728	\$ 1,134,833	\$ 8,939
Other Operating Revenues	58,161	2,817	23,814
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>792,889</u>	<u>1,137,650</u>	<u>32,753</u>
OPERATING EXPENSES			
Personal Services	211,764	242,246	10,066
Materials and Supplies	43,212	20,568	-
Repairs and Maintenance	28,035	81,023	-
Management Fees	17,584	121,651	11,711
Professional Services	25,337	58,474	-
Insurance	20,354	21,788	521
Utilities	63,365	89,362	472
Depreciation	50,416	170,536	-
Other	89,814	13,505	5,290
Total Operating Expenses	<u>549,881</u>	<u>819,153</u>	<u>28,060</u>
Operating Income (Loss)	243,008	318,497	4,693
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	1,083	7,414	-
State Grants	-	-	-
Interest on Investments	15,766	11,740	811
Interest Expense and Fiscal Charges	(21,317)	(84,507)	-
Amortization Expense	(1,453)	(5,952)	-
Total Nonoperating Revenues (Expenses)	<u>(5,921)</u>	<u>(71,305)</u>	<u>811</u>
Net Income (Loss) Before Contributions and Transfers	237,087	247,192	5,504
CONTRIBUTIONS AND TRANSFERS			
Contributions	-	-	-
Transfers In	-	38,690	-
Transfers Out	(284,102)	(31,083)	(10,000)
Total Contributions and Transfers	<u>(284,102)</u>	<u>7,607</u>	<u>(10,000)</u>
Change in Net Assets	<u>(47,015)</u>	<u>254,799</u>	<u>(4,496)</u>
Net Assets - Beginning	<u>1,596,935</u>	<u>1,875,160</u>	<u>30,449</u>
Net Assets - Ending	<u>\$ 1,549,920</u>	<u>\$ 2,129,959</u>	<u>\$ 25,953</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2006 Total Proprietary Funds	2005 Total Proprietary Funds
\$ -	\$ 52,676	\$ 113,112	\$ 2,044,288	\$ 1,950,406
-	179	-	84,971	38,085
1,067,362	-	-	1,067,362	1,055,617
(815,496)	-	-	(815,496)	(806,521)
<u>251,866</u>	<u>52,855</u>	<u>113,112</u>	<u>2,381,125</u>	<u>2,237,587</u>
73,870	-	-	537,946	512,943
13,908	29,634	-	107,322	98,037
5,360	1,650	-	116,068	200,297
-	858	-	151,804	99,014
5,635	4,670	2,249	96,365	161,796
4,372	10,828	-	57,863	61,115
10,908	3,790	-	167,897	178,769
18,105	45,702	-	284,759	316,194
10,791	2,410	-	121,810	107,183
<u>142,949</u>	<u>99,542</u>	<u>2,249</u>	<u>1,641,834</u>	<u>1,735,348</u>
108,917	(46,687)	110,863	739,291	502,239
-	-	-	8,497	6,054
-	13,776	-	13,776	14,047
1,499	818	1,816	32,450	10,686
(8,489)	-	-	(114,313)	(117,125)
-	-	-	(7,405)	(6,799)
<u>(6,990)</u>	<u>14,594</u>	<u>1,816</u>	<u>(66,995)</u>	<u>(93,137)</u>
101,927	(32,093)	112,679	672,296	409,102
-	-	-	-	94,804
-	-	-	38,690	37,707
(71,637)	(5,000)	(120,200)	(522,022)	(247,933)
<u>(71,637)</u>	<u>(5,000)</u>	<u>(120,200)</u>	<u>(483,332)</u>	<u>(115,422)</u>
<u>30,290</u>	<u>(37,093)</u>	<u>(7,521)</u>	<u>188,964</u>	<u>293,680</u>
<u>218,972</u>	<u>285,985</u>	<u>14,511</u>	<u>4,022,012</u>	<u>3,728,332</u>
<u>\$ 249,262</u>	<u>\$ 248,892</u>	<u>\$ 6,990</u>	<u>\$ 4,210,976</u>	<u>\$ 4,022,012</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2006
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 779,102	\$ 1,139,890	\$ 45,966
Cash Paid to Suppliers	(344,389)	(284,478)	(9,869)
Cash Paid to Employees	(225,881)	(360,356)	(21,777)
Net Cash Provided by Operating Activities	208,832	495,056	14,320
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	-	38,690	-
Transfers to Other Funds	(284,102)	(31,083)	(10,000)
Cash Received on Note Receivable	-	12,916	-
Net Cash Provided (Used) by Noncapital Financing Activities	(284,102)	20,523	(10,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Sale of Bonds	-	-	-
Principal Paid on Bonds	-	(267,000)	-
Collection of Special Assessments	1,083	7,270	-
Interest and Agent Fees on Revenue Bonds	(29,319)	(85,208)	-
Acquisition of Capital Assets	(33,609)	(9,028)	-
Bond Issuance Costs	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(61,845)	(353,966)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	15,766	11,877	811
Net Increase (Decrease) in Cash and Cash Equivalents	(121,349)	173,490	5,131
Cash and Cash Equivalents - January 1	474,933	239,572	15,446
Cash and Cash Equivalents - December 31	<u>\$ 353,584</u>	<u>\$ 413,062</u>	<u>\$ 20,577</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 243,008	\$ 318,497	\$ 4,693
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	50,416	170,536	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	10,427	27,656	13,393
Increase in Due from Component Unit	(24,214)	(25,416)	(180)
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	(71,931)	(8,786)	(3,586)
Increase (Decrease) in Retainages Payable	(11,369)	-	-
Increase (Decrease) in Compensated Absences Payable	2,644	2,857	-
Increase in Due to Other Funds	-	-	-
Increase in Due to Component Unit	9,028	9,028	-
Increase (Decrease) in Accrued Expenses	823	684	-
Net Cash Provided by Operating Activities	<u>\$ 208,832</u>	<u>\$ 495,056</u>	<u>\$ 14,320</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Bond Issuance Costs	\$ 695	\$ -	\$ -
Capital Contributions	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2006 Total Proprietary Funds	2005 Total Proprietary Funds
\$ 1,067,254 (861,780) (72,617)	\$ 56,670 (53,735) (858)	\$ 112,856 4,380 -	\$ 3,201,738 (1,549,871) (681,489)	\$ 2,964,577 (1,563,740) (505,096)
132,857	2,077	117,236	970,378	895,741
- (71,637) -	- (5,000) -	- (120,200) -	38,690 (522,022) 12,916	37,707 (247,933) 5,684
(71,637)	(5,000)	(120,200)	(470,416)	(204,542)
- (30,000) - (8,609) (16,549) - -	- - - - - 13,776	- - - - - -	- (297,000) 8,353 (123,136) (59,186) - 13,776	580,000 (279,000) 6,231 (100,205) (233,969) (10,420) 14,047
(55,158)	13,776	-	(457,193)	(23,316)
1,499	818	1,816	32,587	10,255
7,561	11,671	(1,148)	75,356	678,138
43,554	15,503	1,148	790,156	112,018
\$ 51,115	\$ 27,174	\$ -	\$ 865,512	\$ 790,156
\$ 108,917	\$ (46,687)	\$ 110,863	\$ 739,291	\$ 502,239
18,105	45,702	-	284,759	316,194
(108)	3,815	(11)	55,172	(26,345)
-	-	(246)	(50,056)	(53,186)
(17,194)	-	-	(17,194)	2,131
21,884	(753)	(184)	(63,356)	146,861
-	-	-	(11,369)	-
982	-	-	6,483	7,854
-	-	6,814	6,814	-
-	-	-	18,056	-
271	-	-	1,778	(7)
\$ 132,857	\$ 2,077	\$ 117,236	\$ 970,378	\$ 895,741
\$ -	\$ -	\$ -	\$ 695	\$ 405
\$ -	\$ -	\$ -	\$ -	\$ 94,804

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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Discrete Presentation

Light and Power Commission

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

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

Excluded Units -

Glencoe Fire Department Relief Association - This association is organized as a non-profit organization to provide pension and other benefits to its members in accordance with Minnesota statutes. The Board of Directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota statutes, whereby state aids flow to the association, tax levies are determined by the association and are only reviewed by the City, and the association pays benefits directly to its members.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

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

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

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal State Aid Fund – This accounts for the State aid for eligible construction and maintenance projects.

The City reports the following major proprietary funds:

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

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

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

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

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

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

CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

Cash balances from all funds are pooled and invested to the extent available in certificates of deposit as authorized by resolution of the City Council. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

Investments consisted of non-negotiable certificates of deposit and shares of common stock of Principal Financial Group Inc. These shares were acquired when Principal Financial Company, a mutual insurance company, was demutualized. This investment was cashed in during 2006. Investments are stated at fair value as of the end of the year, except for non-negotiable certificates of deposit, which are stated at cost. Also, land held for resale is valued at cost, which approximates fair value.

For purposes of the statement of cash flows, the enterprise funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

Taxes and Special Assessments

Current taxes and special assessments receivable at December 31, 2006, 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 2006 and prior years and are offset by deferred revenues in the governmental fund financial statements.

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

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

Accounts Receivable - Utilities

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

Deferred Special Assessments

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

Inventory

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks, street lights, water and sewer lines and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value as of the date of the donation. Capital assets are defined by the City as assets with an initial cost of more than \$1,000. The cost of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Deferred Revenues

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

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities and Net Assets (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued and premiums received on debt issuances are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

Interfund Receivables and Payables

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

Property Tax Revenue Recognition

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2006.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Actual
General Fund	\$ 3,806,012	\$ 3,951,761
Library Improvement Fund	3,000	9,069
Crime Prevention Fund	13,500	22,922
Aquatic Center Fund	146,484	151,326
Municipal State Aid Fund	85,503	1,062,852

C. Deficit Fund Balances

Certain funds had deficit fund balances at December 31, 2006, as follows:

Special Revenue Fund		
Engineering Inspection Service Fund		\$ (77,537)
Capital Projects Funds		
Tax Increment #8 - Wilson Hardware		(21,000)
Tax Increment #13 - Kestrel Prop.		(1,704)
Tax Increment #15 - Industrial Park		(252,293)
2005 11th St. Reconstruction		(90,176)

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

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

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

The City's deposits in the financial institutions at December 31, 2006 were entirely covered by federal depository insurance and issues of U.S. Government Agencies.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that collateral pledged by the various banks is held in safekeeping departments of banks other than the pledging bank or the Federal Reserve Bank and held in the name of the City. It is required that the City sign authorizations releasing collateral once it is pledged.

