

CITY OF GLENCOE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2008

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INTRODUCTORY SECTION

**CITY OF GLENCOE, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2008**

Elected Officials

Term Expires

Mayor	12/31/08	Randal Wilson
Council Member	12/31/10	John Schrupp
Council Member	12/31/08	Glenn Pohland
Council Member	12/31/10	Charles Shamla
Council Member	12/31/10	Gary Ziemer
Council Member	12/31/08	Gregory Copas

Appointed Officials

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, Minnesota, as of and for the year ended December 31, 2008, 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. The prior year comparative data has been derived from the City of Glencoe, Minnesota's 2007 financial statements and in our report dated May 8, 2008, we expressed unqualified opinions on the respective financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

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, 2008, 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.

Honorable Mayor and
Members of the City Council
City of Glencoe

The budgetary comparison information on pages 42 through 47 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

Austin, Minnesota
May 19, 2009

BASIC FINANCIAL STATEMENTS

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
ASSETS				
Cash and Cash Equivalents	\$ 3,885,222	\$ 911,432	\$ 4,796,654	\$ 844,189
Investments	560,887	-	560,887	-
Interest Receivable	4,376	47	4,423	-
Taxes Receivable	37,908	-	37,908	-
Accounts Receivable	53,534	133,585	187,119	663,856
Special Assessments Receivable	191,608	2,619	194,227	-
Note Receivable	-	4,188	4,188	-
Lease Receivable	-	-	-	61,315
Other Receivables	-	-	-	281,131
Prepaid Expenses	-	-	-	100,628
Internal Balances	138,668	(138,668)	-	-
Inventory	-	103,878	103,878	225,787
Land Held for Resale	455,157	-	455,157	-
Due from Component Unit	-	176,001	176,001	-
Deferred Charges	-	-	-	24,236
Restricted Assets	-	-	-	3,885,854
Capital Assets:				
Land	1,366,061	238,677	1,604,738	-
Construction in Progress	130,832	1,647,247	1,778,079	-
Other Capital Assets, Net of Depreciation	6,019,768	8,335,324	14,355,092	14,722,783
Deferred Bond Issuance Costs	115,514	69,609	185,123	-
Total Assets	<u>12,959,535</u>	<u>11,483,939</u>	<u>24,443,474</u>	<u>20,809,779</u>
LIABILITIES				
Accounts Payable	1,462,039	274,267	1,736,306	375,426
Retainages Payable	902	3,751	4,653	-
Accrued Interest Payable	139,350	39,886	179,236	-
Accrued Expenses	16,780	92,759	109,539	152,122
Customer Deposits Payable	-	-	-	43,775
Other Deposits Payable	-	-	-	112
Due to the Primary Government	-	-	-	176,001
Non-Current Liabilities:				
Due Within One Year	1,170,152	305,000	1,475,152	616,047
Due in More Than One Year	9,158,542	3,416,331	12,574,873	6,388,017
Total Liabilities	<u>11,947,765</u>	<u>4,131,994</u>	<u>16,079,759</u>	<u>7,751,500</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(318,887)	7,483,966	7,165,079	7,880,511
Restricted for:				
Library Improvement	259,011	-	259,011	-
Debt Service	197,744	-	197,744	1,006,276
Unrestricted	873,902	(132,021)	741,881	4,171,492
Total Net Assets	<u>\$ 1,011,770</u>	<u>\$ 7,351,945</u>	<u>\$ 8,363,715</u>	<u>\$ 13,058,279</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,120,638	\$ 259,346	\$ -	\$ -
Public Safety	1,395,298	165,170	160,247	11,787
Highways and Streets	957,440	27,237	-	196,550
Culture and Recreation	662,293	167,811	-	20,900
Economic Development	102,254	248,586	-	-
Interest on Long-Term Debt	344,326	-	-	-
Total Governmental Activities	<u>4,582,249</u>	<u>868,150</u>	<u>160,247</u>	<u>229,237</u>
Business-Type Activities:				
Water Fund	752,835	773,936	-	-
Wastewater Treatment Plant Fund	945,660	1,029,679	-	621
Sanitation Fund	47,675	32,026	-	-
Municipal Liquor Fund	1,081,991	1,206,094	-	-
Airport Fund	136,754	62,332	131,886	-
Storm Water Management Fund	145,921	111,794	-	80,000
Total Business-Type Activities	<u>3,110,836</u>	<u>3,215,861</u>	<u>131,886</u>	<u>80,621</u>
Total Primary Government	<u>\$ 7,693,085</u>	<u>\$ 4,084,011</u>	<u>\$ 292,133</u>	<u>\$ 309,858</u>
Total Component Unit	<u>\$ 8,025,988</u>	<u>\$ 8,549,059</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
\$ (861,292)	\$ -	\$ (861,292)	\$ -
(1,058,094)	-	(1,058,094)	-
(733,653)	-	(733,653)	-
(473,582)	-	(473,582)	-
146,332	-	146,332	-
(344,326)	-	(344,326)	-
<u>(3,324,615)</u>	<u>-</u>	<u>(3,324,615)</u>	<u>-</u>
-	21,101	21,101	-
-	84,640	84,640	-
-	(15,649)	(15,649)	-
-	124,103	124,103	-
-	57,464	57,464	-
-	45,873	45,873	-
<u>-</u>	<u>317,532</u>	<u>317,532</u>	<u>-</u>
(3,324,615)	317,532	(3,007,083)	-
			523,071
1,826,132	-	1,826,132	-
28,161	-	28,161	-
1,265,503	-	1,265,503	-
85,775	31,674	117,449	160,887
4,406	-	4,406	-
<u>(1,738,454)</u>	<u>1,738,454</u>	<u>-</u>	<u>-</u>
<u>1,471,523</u>	<u>1,770,128</u>	<u>3,241,651</u>	<u>160,887</u>
(1,853,092)	2,087,660	234,568	683,958
<u>2,864,862</u>	<u>5,264,285</u>	<u>8,129,147</u>	<u>12,374,321</u>
<u>\$ 1,011,770</u>	<u>\$ 7,351,945</u>	<u>\$ 8,363,715</u>	<u>\$ 13,058,279</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)