Investments

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

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- c. General obligations rated "A" or better; Revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Guaranteed Investment Contracts guaranteed by a United States commercial bank, or domestic branch of a foreign bank or a United States insurance company, and with a credit quality in one of the top two highest categories.
- h. Repurchase or reverse repurchase agreement and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Interest Rate Risk

The City does not have a formal investment policy for interest rate risk and follows Minnesota Statutes for investments.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Deposits	\$ 3,055,110
Certificates of Deposit	512,964
	\$ 3,568,074
Total Cash, Cash Equivalents and Investments	\$ 3,568,074

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

Cash and Cash Equivalents - Governmental Activities	\$ 2,189,598
Investments - Governmental Activities	512,964
Cash and Cash Equivalents - Business-Type Activities	865,512
	\$ 3,568,074

NOTE 4 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2006 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 605,775	\$ 200,000	\$ -	\$ 805,775
Total Capital Assets, Not Being Depreciated	605,775	200,000	-	805,775
Capital Assets, Being Depreciated:				
Buildings	2,046,713	40,613	-	2,087,326
Improvements Other than Buildings	2,347,234	387,092	-	2,734,326
Office Equipment and Furniture	28,301	13,570	-	41,871
Vehicles	1,395,130	-	-	1,395,130
Machinery and Shop Equipment	629,560	24,456	-	654,016
Infrastructure	8,803,829	-	-	8,803,829
Total Capital Assets, Being Depreciated	15,250,767	465,731	-	15,716,498
Accumulated Depreciation:				
Buildings	(743,693)	(49,273)	-	(792,966)
Improvements Other than Buildings	(571,530)	(91,590)	-	(663,120)
Office Equipment and Furniture	(13,795)	(4,745)	-	(18,540)
Vehicles	(1,056,460)	(58,696)	-	(1,115,156)
Machinery and Shop Equipment	(304,195)	(37,664)	-	(341,859)
Infrastructure	(5,936,372)	(376,570)	-	(6,312,942)
Total Accumulated Depreciation	(8,626,045)	(618,538)	-	(9,244,583)
Total Capital Assets, Being Depreciated, Net	6,624,722	(152,807)	-	6,471,915
Governmental Activities Capital Assets, Net	\$ 7,230,497	\$ 47,193	\$ -	\$ 7,277,690

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

General Government	\$ 15,573
Public Safety	75,904
Public Works	436,007
Culture and Recreation	91,054
Total Depreciation Expense, Governmental Activities	\$ 618,538

Capital asset activity for business-type activities for the year ended December 31, 2006 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 151,527	\$ -	\$ -	\$ 151,527
Construction in Progress	227,371	-	(227,371)	-
Total Capital Assets, Not Being Depreciated	378,898	-	(227,371)	151,527
Capital Assets, Being Depreciated:				
Buildings	7,012,042	17,949	-	7,029,991
Improvements Other than Buildings	1,032,763	-	-	1,032,763
Vehicles	137,103	-	-	137,103
Office Equipment and Furniture	10,085	16,549	-	26,634
Machinery and Shop Equipment	1,126,310	18,057	-	1,144,367
Infrastructure	2,592,761	234,003	-	2,826,764
Total Capital Assets, Being Depreciated	11,911,064	286,558	-	12,197,622
Accumulated Depreciation:				
Buildings	(2,776,058)	(147,011)	-	(2,923,069)
Improvements Other than Buildings	(864,951)	(41,306)	-	(906,257)
Vehicles	(137,103)	-	-	(137,103)
Office Equipment and Furniture	(5,042)	(2,623)	-	(7,665)
Machinery and Shop Equipment	(604,671)	(63,575)	-	(668,246)
Infrastructure	(1,375,671)	(30,244)	-	(1,405,915)
Total Accumulated Depreciation	(5,763,496)	(284,759)	-	(6,048,255)
Total Capital Assets, Being Depreciated, Net	6,147,568	1,799	-	6,149,367
Business-Type Capital Assets, Net	\$ 6,526,466	\$ 1,799	\$ (227,371)	\$ 6,300,894

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2006 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 774,464	\$ -
Nonmajor Governmental Funds	21,000	788,650
Storm Water Management Fund	-	6,814
Total	\$ 795,464	\$ 795,464

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2006:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities -							
<u>General Obligation Bonds</u>							
\$925,000 G.O. Swimming Pool Bonds of 1999	5.00% - 5.75%	Interest due semi-annually on 12/1 and 6/1 and principal due annually on 12/1 until 12/1/19.	\$ 775,000	\$ -	\$ (35,000)	\$ 740,000	\$ 35,000
\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G	3.00% - 6.00%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/20.	700,000	-	-	700,000	50,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$974,000 Portion	1.10% - 4.10%	Interest due semi-annually on 12/1 and 6/1 and principal due annually on 12/1 until 12/1/17.	822,000	-	(56,000)	766,000	58,000
Total General Obligation Bonds			2,297,000	-	(91,000)	2,206,000	143,000
<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	255,000	-	(25,000)	230,000	25,000
\$605,000 G.O. Improvement Bonds of 2001	3.2% - 4.50%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/13	505,000	-	(50,000)	455,000	55,000
\$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	180,000	-	(20,000)	160,000	20,000
\$335,000 G.O. Improvement Bonds of 2003 - Series 2003A	2.25% - 4.50%	Interest due semi-annually on 8/1 and 2/1 and principal due annually on 2/1 until 2/1/14	310,000	-	(30,000)	280,000	30,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
\$745,000 G.O. Improvement Bonds of 2003 - Series 2003F	2.50% - 4.90%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19.	\$ 710,000	\$ -	\$ (40,000)	\$ 670,000	\$ 40,000
\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$230,000 Portion	1.20% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/10.	175,000	-	(35,000)	140,000	35,000
\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$1,360,000 Portion	1.20% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/17.	1,205,000	-	(80,000)	1,125,000	85,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$284,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/07.	121,000	-	(61,000)	60,000	60,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$346,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/09.	194,000	-	(56,000)	138,000	50,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$389,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/13.	294,000	-	(30,000)	264,000	32,000
\$595,000 G.O. Street Reconstruction Bonds of 2004 - Series 2004A	3.00% - 4.35%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/15.	595,000	-	(45,000)	550,000	50,000
\$505,000 G.O. Street Improvement Bonds of 2004 - Series 2004B	3.00% - 4.35%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/15.	505,000	-	(40,000)	465,000	45,000
Total Special Assessment Bonds			<u>5,049,000</u>	<u>-</u>	<u>(512,000)</u>	<u>4,537,000</u>	<u>527,000</u>
Total Bonds Payable			<u>\$ 7,346,000</u>	<u>\$ -</u>	<u>\$ (603,000)</u>	<u>\$ 6,743,000</u>	<u>\$ 670,000</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Capital Leases Payable							
Fieldhouse	4.90%	Lease payments of \$57,340 due annually on 3/1 until 3/1/08	\$ 156,138	\$ -	\$ (49,689)	\$ 106,449	\$ 52,124
Skidsteer Loader	8.55%	Lease payments of \$4,332 due annually on 3/22 until 3/22/06	4,027	-	(4,027)	-	-
Street Sweeper	4.00%	Lease payments of \$25,845 due annually on 5/15 until 5/15/06	24,850	-	(24,850)	-	-
Bobcat Toolcat	5.50%	Lease payments of \$7,502 due annually on 1/24 until 1/24/09	24,691	-	(5,686)	19,005	5,999
Contender Tanker	4.19%	Lease payments of \$38,231 due annually on 1/22 until 1/22/10	169,875	-	(31,718)	138,157	32,443
Lawn Mower	4.30%	Lease payment of \$7,869 due on 4/4/06	7,544	-	(7,544)	-	-
In-Car Camera System	15.06%	Lease payments of \$357 due monthly until 12/31/08	-	10,290	(2,931)	7,359	3,405
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	-	698,337	(16,708)	681,629	34,521
Total Capital Leases Payable			<u>387,125</u>	<u>708,627</u>	<u>(143,153)</u>	<u>952,599</u>	<u>128,492</u>
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	605,000	-	(20,000)	585,000	25,000
Contract for Deed Schimpelpfenig Contract	6.50%	Payments of \$13,453 due annually on 6/1 until 6/1/10	55,904	-	(9,819)	46,085	10,457
Unamortized Bond Discount			(18,620)	-	1,960	(16,660)	-
Compensated Absences Payable			222,830	246,506	(222,830)	246,506	246,506
Total Governmental Activities Long-Term Liabilities			<u>\$ 8,598,239</u>	<u>\$ 955,133</u>	<u>\$ (996,842)</u>	<u>\$ 8,556,530</u>	<u>\$ 1,080,455</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Business-Type Activities -							
\$460,000 Liquor Store Revenue Bonds of 1995		Interest due semi- annually on 6/1 and 12/1 and principal due annually until 12/1/10.	\$ 175,000	\$ -	\$ (30,000)	\$ 145,000	\$ 30,000
\$465,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003D	1.50% - 4.90%	Interest due semi- annually on 8/1 and and 2/1 and principal due annually on 2/1 until 2/1/23.	455,000	-	(10,000)	445,000	10,000
\$105,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003E	2.35% - 3.15%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/09.	90,000	-	(20,000)	70,000	20,000
\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$417,000 Portion	1.10% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/08.	229,000	-	(72,000)	157,000	75,000
\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$2,155,000 Portion	1.20% - 4.10%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/14.	1,865,000	-	(165,000)	1,700,000	175,000
\$580,000 G.O. Water Revenue Bonds of 2005 - 2005A	3.10% - 4.55%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/21.	580,000	-	-	580,000	25,000
Unamortized Bond Discount			(55,166)	-	6,711	(48,455)	-
Total Business-Type Long-Term Liabilities			<u>\$ 3,338,834</u>	<u>\$ -</u>	<u>\$ (290,289)</u>	<u>\$ 3,048,545</u>	<u>\$ 335,000</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 670,000	\$ 270,133	\$ 335,000	\$ 109,922	\$ 1,005,000	\$ 380,055
2008	658,000	249,901	357,000	100,946	1,015,000	350,847
2009	635,000	227,863	305,000	90,302	940,000	318,165
2010	660,000	203,504	295,000	80,341	955,000	283,845
2011	650,000	177,279	280,000	69,987	930,000	247,266
2012 - 2016	2,745,000	477,611	1,040,000	201,269	3,785,000	678,880
2017 - 2021	725,000	62,145	405,000	68,593	1,130,000	130,738
2022 - 2023	-	-	80,000	4,165	80,000	4,165
Total	<u>\$ 6,743,000</u>	<u>\$ 1,668,436</u>	<u>\$ 3,097,000</u>	<u>\$ 725,525</u>	<u>\$ 9,840,000</u>	<u>\$ 2,393,961</u>

In 2006, the City of Glencoe entered into lease agreements as a lessee for financing the acquisition of equipment, HVAC System and energy efficiency improvements. The City did not issue any down payments and financed the balances of \$708,627. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2006 are as follows:

Year Ending December 31	Capital Leases Payable
2007	\$ 181,360
2008	171,005
2009	109,737
2010	102,235
2011	64,002
2012-2016	320,011
2017-2021	<u>288,011</u>
Total Minimum Lease Payments	1,236,361
Less Amount Representing Interest	<u>283,762</u>
Present Value of Minimum Lease Payments	<u>\$ 952,599</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending December 31	Certificates of Participation	
	Principal	Interest
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 - 2016	235,000	105,675
2017 - 2019	200,000	25,315
	<u>\$ 585,000</u>	<u>\$ 289,075</u>

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

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

Year Ending December 31	Contract for Deed	
	Principal	Interest
2007	\$ 10,457	\$ 2,995
2008	11,137	2,316
2009	11,861	1,592
2010	12,630	821
	<u>\$ 46,085</u>	<u>\$ 7,724</u>

Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2006, there was one series of Industrial Revenue Bonds outstanding, with an original issue amount of \$6,000,000 and an aggregate principal amount outstanding of \$2,057,981.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

Conduit Debt (Continued)

On April 1, 2001, the City issued Healthcare Facilities Revenue Bonds, Series 2001. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to pay off existing debt and to complete a construction project. The bonds are to be paid back solely by Glencoe Regional Health Services and the City is not obligated in any way to pay for these bonds. On August 1, 2005, the City issued Healthcare Facilities Revenue Bonds, Series 2005 in the amount of \$25,075,000. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to refund the Health Care Facilities Revenues Bonds, Series 2001 and to complete a construction project. The bonds are to be paid back solely by Glencoe Regional Health Services and the City is not obligated in any way to pay for these bonds. As of December 31, 2006, the principal amount outstanding was \$25,035,000.

NOTE 7 OPERATING LEASES

The City has entered into agreements to lease police cars. The lease terms are for periods of 3-4 years. The following is a schedule by years of future minimum rental payments required under the operating leases.

Year Ending December 31,	
2007	\$ 31,444
2008	31,444
2009	20,856
	\$ 83,744

The City had \$43,297 of expenditures for these leases in 2006.

NOTE 8 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	\$ 243,403
Reserved for Land Held for Resale - Represents the Cost of Land Held for Sale in the Industrial Park Created Under Tax Increment Financing District #15 and in the Downtown Redevelopment District Created Under Tax Increment Financing District #14	\$ 455,157
Unreserved, Designated Fund Balance is to be Used for Operations in 2007 Until the City Receives Their State Aid and County Tax Settlements	\$ 1,500,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 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 on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.50%, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan will increase in 2007 to 5.75%. PEPFF members are required to contribute 7.00% of their annual covered salary in 2006. That rate will increase to 7.80% in 2007. The City of Glencoe is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.00% for Coordinated Plan PERF members, and 10.50% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.25% and 11.70%, respectively, effective January 1, 2007. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005, and 2004 were \$112,981, \$103,369, and \$93,335, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Glencoe Fire Department Relief Association

Plan Description -

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

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, 2006, 2005, and 2004.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 10 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.

NOTE 11 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 \$101,731 for 2006.

NOTE 12 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 13 CONTINGENT LIABILITIES