	2008			2007	
		2008	Other	Total	Total
	General	11th Street Morningside	Governmental Funds	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,316,424	\$ 1,356,715	\$ 1,212,083	\$ 3,885,222	\$ 3,120,173
Investments	560,887	-	-	560,887	539,884
Accounts Receivable	10,207	-	43,327	53,534	139,213
Interest Receivable	4,376	-	-	4,376	6,074
Taxes Receivable					
Current	1,600	-	541	2,141	17,130
Delinquent	26,540	-	9,227	35,767	42,612
Special Assessments Receivable					
Current	-	-	785	785	1,349
Deferred	-	-	190,823	190,823	268,498
Due from Other Funds	218,492	-	-	218,492	143,406
Land Held for Resale	-	-	455,157	455,157	455,157
Total Assets	\$ 2,138,526	\$ 1,356,715	\$ 1,911,943	\$ 5,407,184	\$ 4,733,496
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 59,053	\$ 1,326,042	\$ 76,940	\$ 1,462,035	\$ 287,115
Retainages Payable	902	-	-	902	33,407
Accrued Expenses	16,783	-	-	16,783	54,755
Due to Other Funds	-	-	79,824	79,824	143,406
Deferred Revenue	26,540	-	200,050	226,590	311,111
Total Liabilities	103,278	1,326,042	356,814	1,786,134	829,794
FUND BALANCES					
Reserved for Library Improvement	-	-	259,011	259,011	252,321
Reserved for Land Held for Resale	-	-	455,157	455,157	455,157
Unreserved					
Designated for					
Cash Flows	1,500,000	-	-	1,500,000	1,500,000
Undesignated Reported in					
General Fund	535,248	-	-	535,248	730,324
Special Revenue Funds	-	30,673	179,389	210,062	304,569
Debt Service Funds	-	-	114,831	114,831	256,445
Capital Projects Funds	-	-	546,741	546,741	404,886
Total Fund Balances	2,035,248	30,673	1,555,129	3,621,050	3,903,702
Total Liabilities and Fund Balances	\$ 2,138,526	\$ 1,356,715	\$ 1,911,943	\$ 5,407,184	\$ 4,733,496

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, 2008**

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

Total Fund Balances for Governmental Funds		\$ 3,621,050
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 1,366,061	
Construction in Progress	130,832	
Buildings, Net of Accumulated Depreciation	1,294,273	
Office Equipment and Furniture, Net of Accumulated Depreciation	11,786	
Vehicles, Net of Accumulated Depreciation	316,766	
Machinery and Shop Equipment, Net of Accumulated Depreciation	423,080	
Improvements Other than Buildings, Net of Accumulated Depreciation	1,898,355	
Infrastructure, Net of Accumulated Depreciation	<u>2,075,508</u>	7,516,661
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.		
		226,589
Bond issuance costs are reported as expenditures in the governmental funds.		
		115,514
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
		(139,350)
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	(10,049,122)	
Compensated Absences Payable	<u>(279,572)</u>	<u>(10,328,694)</u>
Total Net Assets of Governmental Activities		<u>\$ 1,011,770</u>

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	2008			2007	
	2008		Other	Total	Total
	General	11th Street Morningside	Governmental Funds	Governmental Funds	Governmental Funds
REVENUES					
Taxes	\$ 1,255,760	\$ -	\$ 654,894	\$ 1,910,654	\$ 1,812,310
Licenses and Permits	79,573	-	-	79,573	44,309
Intergovernmental	1,351,132	-	178,647	1,529,779	1,669,646
Charges for Services	185,683	-	155,362	341,045	366,728
Fines and Forfeits	45,977	-	-	45,977	50,864
Assessments	-	-	65,234	65,234	73,703
Interest Income	46,264	12,973	26,538	85,775	86,922
Contributions and Donations	31,860	-	243,102	274,962	13,184
Payment in Lieu of Taxes	50,000	-	-	50,000	68,000
Franchise Fees	-	-	28,161	28,161	30,312
Miscellaneous	96,101	-	17,330	113,431	158,256
Total Revenues	<u>3,142,350</u>	<u>12,973</u>	<u>1,369,268</u>	<u>4,524,591</u>	<u>4,374,234</u>
EXPENDITURES					
Current:					
General Government	917,668	-	52,998	970,666	780,112
Public Safety	1,286,832	-	2,317	1,289,149	1,271,750
Highways and Streets	445,505	50,298	95,994	591,797	670,872
Culture-Recreation	355,903	-	170,273	526,176	522,019
Economic Development	33,141	-	68,033	101,174	92,982
Miscellaneous	116,526	-	-	116,526	167,224
Capital Outlay:					
General Government	5,012	-	869	5,881	157,718
Public Safety	31,924	-	12,884	44,808	48,533
Highways and Streets	157,345	1,326,042	238,131	1,721,518	741,883
Culture-Recreation	38,143	-	17,133	55,276	74,204
Economic Development	-	-	1,080	1,080	-
Debt Service:					
Principal	201,368	-	778,000	979,368	904,043
Interest	80,799	-	316,795	397,594	350,345
Fiscal Charges	1,250	-	431	1,681	1,681
Total Expenditures	<u>3,671,416</u>	<u>1,376,340</u>	<u>1,754,938</u>	<u>6,802,694</u>	<u>5,783,366</u>
Deficiency of Revenues Under Expenditures	(529,066)	(1,363,367)	(385,670)	(2,278,103)	(1,409,132)
OTHER FINANCING SOURCES (USES)					
Transfers In	246,000	-	366,583	612,583	596,600
Transfers Out	(65,010)	(4,200)	(245,872)	(315,082)	(323,600)
Lease Proceeds	-	-	-	-	158,957
Bond Proceeds	153,000	1,398,270	976,730	2,528,000	1,625,000
Bond Premium	-	-	-	-	1,748
Loan Proceeds	-	-	-	-	150,000
Proceeds from the Sale of Capital Assets	-	-	14,950	14,950	13,750
Payments to Bond Escrow Agent	-	-	(845,000)	(845,000)	-
Total Other Financing Sources (Uses)	<u>333,990</u>	<u>1,394,070</u>	<u>267,391</u>	<u>1,995,451</u>	<u>2,222,455</u>
Net Change in Fund Balances	(195,076)	30,703	(118,279)	(282,652)	813,323
Fund Balance - Beginning	2,230,324	(30)	1,673,408	3,903,702	3,090,379
Fund Balance - Ending	<u>\$ 2,035,248</u>	<u>\$ 30,673</u>	<u>\$ 1,555,129</u>	<u>\$ 3,621,050</u>	<u>\$ 3,903,702</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, 2008**