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 14 RECONCILIATION OF OPERATING TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund Types		
General Fund	\$ 203,803	\$ -
Municipal State Aid	179,329	(15,000)
Nonmajor Governmental Funds	333,998	(218,798)
Total Governmental Funds	<u>717,130</u>	<u>(233,798)</u>
Proprietary Fund Types		
Water Fund	-	(284,102)
Waste Water Treatment Plant Sanitation	38,690	(31,083)
Liquor Store	-	(71,637)
Airport		(5,000)
Storm Water Management	-	(120,200)
Total Proprietary Funds	<u>38,690</u>	<u>(522,022)</u>
Total Operating Transfers	<u>\$ 755,820</u>	<u>\$ (755,820)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Original Budget	Final Budget	2006 Actual	Variance with Final Budget Positive (Negative)	2005 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,167,500	\$ 1,058,457	\$ 1,052,135	\$ (6,322)	\$ 1,004,109
Special Assessments	2,000	2,000	-	(2,000)	-
Total Taxes	<u>1,169,500</u>	<u>1,060,457</u>	<u>1,052,135</u>	<u>(8,322)</u>	<u>1,004,109</u>
Licenses and Permits	74,000	74,000	81,523	7,523	101,765
Intergovernmental -					
Local Government Aid	1,179,808	1,179,808	1,179,808	-	1,028,007
Market Value Credit Aid	10,200	119,243	132,207	12,964	137,643
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,491
Police State Aid	45,000	45,000	52,402	7,402	47,555
Fire State Aid	40,000	40,000	40,490	490	37,722
Miscellaneous State Aid	4,000	4,000	5,125	1,125	22,476
Miscellaneous Federal Aid	-	-	-	-	214,327
Total Intergovernmental	<u>1,283,508</u>	<u>1,392,551</u>	<u>1,414,523</u>	<u>21,972</u>	<u>1,492,221</u>
Charges for Services -					
Special Services, Police	70,000	70,000	69,766	(234)	68,034
Special Services, Fire	48,000	48,000	53,419	5,419	18,721
Miscellaneous Charges	86,050	86,050	62,967	(23,083)	129,061
Total Charges for Services	<u>204,050</u>	<u>204,050</u>	<u>186,152</u>	<u>(17,898)</u>	<u>215,816</u>
Fines and Forfeits	50,000	50,000	32,400	(17,600)	33,538
Interest	16,000	16,000	62,600	46,600	60,876
Contributions and Donations	3,500	3,500	5,145	1,645	655
Payments in Lieu of Taxes	50,000	50,000	50,000	-	50,000
Miscellaneous -					
Administrative Fees	25,000	-	-	-	-
Park Fees	9,500	9,500	9,719	219	12,707
Reimbursements and Refunds	71,500	71,500	84,067	12,567	463,520
Total Miscellaneous	<u>106,000</u>	<u>81,000</u>	<u>93,786</u>	<u>12,786</u>	<u>476,227</u>
Total Revenues	<u>2,956,558</u>	<u>2,931,558</u>	<u>2,978,264</u>	<u>46,706</u>	<u>3,435,207</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Original Budget	Final Budget	2006 Actual	Variance with Final Budget Positive (Negative)	2005 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 149,054	\$ 149,054	\$ 142,126	\$ 6,928	\$ 138,435
Employee Benefits	47,584	47,584	38,060	9,524	35,363
Payroll Taxes	8,001	8,001	8,574	(573)	8,105
Workers' Compensation	1,500	1,500	1,868	(368)	1,465
Office Supplies	7,700	7,700	12,379	(4,679)	10,336
Printing and Binding	4,000	4,000	7,190	(3,190)	5,610
Repairs and Maintenance	11,500	11,500	12,895	(1,395)	12,603
Professional Services	45,000	45,000	47,963	(2,963)	63,832
Auditing and Accounting	23,000	23,000	29,013	(6,013)	43,875
Legal Fees	52,000	52,000	42,810	9,190	38,229
Chamber	22,000	22,000	21,928	72	19,548
Computer Software	1,500	1,500	6,809	(5,309)	1,500
Telephone	7,000	7,000	6,901	99	6,808
Postage	2,300	2,300	2,439	(139)	3,185
Advertising	3,000	3,000	2,518	482	4,271
Travel	2,400	2,400	3,663	(1,263)	1,759
Training	500	500	146	354	535
Insurance	9,400	9,400	12,016	(2,616)	9,435
Utilities	89,000	89,000	105,330	(16,330)	116,320
Subscriptions	-	-	342	(342)	147
Continuing Education and Dues	1,800	1,800	1,393	407	1,125
League of Minnesota Cities	14,000	14,000	12,003	1,997	6,559
Capital Lease Principal	16,708	16,708	16,708	-	-
Capital Lease Interest	13,292	13,292	15,294	(2,002)	-
Contract for Deed Principal	-	-	9,819	(9,819)	12,000
Contract for Deed Interest	-	-	3,634	(3,634)	-
Capital Outlay	11,000	709,337	741,583	(32,246)	106,312
Miscellaneous	900	900	2,950	(2,050)	1,422
Total Administration	<u>544,139</u>	<u>1,242,476</u>	<u>1,308,354</u>	<u>(65,878)</u>	<u>648,779</u>
Finance:					
Salaries	97,826	97,826	94,095	3,731	90,564
Employee Benefits	20,259	20,259	23,059	(2,800)	18,602
Payroll Taxes	6,065	6,065	5,543	522	5,379
Office Supplies	2,000	2,000	899	1,101	935
Printing and Binding	500	500	496	4	697
Repairs and Maintenance	400	400	-	400	-
Computer Software	4,100	4,100	4,646	(546)	6,119
Postage	50	50	-	50	25
Travel	500	500	50	450	73
Continuing Education & Dues	400	400	-	400	35
Subscriptions	50	50	135	(85)	-
Capital Outlay	-	-	-	-	445
Training	300	300	35	265	-
Miscellaneous	700	700	614	86	576
Total Finance	<u>133,150</u>	<u>133,150</u>	<u>129,572</u>	<u>3,578</u>	<u>123,450</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Original Budget	Final Budget	2006 Actual	Variance with Final Budget Positive (Negative)	2005 Actual
Expenditures: - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 31,700	\$ 31,700	\$ 34,980	\$ (3,280)	\$ 29,838
Employee Benefits	1,555	1,555	1,512	43	1,547
Payroll Taxes	769	769	425	344	481
Workers' Compensation	100	100	176	(76)	121
Insurance	650	650	1,282	(632)	632
Office Supplies	600	600	24	576	541
Travel	750	750	41	709	278
Training	2,000	2,000	-	2,000	440
Dues and Subscriptions	200	200	20	180	-
Capital Outlay	-	-	-	-	340
Miscellaneous	1,000	1,000	1,997	(997)	1,226
Total City Council	<u>39,324</u>	<u>39,324</u>	<u>40,457</u>	<u>(1,133)</u>	<u>35,444</u>
Total General Government	<u>716,613</u>	<u>1,414,950</u>	<u>1,478,383</u>	<u>(63,433)</u>	<u>807,673</u>
Public Safety -					
Police Department:					
Salaries	597,090	597,090	611,466	(14,376)	658,544
Employee Benefits	191,840	191,840	180,486	11,354	178,572
Payroll Taxes	3,477	3,477	3,593	(116)	4,255
Workers' Compensation	21,000	21,000	33,863	(12,863)	23,808
Supplies	11,500	11,500	9,560	1,940	9,142
Motor Fuels	4,000	4,000	2,280	1,720	3,863
Repairs and Maintenance	28,400	28,400	26,823	1,577	20,221
Training	21,500	21,500	21,069	431	20,147
Continuing Education and Dues	2,000	2,000	774	1,226	690
Investigation	3,500	3,500	3,020	480	2,025
Vaccinations	500	500	196	304	404
Telephone	17,000	17,000	14,904	2,096	20,305
Printing and Binding	1,000	1,000	698	302	99
Insurance	17,000	17,000	14,705	2,295	16,418
Legal Fees	1,000	1,000	20	980	834
Uniforms	12,000	12,000	9,191	2,809	9,201
Animal control	5,000	5,000	1,322	3,678	3,752
Operating Leases	45,216	45,216	46,405	(1,189)	43,111
Capital Lease Principal	2,931	2,931	2,931	-	-
Capital Lease Interest	1,353	1,353	1,353	-	-
Capital Outlay	9,500	96,064	80,590	15,474	18,066
Miscellaneous	20,754	5,100	29,348	(24,248)	4,602
Total Police Department	<u>1,017,561</u>	<u>1,088,471</u>	<u>1,094,597</u>	<u>(6,126)</u>	<u>1,038,059</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Original Budget	Final Budget	2006 Actual	Variance with Final Budget Positive (Negative)	2005 Actual
Expenditures: - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 15,606	\$ 15,606	\$ 15,460	\$ 146	\$ 15,506
State Fire Aid	30,000	30,000	40,490	(10,490)	37,722
Municipal Fire Aid Contribution	59,000	59,000	58,342	658	58,342
Payroll Taxes	1,194	1,194	1,183	11	1,186
Workers' Compensation	2,900	2,900	6,513	(3,613)	4,996
Office Supplies	500	500	351	149	345
Motor Fuels	3,250	3,250	3,238	12	3,735
Repairs and Maintenance	15,500	25,800	25,085	715	14,648
Training	9,000	9,000	8,577	423	9,684
Telephone	2,000	2,000	1,716	284	1,695
Travel	1,600	1,600	1,562	38	1,108
Advertising	600	600	726	(126)	384
Insurance	11,600	11,600	12,560	(960)	11,583
Utilities	6,200	6,200	7,004	(804)	7,877
Continuing Education and Dues	6,000	6,000	6,671	(671)	4,907
Capital Lease Principal	31,718	31,718	31,718	-	55,277
Capital Lease Interest	6,513	6,513	6,513	-	2,863
Capital Outlay	10,500	20,200	20,130	70	320,941
Miscellaneous	4,650	4,650	4,419	231	4,559
Total Fire Protection	<u>218,331</u>	<u>238,331</u>	<u>252,258</u>	<u>(13,927)</u>	<u>557,358</u>
Code Enforcement:					
Office Supplies	500	500	1,030	(530)	658
Building Inspector	60,000	60,000	58,591	1,409	83,937
Total Code Enforcement	<u>60,500</u>	<u>60,500</u>	<u>59,621</u>	<u>879</u>	<u>84,595</u>
Total Public Safety	<u>1,296,392</u>	<u>1,387,302</u>	<u>1,406,476</u>	<u>(19,174)</u>	<u>1,680,012</u>
Streets and Highways -					
Salaries	179,773	179,773	175,349	4,424	182,128
Employee Benefits	58,153	58,153	51,530	6,623	46,772
Payroll Taxes	11,146	11,146	10,633	513	11,028
Workers' Compensation	10,000	10,000	17,277	(7,277)	12,402
Supplies	200	200	164	36	97
Motor Fuels	13,000	13,000	19,539	(6,539)	20,075
Repairs and Maintenance	33,000	33,000	36,633	(3,633)	30,248
Street Maintenance	13,000	13,000	20,624	(7,624)	11,378
Street Overlay and Seal Coat	89,000	89,000	97,917	(8,917)	4,141
Landscaping	1,000	1,000	2,188	(1,188)	4,888
Telephone	-	-	835	(835)	937

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Original Budget	Final Budget	2006 Actual	Variance with Final Budget Positive (Negative)	2005 Actual
Expenditures: - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 2,500	\$ 2,500	\$ 475	\$ 2,025	\$ 3,431
Insurance	11,000	11,000	9,550	1,450	10,785
Utilities	6,000	6,000	8,837	(2,837)	9,184
Capital Lease Principal	24,851	24,851	26,864	(2,013)	36,143
Capital Lease Interest	993	993	1,147	(154)	3,265
Maintenance Facility Principal	20,000	20,000	20,000	-	20,000
Maintenance Facility Interest	35,505	35,505	35,505	-	36,505
Fiscal Agent Fees	1,000	1,000	1,250	(250)	1,250
Capital Outlay	10,000	10,000	20,944	(10,944)	40,380
Miscellaneous	2,500	2,500	3,036	(536)	10,913
Total Street and Highways	<u>522,621</u>	<u>522,621</u>	<u>560,297</u>	<u>(37,676)</u>	<u>495,950</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	107,987	107,987	112,476	(4,489)	97,667
Employee Benefits	23,145	23,145	27,678	(4,533)	22,624
Payroll Taxes	6,695	6,695	6,824	(129)	5,976
Workers' Compensation	3,600	3,600	4,646	(1,046)	3,253
Supplies	7,550	7,550	12,677	(5,127)	13,034
Motor Fuels	3,100	3,100	7,123	(4,023)	5,513
Repairs and Maintenance	13,200	13,200	13,930	(730)	11,687
Management Fees	2,500	2,500	2,549	(49)	2,500
Telephone	1,250	1,250	1,456	(206)	1,430
Insurance	12,800	12,800	10,789	2,011	12,790
Utilities	6,300	6,300	5,713	587	5,707
Capital Lease Principal	15,243	15,243	15,243	-	16,664
Capital Lease Interest	1,757	1,757	2,293	(536)	754
Capital Outlay	43,000	53,000	55,023	(2,023)	77,839
Miscellaneous	2,700	2,700	3,840	(1,140)	5,885
Total Park and Recreation	<u>250,827</u>	<u>260,827</u>	<u>282,260</u>	<u>(21,433)</u>	<u>283,323</u>
Library and Community Center:					
Supplies	2,080	2,080	3,143	(1,063)	2,123
Repairs and Maintenance	780	780	544	236	1,910
Management Fees	57,992	57,992	60,569	(2,577)	55,000
Janitorial	2,080	2,080	2,045	35	1,900
Telephone	2,080	2,080	1,832	248	2,458
Insurance	1,248	1,248	1,294	(46)	1,229
Utilities	9,596	9,596	9,015	581	8,924
Capital Outlay	14,856	14,856	9,053	5,803	15,828
Continuing Education and Dues	260	260	228	32	171
Miscellaneous	-	-	-	-	303
Total Library and Community Center	<u>90,972</u>	<u>90,972</u>	<u>87,723</u>	<u>3,249</u>	<u>89,846</u>
Total Culture and Recreation	<u>341,799</u>	<u>351,799</u>	<u>369,983</u>	<u>(18,184)</u>	<u>373,169</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Original Budget	Final Budget	2006 Actual	Variance with Final Budget Positive (Negative)	2005 Actual
Expenditures: - (Cont'd.)					
Economic Development	\$ 2,500	\$ 2,500	\$ 7,293	\$ (4,793)	\$ 6,329
Miscellaneous -					
Sales Tax	1,000	1,000	2,006	(1,006)	2,099
State Surcharge	3,500	3,500	5,651	(2,151)	6,590
Vehicle Towing	6,000	6,000	7,741	(1,741)	8,860
Refunds and Reimbursements	35,000	35,000	50,956	(15,956)	42,236
Electrical Availability Charge	20,000	20,000	5,635	14,365	14,720
Capital Lease Principal	49,689	49,689	49,689	-	47,370
Capital Lease Interest	7,651	7,651	7,651	-	9,972
Other	4,000	4,000	-	4,000	10,572
Total Miscellaneous	<u>126,840</u>	<u>126,840</u>	<u>129,329</u>	<u>(2,489)</u>	<u>142,419</u>
Total Expenditures	<u>3,006,765</u>	<u>3,806,012</u>	<u>3,951,761</u>	<u>(145,749)</u>	<u>3,505,552</u>
Deficit of Revenues Over Expenditures	<u>(50,207)</u>	<u>(874,454)</u>	<u>(973,497)</u>	<u>(99,043)</u>	<u>(70,345)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	120,000	145,000	203,803	58,803	113,534
Operating Transfers Out	-	-	-	-	(9,000)
Lease Proceeds	-	708,627	708,627	-	216,904
Loan Proceeds	-	-	-	-	67,904
Proceeds from the Sale of Capital Assets	-	-	-	-	22,225
Total Other Financing Sources (Uses)	<u>120,000</u>	<u>853,627</u>	<u>912,430</u>	<u>58,803</u>	<u>411,567</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	69,793	(20,827)	(61,067)	(40,240)	341,222
Fund Balance - Beginning	<u>2,190,986</u>	<u>2,190,986</u>	<u>2,190,986</u>	<u>-</u>	<u>1,849,764</u>
Fund Balance - Ending	<u>\$ 2,260,779</u>	<u>\$ 2,170,159</u>	<u>\$ 2,129,919</u>	<u>\$ (40,240)</u>	<u>\$ 2,190,986</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2006**