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

Net Change in Fund Balances - Total Governmental Funds		\$ (282,652)
<p>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.</p>		
Capital Outlay	\$ 362,163	
Depreciation Expense	<u>(609,948)</u>	(247,785)
<p>In the Statement of Activities, the loss on disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds.</p>		
		(8,278)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.</p>		
		(549,793)
<p>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.</p>		
Issuance of General Obligation Bonds	(2,528,000)	
Bond Issuance Costs	64,448	
Repayment of Bond, Lease, and Loan Principal	1,824,369	
Change in Accrued Interest	(21,810)	
Amortization of Bond Issuance Costs	(6,937)	
Amortization of Bond Premiums	87	
Amortization of Bond Discounts	<u>(1,960)</u>	(669,803)
<p>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.</p>		
Deferred Revenue - December 31, 2007	311,111	
Deferred Revenue - December 31, 2008	<u>226,589</u>	(84,522)
<p>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).</p>		
		<u>(10,259)</u>
Change in Net Assets of Governmental Activities		<u>\$ (1,853,092)</u>

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2008
 (WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 373,997	\$ 394,383	\$ -
Interest Receivable	-	47	-
Accounts Receivable	7,840	3,098	2,205
Special Assessments Receivable	-	2,619	-
Note Receivable	-	4,188	-
Inventory	-	-	-
Due from Component Unit	67,019	95,722	2,450
Total Current Assets	<u>448,856</u>	<u>500,057</u>	<u>4,655</u>
NON-CURRENT ASSETS			
Capital Assets			
Land	46,628	41,500	-
Construction in Progress	486,408	541,049	-
Other Fixed Assets (Net of Accumulated Depreciation)	2,133,603	4,408,731	-
Total Capital Assets	<u>2,666,639</u>	<u>4,991,280</u>	<u>-</u>
Other Assets			
Note Receivable	-	-	-
Bond Issuance Costs	7,931	26,148	-
Total Other Assets	<u>7,931</u>	<u>26,148</u>	<u>-</u>
Total Non-Current Assets	<u>2,674,570</u>	<u>5,017,428</u>	<u>-</u>
Total Assets	<u>\$ 3,123,426</u>	<u>\$ 5,517,485</u>	<u>\$ 4,655</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 141,543	\$ 37,556	\$ 39
Retainages Payable	-	-	-
Accrued Interest Payable	8,922	11,819	-
Compensated Absences Payable	13,751	63,210	-
Accrued Expenses	2,666	2,431	-
Due to Other Funds	-	-	2,983
Revenue Bonds Payable	30,000	235,000	-
Total Current Liabilities	<u>196,882</u>	<u>350,016</u>	<u>3,022</u>
NON-CURRENT LIABILITIES			
Revenue Bonds Payable	486,348	1,538,618	-
Total Liabilities	<u>683,230</u>	<u>1,888,634</u>	<u>3,022</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,150,291	3,217,662	-
Unrestricted	289,905	411,189	1,633
Total Net Assets	<u>2,440,196</u>	<u>3,628,851</u>	<u>1,633</u>
Total Liabilities and Net Assets	<u>\$ 3,123,426</u>	<u>\$ 5,517,485</u>	<u>\$ 4,655</u>

See accompanying Notes to Financial Statements

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2008	2007
			Total Proprietary Funds	Total Proprietary Funds
\$ 41,228	\$ -	\$ 101,824	\$ 911,432	\$ 1,241,529
-	-	-	47	163
106	120,315	21	133,585	93,496
-	-	-	2,619	4,626
-	-	-	4,188	8,743
103,878	-	-	103,878	89,315
-	-	10,810	176,001	228,807
<u>145,212</u>	<u>120,315</u>	<u>112,655</u>	<u>1,331,750</u>	<u>1,666,679</u>
-	150,549	-	238,677	238,677
-	93,394	526,396	1,647,247	1,033,746
<u>275,201</u>	<u>140,556</u>	<u>1,377,233</u>	<u>8,335,324</u>	<u>6,825,709</u>
<u>275,201</u>	<u>384,499</u>	<u>1,903,629</u>	<u>10,221,248</u>	<u>8,098,132</u>
-	-	-	-	4,188
-	-	35,530	69,609	46,058
<u>-</u>	<u>-</u>	<u>35,530</u>	<u>69,609</u>	<u>50,246</u>
<u>275,201</u>	<u>384,499</u>	<u>1,939,159</u>	<u>10,290,857</u>	<u>8,148,378</u>
<u>\$ 420,413</u>	<u>\$ 504,814</u>	<u>\$ 2,051,814</u>	<u>\$ 11,622,607</u>	<u>\$ 9,815,057</u>
\$ 37,296	\$ 501	\$ 57,332	\$ 274,267	\$ 289,323
-	3,751	-	3,751	43,696
324	-	18,821	39,886	39,857
9,753	-	-	86,714	86,807
948	-	-	6,045	19,396
-	135,685	-	138,668	-
<u>40,000</u>	<u>-</u>	<u>-</u>	<u>305,000</u>	<u>357,000</u>
<u>88,321</u>	<u>139,937</u>	<u>76,153</u>	<u>854,331</u>	<u>836,079</u>
<u>40,000</u>	<u>-</u>	<u>1,351,365</u>	<u>3,416,331</u>	<u>3,714,693</u>
<u>128,321</u>	<u>139,937</u>	<u>1,427,518</u>	<u>4,270,662</u>	<u>4,550,772</u>
195,201	384,499	1,536,313	7,483,966	4,352,756
96,891	(19,622)	(912,017)	(132,021)	911,529
<u>292,092</u>	<u>364,877</u>	<u>624,296</u>	<u>7,351,945</u>	<u>5,264,285</u>
<u>\$ 420,413</u>	<u>\$ 504,814</u>	<u>\$ 2,051,814</u>	<u>\$ 11,622,607</u>	<u>\$ 9,815,057</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEAR ENDED DECEMBER 31, 2008
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 769,630	\$ 1,027,054	\$ 8,514
Other Operating Revenues	4,306	2,625	23,512
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>773,936</u>	<u>1,029,679</u>	<u>32,026</u>
OPERATING EXPENSES			
Personal Services	256,951	270,659	10,352
Materials and Supplies	63,425	26,711	-
Repairs and Maintenance	87,354	163,385	2,313
Management Fees	24,964	23,265	30,913
Professional Services	26,309	61,323	-
Insurance	18,231	16,491	26
Utilities	70,380	90,133	469
Depreciation	67,705	189,681	-
Other	114,238	25,995	3,602
Total Operating Expenses	<u>729,557</u>	<u>867,643</u>	<u>47,675</u>
Operating Income (Loss)	44,379	162,036	(15,649)
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	-	621	-
State Grants	-	-	-
Federal Grants	-	-	-
Interest on Investments	11,208	12,664	195
Interest Expense and Fiscal Charges	(22,583)	(78,017)	-
Amortization Expense	(695)	-	-
Loss on Sale of Capital Assets	-	(512)	-
Total Nonoperating Revenues (Expenses)	<u>(12,070)</u>	<u>(65,244)</u>	<u>195</u>
Net Income (Loss) Before Contributions and Transfers	32,309	96,792	(15,454)
CONTRIBUTIONS AND TRANSFERS			
Contributions	396,136	538,687	-
Transfers In	65,485	344,293	-
Transfers Out	(77,107)	(45,000)	-
Total Contributions and Transfers	<u>384,514</u>	<u>837,980</u>	<u>-</u>
Change in Net Assets	416,823	934,772	(15,454)
Net Assets - Beginning	<u>2,023,373</u>	<u>2,694,079</u>	<u>17,087</u>
Net Assets - Ending	<u>\$ 2,440,196</u>	<u>\$ 3,628,851</u>	<u>\$ 1,633</u>