NOTE 1 BUDGETARY INFORMATION

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

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2006.

NOTE 2 EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,806,012	\$ 3,951,761
Library Improvement Fund	3,000	9,069
Crime Prevention Fund	13,500	22,922
Aquatic Center Fund	146,484	151,326
Municipal State Aid Fund	85,503	1,062,852

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COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

		Other Governmental Funds		
		2006		
		Special Revenue	Debt Service	Capital Projects
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$	514,622	\$ 343,335	\$ 325,812
Accounts Receivable		47,171	452	-
Interest Receivable		-	-	-
Taxes Receivable				
Current		-	4,305	-
Delinquent		-	10,133	-
Special Assessments Receivable				
Current		-	1,311	-
Deferred		-	323,202	-
Land Held for Resale		-	-	455,157
Due from Other Funds		-	21,000	-
		<u>561,793</u>	<u>703,738</u>	<u>780,969</u>
Total Assets	\$	<u>561,793</u>	\$ <u>703,738</u>	\$ <u>780,969</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$	19,791	\$ 1,741	\$ 12,648
Retainages Payable		-	-	-
Due to Other Funds		97,447	-	691,203
Deferred Revenue		-	333,336	-
Total Liabilities		<u>117,238</u>	<u>335,077</u>	<u>703,851</u>
FUND BALANCES				
Reserved for Library Improvement		243,403	-	-
Reserved for Land Held for Resale		-	-	455,157
Unreserved, Reported in				
Special Revenue		201,152	-	-
Debt Service		-	368,661	-
Capital Projects		-	-	(378,039)
Total Fund Balances		<u>444,555</u>	<u>368,661</u>	<u>77,118</u>
Total Liabilities and Fund Balances	\$	<u>561,793</u>	\$ <u>703,738</u>	\$ <u>780,969</u>

<u>2006</u>	<u>2005</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 1,183,769	\$ 1,322,323
47,623	44,503
-	41
4,305	6,131
10,133	5,921
1,311	1,303
323,202	408,966
455,157	-
21,000	24,500
<u>\$ 2,046,500</u>	<u>\$ 1,813,688</u>
\$ 34,180	\$ 180,415
-	5,289
788,650	234,370
333,336	414,887
<u>1,156,166</u>	<u>834,961</u>
243,403	234,992
455,157	-
201,152	144,420
368,661	342,614
(378,039)	256,701
<u>890,334</u>	<u>978,727</u>
<u>\$ 2,046,500</u>	<u>\$ 1,813,688</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Other Governmental Funds		
	2006		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 7,086	\$ 590,385	\$ 196,873
Intergovernmental	720	50,625	411
Charges for Services	170,782	-	-
Fines and Forfeits	3,945	-	-
Interest Income	13,267	6,923	(6,893)
Contributions and Donations	55,127	-	-
Franchise Taxes	32,130	-	-
Miscellaneous	15,572	595	1
Total Revenues	<u>298,629</u>	<u>648,528</u>	<u>190,392</u>
EXPENDITURES			
Current			
General Government	11,051	6,033	-
Public Safety	124	-	-
Highways and Streets	-	-	40,336
Culture-Recreation	183,819	-	-
Economic Development	36,326	-	17,456
Capital Outlay			
Public Safety	22,805	-	-
Highways and Streets	-	-	200,000
Culture-Recreation	11,947	-	-
Economic Development	-	3,498	52
Debt Service			
Principal	-	547,000	-
Interest	-	260,264	-
Fiscal Charges	-	431	-
Total Liabilities	<u>266,072</u>	<u>817,226</u>	<u>257,844</u>
Excess (Deficiency) of Revenue Over Expenditures	32,557	(168,698)	(67,452)
OTHER FINANCING SOURCES (USES)			
Transfers In	32,586	241,714	59,698
Transfers Out	-	(46,969)	(171,829)
Total Other Financing Sources (Uses)	<u>32,586</u>	<u>194,745</u>	<u>(112,131)</u>
Net Change in Fund Balances	65,143	26,047	(179,583)
Fund Balances - Beginning	379,412	342,614	256,701
Fund Balances - Ending	<u>\$ 444,555</u>	<u>\$ 368,661</u>	<u>\$ 77,118</u>

<u>2006</u>		<u>2005</u>	
Total		Total	
Other		Other	
Governmental		Governmental	
Funds		Funds	
\$ 794,344		\$ 771,369	
51,756		50,282	
170,782		245,151	
3,945		-	
13,297		12,129	
55,127		25,542	
32,130		41,837	
16,168		16,130	
<u>1,137,549</u>		<u>1,162,440</u>	
17,084		14,105	
124		964	
40,336		118,530	
183,819		175,413	
53,782		340,295	
22,805		19,397	
200,000		-	
11,947		29,736	
3,550		42	
547,000		476,000	
260,264		278,125	
431		1,873	
<u>1,341,142</u>		<u>1,454,480</u>	
(203,593)		(292,040)	
333,998		430,103	
(218,798)		(324,411)	
<u>115,200</u>		<u>105,692</u>	
(88,393)		(186,348)	
<u>978,727</u>		<u>1,165,075</u>	
<u>\$ 890,334</u>		<u>\$ 978,727</u>	

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Special Revenue Funds			
	2006			
	Library Improvement	Park Improvement	Police K-9	Crime Prevention
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 244,606	\$ 117,671	\$ 7,163	\$ 26,697
Accounts Receivable	-	6,400	-	-
Interest Receivable	-	-	-	-
Total Assets	\$ 244,606	\$ 124,071	\$ 7,163	\$ 26,697
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 590	\$ 7,037	\$ -	\$ 750
Due to Other Funds	-	-	-	-
Total Liabilities	590	7,037	-	750
FUND BALANCES				
Reserved for Library Improvement	243,403	-	-	-
Unreserved, Undesignated	613	117,034	7,163	25,947
Total Fund Balances	244,016	117,034	7,163	25,947
Total Liabilities and Fund Balances	\$ 244,606	\$ 124,071	\$ 7,163	\$ 26,697

Special Revenue Funds

2006						2005
Charitable Gambling	Aquatic Center	Cable TV	Cemetery	Engineering Inspection Service Fund	Total Special Revenue	Total Special Revenue
\$ 14,334	\$ 232	\$ 12,338	\$ 91,581	\$ -	\$ 514,622	\$ 445,914
-	-	8,182	1,625	30,964	47,171	44,503
-	-	-	-	-	-	41
<u>\$ 14,334</u>	<u>\$ 232</u>	<u>\$ 20,520</u>	<u>\$ 93,206</u>	<u>\$ 30,964</u>	<u>\$ 561,793</u>	<u>\$ 490,458</u>
\$ -	\$ 232	\$ 100	\$ 28	\$ 11,054	\$ 19,791	\$ 5,082
-	-	-	-	97,447	97,447	105,964
-	232	100	28	108,501	117,238	111,046
-	-	-	-	-	243,403	234,992
14,334	-	20,420	93,178	(77,537)	201,152	144,420
<u>14,334</u>	<u>-</u>	<u>20,420</u>	<u>93,178</u>	<u>(77,537)</u>	<u>444,555</u>	<u>379,412</u>
<u>\$ 14,334</u>	<u>\$ 232</u>	<u>\$ 20,520</u>	<u>\$ 93,206</u>	<u>\$ 30,964</u>	<u>\$ 561,793</u>	<u>\$ 490,458</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – SPECIAL REVENUE FUNDS
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Special Revenue Funds			
	2006			
	Library Improvement	Park Improvement	Police K-9	Crime Prevention
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	720
Charges for Services	-	24,449	-	-
Fines and Forfeits	-	-	-	3,945
Interest Income	8,410	3,226	244	838
Contributions and Donations	632	46,000	-	7,867
Franchise Taxes	-	-	-	-
Miscellaneous	66	-	-	12,815
Total Revenues	<u>9,108</u>	<u>73,675</u>	<u>244</u>	<u>26,185</u>
EXPENDITURES				
Current:				
General Government	-	-	-	-
Public Safety	-	-	7	117
Highways and Streets	-	-	-	-
Culture-Recreation	9,069	10,242	-	-
Economic Development	-	-	-	-
Capital Outlay				
Public Safety	-	-	-	22,805
Culture-Recreation	-	9,924	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	<u>9,069</u>	<u>20,166</u>	<u>7</u>	<u>22,922</u>
Excess (Deficiency) of Revenue Over Expenditures	39	53,509	237	3,263
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	39	53,509	237	3,263
Fund Balance - Beginning	<u>243,977</u>	<u>63,525</u>	<u>6,926</u>	<u>22,684</u>
Fund Balances - Ending	<u>\$ 244,016</u>	<u>\$ 117,034</u>	<u>\$ 7,163</u>	<u>\$ 25,947</u>