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2008	2007
			Total Proprietary Funds	Total Proprietary Funds
\$ -	\$ 59,769	\$ 111,794	\$ 1,976,761	\$ 1,972,162
-	2,563	-	33,006	59,793
1,206,094	-	-	1,206,094	1,137,318
(923,093)	-	-	(923,093)	(869,066)
<u>283,001</u>	<u>62,332</u>	<u>111,794</u>	<u>2,292,768</u>	<u>2,300,207</u>
85,355	-	-	623,317	572,940
15,245	32,749	-	138,130	128,309
2,760	1,548	-	257,360	144,180
-	1,238	-	80,380	181,979
2,800	65,532	26,044	182,008	94,193
5,305	14,410	-	54,463	52,293
13,507	3,905	-	178,394	171,651
19,287	13,725	64,861	355,259	269,679
8,611	3,647	-	156,093	151,905
<u>152,870</u>	<u>136,754</u>	<u>90,905</u>	<u>2,025,404</u>	<u>1,767,129</u>
130,131	(74,422)	20,889	267,364	533,078
-	-	-	621	8,746
-	131,886	-	131,886	93,253
-	-	-	-	10,990
1,155	(1,089)	7,539	31,672	45,585
(5,516)	-	(53,113)	(159,229)	(132,538)
-	-	(1,903)	(2,598)	(1,329)
-	-	-	(512)	-
<u>(4,361)</u>	<u>130,797</u>	<u>(47,477)</u>	<u>1,840</u>	<u>24,707</u>
125,770	56,375	(26,588)	269,204	557,785
-	-	1,797,511	2,732,334	798,811
-	-	-	409,778	39,469
(90,000)	-	(1,111,549)	(1,323,656)	(342,756)
<u>(90,000)</u>	<u>-</u>	<u>685,962</u>	<u>1,818,456</u>	<u>495,524</u>
35,770	56,375	659,374	2,087,660	1,053,309
<u>256,322</u>	<u>308,502</u>	<u>(35,078)</u>	<u>5,264,285</u>	<u>4,210,976</u>
<u>\$ 292,092</u>	<u>\$ 364,877</u>	<u>\$ 624,296</u>	<u>\$ 7,351,945</u>	<u>\$ 5,264,285</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2008
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 788,051	\$ 1,059,276	\$ 33,321
Cash Paid to Suppliers	(256,736)	(436,597)	(3,847)
Cash Paid to Employees	(290,636)	(296,379)	(41,265)
Net Cash Provided (Used) by Operating Activities	<u>240,679</u>	<u>326,300</u>	<u>(11,791)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Grants	-	-	-
Transfers from Other Funds	-	42,107	-
Transfers to Other Funds	(77,107)	(45,000)	-
Cash Received on Note Receivable	-	8,743	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(77,107)</u>	<u>5,850</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Sale of Bonds	-	-	-
Principal Paid on Bonds	(30,000)	(292,000)	-
Collection of Special Assessments	-	2,628	-
Interest and Agent Fees on Revenue Bonds	(22,215)	(73,072)	-
Acquisition of Capital Assets	(116,744)	(24,316)	-
Bond Issuance Costs	-	-	-
Capital Contributions	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(168,959)</u>	<u>(386,760)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	<u>11,208</u>	<u>12,780</u>	<u>195</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,821	(41,830)	(11,596)
Cash and Cash Equivalents - January 1	368,176	436,213	11,596
Cash and Cash Equivalents - December 31	<u>\$ 373,997</u>	<u>\$ 394,383</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 44,379	\$ 162,036	\$ (15,649)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	67,705	189,681	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(5,650)	2,094	336
(Increase) Decrease in Due from Component Unit	19,765	27,503	959
(Increase) Decrease in Inventory	-	-	-
(Increase) Decrease in Customer Deposits	-	(26,148)	-
Increase (Decrease) in Accounts Payable	123,201	(26,411)	(420)
Increase (Decrease) in Retainages Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	(3,020)	3,271	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase (Decrease) in Due to Component Unit	-	-	2,983
Increase (Decrease) in Accrued Expenses	(5,701)	(5,726)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 240,679</u>	<u>\$ 326,300</u>	<u>\$ (11,791)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Bond Issuance Costs	\$ 695	\$ -	\$ -
Transfer of Capital Assets	\$ 65,485	\$ 302,186	\$ -
Capital Contributions	\$ 396,136	\$ 538,687	\$ -
Loss on Disposal of Capital Assets	\$ -	\$ 512	\$ -

See accompanying Notes to Financial Statements.

Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2008	2007
			Total Proprietary Funds	Total Proprietary Funds
\$ 1,206,060	\$ 22,494	\$ 119,376	\$ 3,228,578	\$ 3,120,900
(1,014,174)	(76,366)	(58,865)	(1,846,585)	(1,457,637)
(87,623)	(1,238)	-	(717,141)	(747,021)
<u>104,263</u>	<u>(55,110)</u>	<u>60,511</u>	<u>664,852</u>	<u>916,242</u>
-	-	-	-	10,990
-	-	-	42,107	39,469
(90,000)	-	(127,500)	(339,607)	(342,756)
-	-	-	8,743	8,318
<u>(90,000)</u>	<u>-</u>	<u>(127,500)</u>	<u>(288,757)</u>	<u>(283,979)</u>
-	-	-	-	1,351,462
(35,000)	-	-	(357,000)	(335,000)
-	-	-	2,628	4,422
(5,657)	-	(51,618)	(152,562)	(109,927)
-	(100,590)	(201,282)	(442,932)	(1,268,105)
-	-	-	-	(38,067)
-	-	80,000	80,000	-
-	131,886	-	131,886	93,253
<u>(40,657)</u>	<u>31,296</u>	<u>(172,900)</u>	<u>(737,980)</u>	<u>(301,962)</u>
1,155	(1,089)	7,539	31,788	45,716
<u>(25,239)</u>	<u>(24,903)</u>	<u>(232,350)</u>	<u>(330,097)</u>	<u>376,017</u>
66,467	24,903	334,174	1,241,529	865,512
<u>\$ 41,228</u>	<u>\$ -</u>	<u>\$ 101,824</u>	<u>\$ 911,432</u>	<u>\$ 1,241,529</u>
\$ 130,131	\$ (74,422)	\$ 20,889	\$ 267,364	\$ 533,078
19,287	13,725	64,861	355,259	269,679
(34)	(39,838)	3,003	(40,089)	(39,890)
-	-	4,579	52,806	(8,483)
(14,563)	-	-	(14,563)	13,377
-	-	-	(26,148)	-
(28,290)	(94,011)	10,875	(15,056)	121,757
-	3,751	(43,696)	(39,945)	43,696
(344)	-	-	(93)	6,834
-	-	-	-	(6,814)
-	135,685	-	138,668	(18,056)
(1,924)	-	-	(13,351)	1,064
<u>\$ 104,263</u>	<u>\$ (55,110)</u>	<u>\$ 60,511</u>	<u>\$ 664,852</u>	<u>\$ 916,242</u>
\$ -	\$ -	\$ 1,903	\$ 2,598	\$ 1,329
\$ -	\$ -	\$ (984,049)	\$ (616,378)	\$ -
\$ -	\$ -	\$ 1,717,511	\$ 2,652,334	\$ 798,811
\$ -	\$ -	\$ -	\$ 512	\$ -

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

Discrete Presentation

Light and Power Commission

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

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

Excluded Units -

Glencoe Fire Department Relief Association - This association is organized as a non-profit organization to provide pension and other benefits to its members in accordance with Minnesota statutes. The Board of Directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes, whereby state aids flow to the association, 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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

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

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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 properly included among program revenues are reported instead as general revenues.

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

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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

The City reports the following major governmental funds:

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

2008 11th Street Morningside – This accounts for the City's share of the reconstruction of 11th Street/Morningside, which is being financed from bond proceeds.

The City reports the following major proprietary funds:

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

Wastewater Treatment Plant Fund – This accounts for the 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, 2008**

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 the business-type activities and enterprise funds, subject to this same limitation. The City has elected not 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. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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, 2008**

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. Investments are stated at cost, which approximates fair value. 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, 2008, 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 2008 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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net 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 benefits. All vacation pay and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities and Net Assets (Continued)

Long-Term Obligations (Continued)

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund 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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets and Liabilities and Net Assets (Continued)

Net Assets

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

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.

F. Comparative Data

Comparative data for the prior year has been presented in order to provide an understanding of the changes in the City's financial position and operations.

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 2008.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 3,408,872	\$ 3,671,416

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Deficit Fund Equities

Certain funds had deficit fund balances at December 31, 2008, as follows:

Special Revenue Funds	
Municipal State Aid	\$ (29)
Engineering Inspection Service Fund	(36,308)
Debt Service Funds	
1997 McLeod/N.C. Pond Bond	(12,449)
Capital Projects Funds	
Tax Increment #13 - Kestrel Properties	(357)

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

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.

The City’s deposits in the financial institutions at December 31, 2008 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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

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

Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Interest Rate Risk

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

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

Deposits	\$ 4,796,654
Certificates of Deposit	560,887
	<u>560,887</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 5,357,541</u>

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

Cash and Cash Equivalents - Governmental Activities	\$ 3,885,222
Investments - Governmental Activities	560,887
Cash and Cash Equivalents - Business-Type Activities	911,432
	<u>911,432</u>
	<u>\$ 5,357,541</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 1,353,661	\$ 12,400	\$ -	\$ -	\$ 1,366,061
Construction in Progress	-	130,832	-	-	130,832
Total Capital Assets, Not Being Depreciated	1,353,661	143,232	-	-	1,496,893
Capital Assets, Being Depreciated:					
Buildings	2,176,404	-	-	-	2,176,404
Improvements Other than Buildings	2,758,276	7,587	(6,136)	-	2,759,727
Office Equipment and Furniture	32,741	-	-	-	32,741
Vehicles	1,338,487	133,199	-	-	1,471,686
Machinery and Shop Equipment	707,291	33,198	-	-	740,489
Infrastructure	9,433,286	72,489	(136,708)	(1,943,517)	7,425,550
Total Capital Assets, Being Depreciated	16,446,485	246,473	(142,844)	(1,943,517)	14,606,597
Accumulated Depreciation:					
Buildings	(839,248)	(42,883)	-	-	(882,131)
Improvements Other than Buildings	(764,861)	(102,647)	6,136	-	(861,372)
Office Equipment and Furniture	(16,814)	(4,141)	-	-	(20,955)
Vehicles	(1,108,423)	(46,497)	-	-	(1,154,920)
Machinery and Shop Equipment	(273,769)	(43,640)	-	-	(317,409)
Infrastructure	(6,474,514)	(370,140)	113,480	1,381,132	(5,350,042)
Total Accumulated Depreciation	(9,477,629)	(609,948)	119,616	1,381,132	(8,586,829)
Total Capital Assets, Being Depreciated, Net	6,968,856	(363,475)	(23,228)	(562,385)	6,019,768
Governmental Activities Capital Assets, Net	<u>\$ 8,322,517</u>	<u>\$ (220,243)</u>	<u>\$ (23,228)</u>	<u>\$ (562,385)</u>	<u>\$ 7,516,661</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 24,517
Public Safety	60,492
Public Works	438,608
Culture and Recreation	86,331
Total Depreciation Expense, Governmental Activities	<u>\$ 609,948</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2008 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-Type Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 238,677	\$ -	\$ -	\$ -	\$ 238,677
Construction in Progress	1,033,746	1,647,247	(49,697)	(984,049)	1,647,247
Total Capital Assets, Not Being Depreciated	1,272,423	1,647,247	(49,697)	(984,049)	1,885,924
Capital Assets, Being Depreciated:					
Buildings	7,029,991	7,195	-	-	7,037,186
Improvements Other than Buildings	1,053,985	-	-	-	1,053,985
Vehicles	137,103	24,469	-	-	161,572
Office Equipment and Furniture	26,634	-	-	-	26,634
Machinery and Shop Equipment	1,181,651	-	-	-	1,181,651
Infrastructure	3,713,212	287,287	(13,256)	2,927,566	6,914,809
Total Capital Assets, Being Depreciated	13,142,576	318,951	(13,256)	2,927,566	16,375,837
Accumulated Depreciation:					
Buildings	(3,070,528)	(147,639)	-	-	(3,218,167)
Improvements Other than Buildings	(915,935)	(10,209)	-	-	(926,144)
Vehicles	(137,103)	(2,039)	-	-	(139,142)
Office Equipment and Furniture	(11,470)	(3,805)	-	-	(15,275)
Machinery and Shop Equipment	(732,812)	(64,954)	-	-	(797,766)
Infrastructure	(1,449,019)	(126,612)	12,744	(1,381,132)	(2,944,019)
Total Accumulated Depreciation	(6,316,867)	(355,258)	12,744	(1,381,132)	(8,040,513)
Total Capital Assets, Being Depreciated, Net	6,825,709	(36,307)	(512)	1,546,434	8,335,324
Business-Type Capital Assets, Net	<u>\$ 8,098,132</u>	<u>\$ 1,610,940</u>	<u>\$ (50,209)</u>	<u>\$ 562,385</u>	<u>\$ 10,221,248</u>