Special Revenue Funds

2006						2005
Charitable Gambling	Aquatic Center	Cable TV	Cemetery	Engineering Inspection Service Fund	Total Special Revenue	Total Special Revenue
\$ -	\$ 7,086	\$ -	\$ -	\$ -	\$ 7,086	\$ 7,288
-	-	-	-	-	720	1,359
-	109,120	-	6,249	30,964	170,782	245,151
-	-	-	-	-	3,945	-
486	(215)	137	3,173	(3,032)	13,267	4,702
628	-	-	-	-	55,127	25,542
-	-	32,130	-	-	32,130	41,837
-	2,623	-	68	-	15,572	16,130
<u>1,114</u>	<u>118,614</u>	<u>32,267</u>	<u>9,490</u>	<u>27,932</u>	<u>298,629</u>	<u>342,009</u>
-	-	-	11,051	-	11,051	8,605
-	-	-	-	-	124	964
-	-	-	-	-	-	-
-	149,303	15,205	-	-	183,819	175,413
-	-	-	-	36,326	36,326	134,551
-	-	-	-	-	22,805	19,397
-	2,023	-	-	-	11,947	29,736
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>151,326</u>	<u>15,205</u>	<u>11,051</u>	<u>36,326</u>	<u>266,072</u>	<u>368,666</u>
1,114	(32,712)	17,062	(1,561)	(8,394)	32,557	(26,657)
-	32,586	-	-	-	32,586	69,575
-	-	-	-	-	-	(60,953)
<u>-</u>	<u>32,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,586</u>	<u>8,622</u>
1,114	(126)	17,062	(1,561)	(8,394)	65,143	(18,035)
13,220	126	3,358	94,739	(69,143)	379,412	397,447
<u>\$ 14,334</u>	<u>\$ -</u>	<u>\$ 20,420</u>	<u>\$ 93,178</u>	<u>\$ (77,537)</u>	<u>\$ 444,555</u>	<u>\$ 379,412</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Debt Service Funds		
	2006		
	City Sinking	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 77,770	\$ 501	\$ 2,419
Accounts Receivable	452	-	-
Taxes Receivable			
Current	63	-	454
Delinquent	-	-	1,084
Special Assessments Receivable			
Current	-	-	-
Deferred	-	-	37,389
Due from Other Funds	21,000	-	-
Total Assets	<u>\$ 99,285</u>	<u>\$ 501</u>	<u>\$ 41,346</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,741	\$ -	\$ -
Due to Other Funds	-	-	-
Deferred Revenue	-	-	38,473
Total Liabilities	<u>1,741</u>	<u>-</u>	<u>38,473</u>
FUND BALANCES			
Unreserved, Undesignated	97,544	501	2,873
Total Fund Balances	<u>97,544</u>	<u>501</u>	<u>2,873</u>
Total Liabilities and Fund Balances	<u>\$ 99,285</u>	<u>\$ 501</u>	<u>\$ 41,346</u>

Debt Service Funds

2006

1997 Storm Sewer Bond	1997 McLoed/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition
\$ 142	\$ 30,802	\$ 14,497	\$ 27,025	\$ 2,282	\$ 20,535
-	-	-	-	-	-
-	632	287	768	355	288
-	1,489	687	1,832	847	687
-	-	-	-	-	896
-	-	256	-	11,358	6,542
-	-	-	-	-	-
<u>\$ 142</u>	<u>\$ 32,923</u>	<u>\$ 15,727</u>	<u>\$ 29,625</u>	<u>\$ 14,842</u>	<u>\$ 28,948</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,489	943	1,832	12,205	7,229
-	1,489	943	1,832	12,205	7,229
142	31,434	14,784	27,793	2,637	21,719
<u>142</u>	<u>31,434</u>	<u>14,784</u>	<u>27,793</u>	<u>2,637</u>	<u>21,719</u>
<u>\$ 142</u>	<u>\$ 32,923</u>	<u>\$ 15,727</u>	<u>\$ 29,625</u>	<u>\$ 14,842</u>	<u>\$ 28,948</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Debt Service Funds		
	2006		
	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 32,352	\$ 50,243	\$ 90
Accounts Receivable	-	-	-
Taxes Receivable			
Current	53	47	-
Delinquent	114	115	-
Special Assessments Receivable			
Current	-	-	-
Deferred	113,546	-	-
Due from Other Funds	-	-	-
Total Assets	\$ 146,065	\$ 50,405	\$ 90
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Deferred Revenue	113,661	115	-
Total Liabilities	113,661	115	-
FUND BALANCES			
Unreserved, Undesignated	32,404	50,290	90
Total Fund Balances	32,404	50,290	90
Total Liabilities and Fund Balances	\$ 146,065	\$ 50,405	\$ 90

Debt Service Funds

2006				2005
County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	Total Debt Service	Total Debt Service
\$ 8,683	\$ 75,994	\$ -	\$ 343,335	\$ 362,254
-	-	-	452	-
570	100	688	4,305	3,013
1,374	229	1,675	10,133	5,921
415	-	-	1,311	1,303
32,786	121,325	-	323,202	408,966
-	-	-	21,000	-
<u>\$ 43,828</u>	<u>\$ 197,648</u>	<u>\$ 2,363</u>	<u>\$ 703,738</u>	<u>\$ 781,457</u>
\$ -	\$ -	\$ -	\$ 1,741	\$ -
-	-	-	-	23,956
34,160	121,554	1,675	333,336	414,887
<u>34,160</u>	<u>121,554</u>	<u>1,675</u>	<u>335,077</u>	<u>438,843</u>
9,668	76,094	688	368,661	342,614
<u>9,668</u>	<u>76,094</u>	<u>688</u>	<u>368,661</u>	<u>342,614</u>
<u>\$ 43,828</u>	<u>\$ 197,648</u>	<u>\$ 2,363</u>	<u>\$ 703,738</u>	<u>\$ 781,457</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – DEBT SERVICE FUNDS
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Debt Service Funds		
	2006		
	City Sinking	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond
REVENUES			
Taxes	\$ 63,451	\$ -	\$ 51,748
Intergovernmental	1,741	-	5,229
Interest Income	3,222	(698)	516
Miscellaneous	595	-	-
Total Revenues	<u>69,009</u>	<u>(698)</u>	<u>57,493</u>
EXPENDITURES			
Current			
General Government	5,766	-	-
Capital Outlay			
Economic Development	3,498	-	-
Debt Service			
Principal	-	35,000	61,000
Interest	-	4,620	2,600
Fiscal Charges	-	-	-
Total Expenditures	<u>9,264</u>	<u>39,620</u>	<u>63,600</u>
Excess (Deficiency) of Revenue Over Expenditures	59,745	(40,318)	(6,107)
OTHER FINANCING SOURCES (USES)			
Transfers In	84,144	54,000	-
Transfers Out	(46,969)	-	-
Total Other Financing Sources (Uses)	<u>37,175</u>	<u>54,000</u>	<u>-</u>
Net Change in Fund Balances	96,920	13,682	(6,107)
Fund Balances - Beginning	<u>624</u>	<u>(13,181)</u>	<u>8,980</u>
Fund Balances - Ending	<u>\$ 97,544</u>	<u>\$ 501</u>	<u>\$ 2,873</u>

Debt Service Funds

2006

1997 Storm Sewer Bond	1997 McLoed/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition
\$ -	\$ 58,989	\$ 26,958	\$ 71,822	\$ 37,015	\$ 28,858
-	7,182	3,314	8,839	4,088	3,314
(336)	2,581	805	824	102	116
-	-	-	-	-	-
<u>(336)</u>	<u>68,752</u>	<u>31,077</u>	<u>81,485</u>	<u>41,205</u>	<u>32,288</u>
-	-	-	-	-	-
-	-	-	-	-	-
56,000	80,000	30,000	35,000	25,000	30,000
4,724	39,953	8,794	42,513	14,953	11,323
-	-	-	-	-	-
<u>60,724</u>	<u>119,953</u>	<u>38,794</u>	<u>77,513</u>	<u>39,953</u>	<u>41,323</u>
(61,060)	(51,201)	(7,717)	3,972	1,252	(9,035)
61,200	-	-	-	-	-
-	-	-	-	-	-
<u>61,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
140	(51,201)	(7,717)	3,972	1,252	(9,035)
2	82,635	22,501	23,821	1,385	30,754
<u>\$ 142</u>	<u>\$ 31,434</u>	<u>\$ 14,784</u>	<u>\$ 27,793</u>	<u>\$ 2,637</u>	<u>\$ 21,719</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Debt Service Funds		
	2006		
	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond
REVENUES			
Taxes	\$ 36,760	\$ 4,450	\$ -
Intergovernmental	552	552	-
Interest Income	535	1,717	(841)
Miscellaneous	-	-	-
Total Revenues	<u>37,847</u>	<u>6,719</u>	<u>(841)</u>
EXPENDITURES			
Current			
General Government	-	-	-
Capital Outlay			
Economic Development	-	-	-
Debt Service			
Principal	50,000	20,000	-
Interest	20,260	7,720	34,038
Fiscal Charges	-	-	431
Total Expenditures	<u>70,260</u>	<u>27,720</u>	<u>34,469</u>
Excess (Deficiency) of Revenue Over Expenditures	(32,413)	(21,001)	(35,310)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	35,400
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>35,400</u>
Net Change in Fund Balances	(32,413)	(21,001)	90
Fund Balances - Beginning	<u>64,817</u>	<u>71,291</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 32,404</u>	<u>\$ 50,290</u>	<u>\$ 90</u>