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2008 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 218,492	\$ -
Nonmajor Governmental Funds	-	79,824
Airport Fund	-	135,685
Sanitation Fund	-	2,983
Total	<u>\$ 218,492</u>	<u>\$ 218,492</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2008:

			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 and 6/1 and principal due annually on 12/1 until 12/1/19.	\$ 705,000	\$ -	\$ (705,000)	\$ -	\$ -
\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G	3.00% - 6.00%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/20.	650,000	-	(50,000)	600,000	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 and 6/1 and principal due annually on 12/1 until 12/1/17.	708,000	-	(57,000)	651,000	64,000
\$610,000 G.O. Taxable Tax Increment Bonds of 2007- Series 2007B	5.50% - 6.125%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/19.	610,000	-	-	610,000	35,000
\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion	2.75% - 4.00%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/19.	-	730,000	(45,000)	685,000	45,000
Total General Obligation Bonds			2,673,000	730,000	(857,000)	2,546,000	194,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Due Within One Year
<u>General Obligation Equipment</u>							
<u>Certificates of Indebtedness</u>							
\$153,000 G.O. Equipment Certificate of Indebtedness Series 2008	4.50%	Interest and principal due quarterly on 3/1, 6/1, 9/1 and 12/1 until 6/1/13.	\$ -	\$ 153,000	\$ (13,795)	\$ 139,205	\$ 28,531
Total General Obligation Equipment Certificates of Indebtedness			-	153,000	(13,795)	139,205	28,531
<u>Special Assessment Bonds</u>							
\$370,000 G.O. Improvement Bonds of 1999	5.30% - 6.10%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/13	205,000	-	(205,000)	-	-
\$605,000 G.O. Improvement Bonds of 2001	3.20% - 4.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/13	400,000	-	(60,000)	340,000	60,000
\$215,000 G.O. Improvement Bonds of 2002	4.00% - 4.80%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/13	140,000	-	(20,000)	120,000	20,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning			Ending	Amount
			Balance	Issuances	Payments	Balance	Due Within
							One Year
<u>Special Assessment Bonds (Continued)</u>							
\$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	\$ 250,000	\$ -	\$ (30,000)	\$ 220,000	\$ 30,000
\$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.	630,000	-	(45,000)	585,000	45,000
\$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.	105,000	-	(35,000)	70,000	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.	1,040,000	-	(100,000)	940,000	100,000
\$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.	88,000	-	(62,000)	26,000	26,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<u>Special Assessment Bonds (Continued)</u>							
\$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.	\$ 232,000	\$ -	\$ (34,000)	\$ 198,000	\$ 35,000
\$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.	500,000	-	(55,000)	445,000	55,000
\$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.	420,000	-	(45,000)	375,000	50,000
\$2,365,000 G.O. Sewer and Improvement Bonds of 2007 - Series 2007A \$1,015,000 Portion	4.00% - 4.35%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/28.	1,015,000	-	-	1,015,000	-
\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A	2.85% - 4.20%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/24.	-	1,430,000	-	1,430,000	-

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<u>Special Assessment Bonds (Continued)</u>							
\$945,000 G.O. Refunding	2.75%	Interest due semi-annually on 12/1 and 6/1 and principal due annually on 12/1 until 12/1/14.					
Bonds - Series 2008B	4.00%						
\$215,000 Portion							
Total Special Assessment Bonds			\$ -	\$ 215,000	\$ (30,000)	\$ 185,000	\$ 30,000
			5,025,000	1,645,000	(721,000)	5,949,000	486,000
Total Bonds Payable			7,698,000	2,528,000	(1,591,795)	8,634,205	708,531
Capital Leases Payable							
Fieldhouse	4.90%	Lease payments of \$57,340 due annually on 3/1 until 3/1/08	54,326	-	(54,326)	-	-
Contender Tanker	4.19%	Lease payments of \$38,231 due annually on 1/22 until 1/22/10	105,716	-	(33,804)	71,912	35,218
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	647,109	-	(36,050)	611,059	37,646
2007 In-Car Camera System	14.92%	Lease payments of \$434 due monthly until 12/10/08	4,950	-	(4,950)	-	-
2007 Bobcat Toolcat	7.45%	Lease payments of \$6,625 due annually on 1/24 until 1/24/12	28,161	-	(6,005)	22,156	4,970
2007 John Deere Wheel Loader	6.25%	Lease payments of \$22,269 due annually on 5/10 until 5/10/12	92,712	-	(16,305)	76,407	17,354
Total Capital Leases Payable			932,974	-	(151,440)	781,534	95,188