Debt Service Funds

2006					2005
County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	Total Debt Service	Total Debt Service	
\$ 59,707	\$ 85,697	\$ 64,930	\$ 590,385	\$ 453,097	
6,628	1,105	8,081	50,625	46,669	
(927)	1,015	(1,708)	6,923	4,478	
-	-	-	595	-	
<u>65,408</u>	<u>87,817</u>	<u>71,303</u>	<u>648,528</u>	<u>504,244</u>	
267	-	-	6,033	5,500	
-	-	-	3,498	-	
40,000	40,000	45,000	547,000	476,000	
28,543	18,413	21,810	260,264	278,125	
-	-	-	431	1,873	
<u>68,810</u>	<u>58,413</u>	<u>66,810</u>	<u>817,226</u>	<u>761,498</u>	
(3,402)	29,404	4,493	(168,698)	(257,254)	
-	-	6,970	241,714	185,478	
-	-	-	(46,969)	(175,050)	
-	-	6,970	194,745	10,428	
(3,402)	29,404	11,463	26,047	(246,826)	
13,070	46,690	(10,775)	342,614	589,440	
<u>\$ 9,668</u>	<u>\$ 76,094</u>	<u>\$ 688</u>	<u>\$ 368,661</u>	<u>\$ 342,614</u>	

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Capital Project Funds			
	2006			
	Tax Increment #1- Downtown	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 103,918	\$ 107,872	\$ 93,419
Taxes Receivable				
Current	-	-	-	-
Land Held for Resale	-	-	-	-
Due from Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 103,918</u>	<u>\$ 107,872</u>	<u>\$ 93,419</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for Land Held for Resale	-	-	-	-
Unreserved, Undesignated	-	103,918	107,872	93,419
Total Fund Balances	<u>-</u>	<u>103,918</u>	<u>107,872</u>	<u>93,419</u>
	<u>-</u>	<u>103,918</u>	<u>107,872</u>	<u>93,419</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 103,918</u>	<u>\$ 107,872</u>	<u>\$ 93,419</u>

Capital Project Funds

2006

Tax Increment #8- Wilson Hardware	Tax Increment #10- Oliver Apts.	Tax Increment #12- Pizza Ranch	Tax Increment #13- Kestrel Properties	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park
\$ -	\$ -	\$ 11,896	\$ 7,553	\$ 1,154	\$ -
-	-	-	-	-	-
-	-	-	-	125,157	330,000
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,896</u>	<u>\$ 7,553</u>	<u>\$ 126,311</u>	<u>\$ 330,000</u>
\$ -	\$ -	\$ -	\$ 9,257	\$ 1,125	\$ -
-	-	-	-	-	-
21,000	-	-	-	-	582,293
<u>21,000</u>	<u>-</u>	<u>-</u>	<u>9,257</u>	<u>1,125</u>	<u>582,293</u>
-	-	-	-	125,157	330,000
(21,000)	-	11,896	(1,704)	29	(582,293)
<u>(21,000)</u>	<u>-</u>	<u>11,896</u>	<u>(1,704)</u>	<u>125,186</u>	<u>(252,293)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,896</u>	<u>\$ 7,553</u>	<u>\$ 126,311</u>	<u>\$ 330,000</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS (CONTINUED)
DECEMBER 31, 2006
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2005)**

	Capital Project Funds			
	2006			
	North Country V/Popelka Addition	2003 County State Aid #3	North Country VI/Glenknoll	2004 Street Improvement
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Taxes Receivable				
Current	-	-	-	-
Land Held for Resale	-	-	-	-
Due from Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for Land Held for Resale	-	-	-	-
Unreserved, Undesignated	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Project Funds

2006		2005	
2005 11th Street Reconstruction	Total Capital Projects	Total Capital Projects	Total Capital Projects
\$ -	\$ 325,812	\$ 514,155	
-	-	3,118	
-	455,157	-	
-	-	24,500	
<u>\$ -</u>	<u>\$ 780,969</u>	<u>\$ 541,773</u>	
\$ 2,266	\$ 12,648	\$ 175,333	
-	-	5,289	
87,910	691,203	104,450	
<u>90,176</u>	<u>703,851</u>	<u>285,072</u>	
-	455,157	-	
(90,176)	(378,039)	256,701	
<u>(90,176)</u>	<u>77,118</u>	<u>256,701</u>	
<u>\$ -</u>	<u>\$ 780,969</u>	<u>\$ 541,773</u>	

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Capital Project Funds			
	2006			
	Tax Increment #1- Downtown	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park
REVENUES				
Taxes	\$ -	\$ 40,038	\$ 43,499	\$ 88,520
Intergovernmental	-	-	346	-
Interest Income	-	2,577	2,631	4,019
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>42,615</u>	<u>46,476</u>	<u>92,539</u>
EXPENDITURES				
Current				
Highways and Streets	-	-	-	-
Economic Development	-	780	4,397	537
Capital Outlay				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	52
Total Expenditures	<u>-</u>	<u>780</u>	<u>4,397</u>	<u>589</u>
Excess (Deficiency) of Revenue Over Expenditures	-	41,835	42,079	91,950
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	<u>(27,458)</u>	<u>-</u>	<u>-</u>	<u>(86,000)</u>
Total Other Financing Sources (Uses)	<u>(27,458)</u>	<u>-</u>	<u>-</u>	<u>(86,000)</u>
Net Change in Fund Balances	(27,458)	41,835	42,079	5,950
Fund Balances - Beginning	<u>27,458</u>	<u>62,083</u>	<u>65,793</u>	<u>87,469</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 103,918</u>	<u>\$ 107,872</u>	<u>\$ 93,419</u>

Capital Project Funds

2006

Tax Increment #8- Wilson Hardware	Tax Increment #10- Oliver Apts.	Tax Increment #12- Pizza Ranch	Tax Increment #13- Kestrel Properties	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park
\$ 2,352	\$ -	\$ 5,415	\$ 9,224	\$ 7,825	\$ -
-	-	-	65	-	-
(56)	-	281	112	1,805	(15,668)
-	-	-	-	1	-
<u>2,296</u>	<u>-</u>	<u>5,696</u>	<u>9,401</u>	<u>9,631</u>	<u>(15,668)</u>
-	-	-	-	-	14,326
316	-	316	9,573	1,537	-
-	-	-	-	-	200,000
-	-	-	-	-	-
<u>316</u>	<u>-</u>	<u>316</u>	<u>9,573</u>	<u>1,537</u>	<u>214,326</u>
1,980	-	5,380	(172)	8,094	(229,994)
6,728	-	-	-	50,600	-
(3,500)	(15,079)	-	-	-	-
<u>3,228</u>	<u>(15,079)</u>	<u>-</u>	<u>-</u>	<u>50,600</u>	<u>-</u>
5,208	(15,079)	5,380	(172)	58,694	(229,994)
(26,208)	15,079	6,516	(1,532)	66,492	(22,299)
<u>\$ (21,000)</u>	<u>\$ -</u>	<u>\$ 11,896</u>	<u>\$ (1,704)</u>	<u>\$ 125,186</u>	<u>\$ (252,293)</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – CAPITAL PROJECT FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2005)**

	Capital Project Funds			
	2006			
	North Country V/Popelka Addition	2003 County State Aid #3	North Country VI/Glenknoll	2004 Street Improvement
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Interest Income	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	-
Capital Outlay				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenue Over Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,370	-
Transfers Out	(34)	(13,539)	-	(26,219)
Total Other Financing Sources (Uses)	<u>(34)</u>	<u>(13,539)</u>	<u>2,370</u>	<u>(26,219)</u>
Net Change in Fund Balances	(34)	(13,539)	2,370	(26,219)
Fund Balances - Beginning	<u>34</u>	<u>13,539</u>	<u>(2,370)</u>	<u>26,219</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Capital Project Funds

2006		2005	
2005 11th Street Reconstruction	Total Capital Projects	Total Capital Projects	
\$ -	\$ 196,873	\$ 310,984	
-	411	2,254	
(2,594)	(6,893)	2,949	
-	1	-	
<u>(2,594)</u>	<u>190,392</u>	<u>316,187</u>	
26,010	40,336	118,530	
-	17,456	205,744	
-	200,000	-	
-	52	42	
<u>26,010</u>	<u>257,844</u>	<u>324,316</u>	
(28,604)	(67,452)	(8,129)	
-	59,698	175,050	
-	<u>(171,829)</u>	<u>(88,408)</u>	
-	<u>(112,131)</u>	<u>86,642</u>	
(28,604)	(179,583)	78,513	
<u>(61,572)</u>	<u>256,701</u>	<u>178,188</u>	
<u>\$ (90,176)</u>	<u>\$ 77,118</u>	<u>\$ 256,701</u>	

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SUPPLEMENTARY INFORMATION

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2006

	\$925,000 Swimming Pool Bonds of 1999		\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G	
	Principal	Interest	Principal	Interest
2007	\$ 35,000	\$ 40,763	\$ 50,000	\$ 33,288
2008	40,000	39,012	50,000	31,625
2009	40,000	36,973	50,000	29,675
2010	45,000	34,872	75,000	26,950
2011	50,000	32,510	75,000	23,462
2012	50,000	29,810	100,000	19,162
2013	55,000	27,110	100,000	14,087
2014	60,000	24,085	50,000	10,163
2015	65,000	20,785	25,000	8,094
2016	70,000	17,145	25,000	6,656
2017	70,000	13,225	25,000	5,219
2018	75,000	9,200	25,000	3,750
2019	85,000	4,888	25,000	2,250
2020	-	-	25,000	750
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 740,000</u>	<u>\$ 330,378</u>	<u>\$ 700,000</u>	<u>\$ 215,131</u>

\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$974,000 Portion		\$370,000 G.O. Improvement Bonds of 1999		\$605,000 G.O. Improvement Bonds of 2001	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 58,000	\$ 26,383	\$ 25,000	\$ 13,553	\$ 55,000	\$ 18,291
57,000	25,049	25,000	12,140	60,000	16,030
64,000	23,510	25,000	10,702	60,000	13,570
61,000	21,590	25,000	9,253	65,000	10,943
70,000	19,638	30,000	7,790	65,000	8,147
70,000	17,328	30,000	6,020	75,000	5,062
71,000	14,948	35,000	4,235	75,000	1,688
75,000	12,428	35,000	2,135	-	-
75,000	9,615	-	-	-	-
75,000	6,690	-	-	-	-
90,000	3,690	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 766,000</u>	<u>\$ 180,869</u>	<u>\$ 230,000</u>	<u>\$ 65,828</u>	<u>\$ 455,000</u>	<u>\$ 73,731</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2006**

	\$215,000 G.O. Improvement Bonds of 2002		\$335,000 G.O. Improvement Bonds of 2003 - Series 2003A	
	Principal	Interest	Principal	Interest
2007	\$ 20,000	\$ 6,880	\$ 30,000	\$ 10,460
2008	20,000	6,020	30,000	9,522
2009	20,000	5,140	30,000	8,510
2010	25,000	4,125	35,000	7,329
2011	25,000	2,975	35,000	5,972
2012	25,000	1,800	35,000	4,529
2013	25,000	600	40,000	2,905
2014	-	-	45,000	1,013
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 160,000</u>	<u>\$ 27,540</u>	<u>\$ 280,000</u>	<u>\$ 50,240</u>

\$745,000 G.O. Improvement Bonds of 2003 - Series 2003F		\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$230,000 Portion		\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$1,360,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 40,000	\$ 27,543	\$ 35,000	\$ 3,920	\$ 85,000	\$ 38,352
45,000	26,480	35,000	3,115	100,000	36,398
45,000	25,074	35,000	2,170	100,000	33,697
45,000	23,386	35,000	1,120	100,000	30,698
45,000	21,699	-	-	105,000	27,497
50,000	19,917	-	-	125,000	24,033
50,000	17,855	-	-	85,000	19,783
50,000	15,605	-	-	100,000	16,765
55,000	13,187	-	-	100,000	13,015
55,000	10,603	-	-	110,000	9,115
60,000	7,840	-	-	115,000	4,715
60,000	4,900	-	-	-	-
70,000	1,715	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 670,000</u>	<u>\$ 215,804</u>	<u>\$ 140,000</u>	<u>\$ 10,325</u>	<u>\$ 1,125,000</u>	<u>\$ 254,068</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2006

	\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$284,000 Portion		\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$346,000 Portion	
	Principal	Interest	Principal	Interest
2007	\$ 60,000	\$ 1,380	\$ 50,000	\$ 3,604
2008	-	-	62,000	2,454
2009	-	-	26,000	780
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 60,000</u>	<u>\$ 1,380</u>	<u>\$ 138,000</u>	<u>\$ 6,838</u>

\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$389,000 Portion		\$595,000 G.O. Street Reconstruction Bonds of 2004 - Series 2004A		\$505,000 G.O. Street Improvement Bonds of 2004 - Series 2004B	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 32,000	\$ 8,194	\$ 50,000	\$ 20,385	\$ 45,000	\$ 17,137
34,000	7,458	55,000	18,810	45,000	15,788
35,000	6,540	55,000	17,160	50,000	14,362
39,000	5,490	60,000	15,135	50,000	12,613
40,000	4,242	60,000	12,735	50,000	10,612
40,000	2,922	60,000	10,335	50,000	8,613
44,000	1,562	65,000	7,721	50,000	6,525
-	-	70,000	4,785	60,000	4,132
-	-	75,000	1,631	65,000	1,414
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 264,000</u>	<u>\$ 36,408</u>	<u>\$ 550,000</u>	<u>\$ 108,697</u>	<u>\$ 465,000</u>	<u>\$ 91,196</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2006**

	Capital Lease Fieldhouse		Capital Lease Bobcat Toolcat	
	Principal	Interest	Principal	Interest
2007	\$ 52,124	\$ 5,216	\$ 5,999	\$ 11,503
2008	54,325	2,662	6,328	1,173
2009	-	-	6,678	825
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 106,449</u>	<u>\$ 7,878</u>	<u>\$ 19,005</u>	<u>\$ 13,501</u>

Capital Lease Contender Tanker		Capital Lease In-Car Camera System		Capital Lease Johnson Controls Project	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 32,443	\$ 5,789	\$ 3,405	\$ 879	\$ 34,521	\$ 29,481
33,802	4,429	3,954	330	36,049	27,953
35,218	3,013	-	-	37,646	26,357
36,694	1,538	-	-	39,313	24,690
-	-	-	-	41,053	22,949
-	-	-	-	42,871	21,131
-	-	-	-	44,770	19,233
-	-	-	-	46,752	17,250
-	-	-	-	48,822	15,180
-	-	-	-	50,984	13,018
-	-	-	-	53,241	10,761
-	-	-	-	55,599	8,403
-	-	-	-	58,061	5,942
-	-	-	-	60,632	3,371
-	-	-	-	31,315	686
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 138,157</u>	<u>\$ 14,769</u>	<u>\$ 7,359</u>	<u>\$ 1,209</u>	<u>\$ 681,629</u>	<u>\$ 246,405</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2006**

	Certificates of Participation Street Maintenance		Contract for Deed Schimelpfenig Contract	
	Principal	Interest	Principal	Interest
2007	\$ 25,000	\$ 34,485	\$ 10,457	\$ 2,995
2008	25,000	33,185	11,137	2,316
2009	30,000	31,860	11,861	1,592
2010	35,000	30,240	12,630	821
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>\$ 585,000</u>	<u>\$ 289,075</u>	<u>\$ 46,085</u>	<u>\$ 7,724</u>

<u>\$460,000 Liquor Store Revenue Bonds of 1995</u>		<u>\$465,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003D</u>		<u>\$105,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003E</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 30,000	\$ 7,134	\$ 10,000	\$ 19,507	\$ 20,000	\$ 1,800
35,000	5,658	10,000	19,253	25,000	1,156
40,000	3,936	10,000	18,962	25,000	394
40,000	1,968	20,000	18,458	-	-
-	-	20,000	17,732	-	-
-	-	25,000	16,858	-	-
-	-	25,000	15,845	-	-
-	-	25,000	14,801	-	-
-	-	25,000	13,720	-	-
-	-	30,000	12,495	-	-
-	-	30,000	11,130	-	-
-	-	30,000	9,735	-	-
-	-	35,000	8,190	-	-
-	-	35,000	6,493	-	-
-	-	35,000	4,777	-	-
-	-	35,000	3,063	-	-
-	-	45,000	1,102	-	-
<u>\$ 145,000</u>	<u>\$ 18,696</u>	<u>\$ 445,000</u>	<u>\$ 212,121</u>	<u>\$ 70,000</u>	<u>\$ 3,350</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2006**

	\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$417,000 Portion		\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$2,155,000 Portion	
	Principal	Interest	Principal	Interest
2007	\$ 75,000	\$ 3,939	\$ 175,000	\$ 54,475
2008	82,000	2,214	175,000	50,450
2009	-	-	200,000	45,725
2010	-	-	200,000	39,725
2011	-	-	225,000	33,325
2012	-	-	225,000	25,900
2013	-	-	250,000	18,250
2014	-	-	250,000	9,375
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
	<u>\$ 157,000</u>	<u>\$ 6,153</u>	<u>\$ 1,700,000</u>	<u>\$ 277,225</u>

\$580,000 G.O. Water Revenue Bonds of 2005 - Series 2005A		Total	
		Principal	Interest
\$ 25,000	\$ 23,067	\$ 1,168,949	\$ 470,403
30,000	22,215	1,185,595	422,895
30,000	21,285	1,061,403	381,812
35,000	20,190	1,078,637	341,134
35,000	18,930	1,006,053	298,530
30,000	17,700	1,072,871	257,475
35,000	16,400	1,094,770	212,702
35,000	15,000	946,752	168,792
45,000	13,355	628,822	128,551
40,000	11,570	510,984	102,847
40,000	9,890	543,241	78,670
50,000	7,925	360,599	52,453
50,000	5,675	398,061	33,235
45,000	3,526	165,632	14,140
55,000	1,252	121,315	6,715
-	-	35,000	3,063
-	-	45,000	1,102
<u>\$ 580,000</u>	<u>\$ 207,980</u>	<u>\$11,423,684</u>	<u>\$ 2,974,519</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 of the City of Glencoe, Minnesota as of and for the year ended December 31, 2006, and have issued our report thereon dated May 14, 2007.

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

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

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

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

LarsonAllen LLP
LarsonAllen LLP

Austin, Minnesota
May 14, 2007

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

Finding:

Minnesota Statutes 471.345, subd. 3 require that all contracts exceeding \$50,000 be let on sealed bids and solicited by public notice. The City did not submit a contract exceeding \$50,000 to the sealed bid process.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

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

3. Official Responsible for Ensuring CAP

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

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

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

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

Finding:

Minnesota Statutes 574.26, require that contractors doing public work are required to give both a performance bond and a payment bond in an amount not less than the contract price if the contract is more than \$75,000. The City did not obtain a performance bond or a payment bond for a contract exceeding \$75,000.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The City will obtain the required bonding for future capital projects subject to these Statutes when applicable.

3. Official Responsible for Ensuring CAP

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

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

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

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

Finding:

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

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

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

3. Official Responsible for Ensuring CAP

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

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

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

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

Finding:

Minnesota Attorney General Opinions state that the City must refrain from paying for Christmas parties and other employee social events. It was noted that the City paid for a portion (\$347) of the employee Christmas Party and a portion (\$332) of an employee recognition dinner.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

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

3. Official Responsible for Ensuring CAP

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

4. Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

5. Plan to Monitor Completion of CAP

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