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Certificates of Participation - Street Maintenance	4.40% - 6.10%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	\$ 560,000	\$ -	\$ (25,000)	\$ 535,000	\$ 30,000
Contract for Deed Schimelpfenig Contract	6.50%	Payments of \$13,453 due annually on 6/1 until 6/1/10	35,628	-	(11,137)	24,491	11,861
Contract for Deed Meyer Sterner Contract	0.00%	Payments of \$25,000 due annually on 4/1 until 4/1/09	50,000	-	(25,000)	25,000	25,000
Contract for Deed Stevens Seminary	0.00%	Payments of \$20,000 due annually on 12/27 until 12/27/11	80,000	-	(20,000)	60,000	20,000
Total Contracts for Deed			165,628	-	(56,137)	109,491	56,861
Unamortized Bond Discount			(14,700)	-	1,960	(12,740)	-
Unamortized Bond Premium			1,719	-	(87)	1,632	-
Compensated Absences Payable			269,313	279,572	(269,313)	279,572	279,572
Total Governmental Activities Long-Term Liabilities			<u>\$ 9,612,934</u>	<u>\$ 2,807,572</u>	<u>\$ (2,091,812)</u>	<u>\$ 10,328,694</u>	<u>\$ 1,170,152</u>
Business-Type Activities -							
\$460,000 Liquor Store Revenue Bonds of 1995	5.50% - 6.90%	Interest due semi- annually on 6/1 and 12/1 and principal due annually until 12/1/10.	\$ 115,000	\$ -	\$ (35,000)	\$ 80,000	\$ 40,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
\$465,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003D	1.50% - 4.90%	Interest due semi-annually on 8/1 and 2/1 and principal due annually on 2/1 until 2/1/23.	\$ 435,000	\$ -	\$ (10,000)	\$ 425,000	\$ 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 8/1 and principal due annually on 2/1 until 2/1/09.	50,000	-	(25,000)	25,000	25,000
\$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 6/1 and principal due annually on 12/1 until 12/1/08.	82,000	-	(82,000)	-	-
\$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 6/1 and principal due annually on 12/1 until 12/1/14.	1,525,000	-	(175,000)	1,350,000	200,000
\$580,000 G.O. Water Revenue Bonds of 2005 - 2005A	3.10% - 4.55%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/21.	555,000	-	(30,000)	525,000	30,000
\$2,365,000 G.O. Sewer and Improvement Bonds of 2007 - Series 2007A \$1,350,000 Portion	4.00% - 4.35%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28.	1,350,000	-	-	1,350,000	-
Unamortized Bond Premium			1,437	-	(72)	1,365	-
Unamortized Bond Discount			(41,744)	-	6,710	(35,034)	-
Total Business-Type Long-Term Liabilities			\$ 4,071,693	\$ -	\$ (350,362)	\$ 3,721,331	\$ 305,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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
2009	\$ 708,531	\$ 353,237	\$ 305,000	\$ 146,612	\$ 1,013,531	\$ 499,849
2010	849,855	320,497	295,000	136,651	1,144,855	457,148
2011	856,241	288,072	330,000	125,297	1,186,241	413,369
2012	927,685	253,701	335,000	113,668	1,262,685	367,369
2013	896,893	215,864	365,000	101,505	1,261,893	317,369
2014 - 2018	2,870,000	639,520	920,000	347,711	3,790,000	987,231
2019 - 2023	1,085,000	190,941	715,000	181,588	1,800,000	372,529
2024 - 2028	440,000	37,251	490,000	55,151	930,000	92,402
Total	<u>\$ 8,634,205</u>	<u>\$ 2,299,083</u>	<u>\$ 3,755,000</u>	<u>\$ 1,208,183</u>	<u>\$ 12,389,205</u>	<u>\$ 3,507,266</u>

On July 2, 2008, the City issued \$945,000 of General Obligation Refunding Bonds, Series 2008B. The proceeds of the issue were used to refund, in advance of their stated maturities, the remaining maturities of the City's General Obligation Swimming Pool Bond of 1999 and the General Obligation Improvement Bonds of 1999. Assets of the Debt Service Funds, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. As a result of the refunding, the City expects to have an economic gain of \$77,273 with a present value of \$64,436.

The City of Glencoe has various lease agreements that qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital assets related to the leases have a cost of \$622,327 and \$102,034 of accumulated depreciation.

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2008 are as follows:

Year Ending December 31	Capital Leases Payable
2009	\$ 131,128
2010	131,129
2011	92,896
2012	92,896
2013	64,003
2014-2018	320,010
2019-2021	160,006
Total Minimum Lease Payments	<u>992,068</u>
Less Amount Representing Interest	<u>210,534</u>
Present Value of Minimum Lease Payments	<u>\$ 781,534</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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
2009	\$ 30,000	\$ 31,860
2010	35,000	30,240
2011	35,000	28,315
2012	40,000	26,355
2013	45,000	23,955
2014 - 2018	275,000	76,105
2019	75,000	4,575
	<u>\$ 535,000</u>	<u>\$ 221,405</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%.

In 2007, the City of Glencoe entered into two contracts for deed for financing the acquisition of certain real property. These contracts will mature in 2009 and 2011 with no annual interest rates.

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

Year Ending December 31	Contract for Deed	
	Principal	Interest
2009	\$ 56,861	\$ 1,592
2010	32,630	821
2011	20,000	-
	<u>\$ 109,491</u>	<u>\$ 2,413</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, 2008, 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 \$640,012.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, the principal amount outstanding was \$24,485,000.

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,		
2009	\$	31,444
2010		11,837
2011		11,837
		\$ 55,118

The City had \$60,018 of expenditures for these leases in 2008.

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	\$ 259,011
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 2009 Until the City Receives Their State Aid and County Tax Settlements	\$ 1,500,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. 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 were required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.60% of their annual covered salary in 2008. The City of Glencoe is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.50% for Coordinated Plan PERF members, and 12.90% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$144,704, \$126,669, and \$112,981, 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, 2008, 2007, and 2006.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 \$32,441 for 2008.

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, 2008**

NOTE 14 RECONCILIATION OF OPERATING TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund Types		
General Fund	\$ 862,377	\$ (1,243,773)
2008 11th Street Morningside	-	(4,200)
Nonmajor Governmental Funds	<u>366,583</u>	<u>(1,719,443)</u>
Total Governmental Funds	1,228,960	(2,967,416)
Proprietary Fund Types		
Water Fund	461,621	(77,107)
Waste Water Treatment Plant	882,980	(45,000)
Liquor Store	-	(90,000)
Storm Water Management	<u>1,717,511</u>	<u>(1,111,549)</u>
Total Proprietary Funds	<u>3,062,112</u>	<u>(1,323,656)</u>
Total Operating Transfers	<u>\$ 4,291,072</u>	<u>\$ (4,291,072)</u>

Throughout the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. Other transfers were made between funds for financing various purchases, funding debt payments, closing out funds that are no longer required to be maintained and transferring of capital assets. \$1,178,763 of the transfers out from the General Fund was for the contributions of capital assets to other funds. \$1,473,571 of the transfers out from the Nonmajor Governmental Funds was for the contributions of capital assets to other funds. Accordingly, these are recorded as contributions of \$396,136 in the Water Fund, \$538,687 in the Wastewater Treatment Plant Fund and \$1,717,511 in the Storm Water Management Fund, respectively. \$616,377 of the transfers out from the Storm Water Management Fund was for the contributions of capital assets to other funds. Accordingly, there is no transfer or contribution of \$616,377 recorded in the General Fund because it is a governmental fund.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Original Budget	Final Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,377,500	\$ 1,242,413	\$ 1,244,996	\$ 2,583	\$ 1,207,741
Franchise Taxes	-	-	10,764	10,764	-
Total Taxes	<u>1,377,500</u>	<u>1,242,413</u>	<u>1,255,760</u>	<u>13,347</u>	<u>1,207,741</u>
Licenses and Permits	46,500	46,500	79,573	33,073	44,309
Intergovernmental -					
Local Government Aid	1,166,314	1,166,314	1,043,126	(123,188)	1,198,938
Market Value Credit Aid	3,500	138,587	138,695	108	136,684
PERA Rate Increase Aid	4,491	4,491	4,491	-	4,491
Police State Aid	52,000	52,000	64,349	12,349	56,912
Fire State Aid	40,000	40,000	29,095	(10,905)	34,129
Miscellaneous State Aid	1,500	1,500	4,573	3,073	950
Miscellaneous Federal Aid	40,000	40,000	66,803	26,803	61,335
Total Intergovernmental	<u>1,307,805</u>	<u>1,442,892</u>	<u>1,351,132</u>	<u>(91,760)</u>	<u>1,493,439</u>
Charges for Services -					
Special Services, Police	63,000	63,000	62,691	(309)	61,410
Special Services, Fire	39,000	39,000	42,159	3,159	40,728
Miscellaneous Charges	35,400	35,400	80,833	45,433	64,262
Total Charges for Services	<u>137,400</u>	<u>137,400</u>	<u>185,683</u>	<u>48,283</u>	<u>166,400</u>
Fines and Forfeits	45,000	45,000	45,977	977	50,221
Interest	60,000	60,000	46,264	(13,736)	62,715
Contributions and Donations	3,500	3,500	31,860	28,360	7,635
Payments in Lieu of Taxes	68,000	68,000	50,000	(18,000)	68,000
Miscellaneous -					
Park Fees	5,000	5,000	11,313	6,313	10,882
Reimbursements and Refunds	68,000	68,000	84,788	16,788	115,578
Total Miscellaneous	<u>73,000</u>	<u>73,000</u>	<u>96,101</u>	<u>23,101</u>	<u>126,460</u>
Total Revenues	<u>3,118,705</u>	<u>3,118,705</u>	<u>3,142,350</u>	<u>23,645</u>	<u>3,226,920</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Original Budget	Final Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 169,862	\$ 155,512	\$ 152,139	\$ 3,373	\$ 147,838
Employee Benefits	49,464	49,464	44,801	4,663	40,056
Payroll Taxes	10,531	10,531	9,074	1,457	8,882
Workers' Compensation	2,000	2,000	2,068	(68)	2,418
Office Supplies	12,000	12,000	10,481	1,519	11,139
Printing and Binding	5,000	5,000	2,375	2,625	1,945
Repairs and Maintenance	13,500	13,500	10,781	2,719	10,277
Professional Services	65,000	65,000	169,449	(104,449)	124,280
Auditing and Accounting	27,000	27,000	33,876	(6,876)	24,748
Legal Fees	56,000	56,000	45,585	10,415	42,079
Chamber	27,000	27,000	30,215	(3,215)	24,701
Computer Software	2,000	2,000	1,871	129	2,249
Telephone	7,000	7,000	8,629	(1,629)	7,321
Postage	3,000	3,000	3,843	(843)	4,076
Advertising	3,000	3,000	2,986	14	5,641
Travel	3,500	3,500	5,351	(1,851)	3,623
Training	4,000	4,000	1,553	2,447	267
Insurance	13,000	13,000	17,633	(4,633)	14,171
Utilities	97,400	97,400	142,389	(44,989)	82,994
Subscriptions	250	250	146	104	192
Continuing Education and Dues	2,500	2,500	8,901	(6,401)	2,867
League of Minnesota Cities	13,000	13,000	14,260	(1,260)	13,449
Capital Lease Principal	36,050	36,050	36,049	1	34,521
Capital Lease Interest	27,953	27,953	27,953	-	29,481
Capital Outlay	2,200	2,200	3,236	(1,036)	157,718
Miscellaneous	1,300	1,300	487	813	425
Total Administration	653,510	639,160	786,131	(146,971)	797,358
Finance:					
Salaries	109,162	109,162	109,343	(181)	101,845
Employee Benefits	30,679	30,679	31,701	(1,022)	26,947
Payroll Taxes	6,768	6,768	6,152	616	6,019
Office Supplies	2,000	2,000	1,052	948	809
Printing and Binding	500	500	659	(159)	906
Repairs and Maintenance	400	400	-	400	-
Computer Software	5,500	5,500	4,220	1,280	4,066
Postage	-	-	15	(15)	8
Travel	500	500	123	377	120
Continuing Education & Dues	500	500	35	465	35
Subscriptions	50	50	-	50	-
Capital Outlay	-	-	360	(360)	-
Training	500	500	138	362	110
Miscellaneous	700	700	362	338	250
Total Finance	157,259	157,259	154,160	3,099	141,115

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Original Budget	Final Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
Expenditures: - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 29,200	\$ 29,200	\$ 28,648	\$ 552	\$ 29,300
Employee Benefits	1,518	1,518	1,515	3	1,538
Payroll Taxes	769	769	439	330	437
Workers' Compensation	200	200	54	146	56
Insurance	1,300	1,300	359	941	399
Office Supplies	600	600	1,761	(1,161)	602
Travel	1,500	1,500	1,245	255	746
Training	3,000	3,000	868	2,132	1,214
Dues and Subscriptions	200	200	1,074	(874)	-
Capital Outlay	-	-	1,416	(1,416)	-
Miscellaneous	500	500	9,012	(8,512)	1,040
Total City Council	<u>38,787</u>	<u>38,787</u>	<u>46,391</u>	<u>(7,604)</u>	<u>35,332</u>
Total General Government	849,556	835,206	986,682	(151,476)	973,805
Public Safety -					
Police Department:					
Salaries	611,851	611,851	621,338	(9,487)	617,038
Employee Benefits	214,564	214,564	223,732	(9,168)	201,850
Payroll Taxes	3,316	3,316	3,165	151	3,449
Unemployment Insurance	-	-	15	(15)	3,043
Workers' Compensation	34,000	34,000	24,401	9,599	30,270
Supplies	13,500	13,500	10,750	2,750	10,701
Motor Fuels	1,000	1,000	526	474	1,138
Repairs and Maintenance	44,000	44,000	34,543	9,457	71,908
Training	22,000	22,000	14,357	7,643	20,222
Continuing Education and Dues	2,000	2,000	840	1,160	910
Investigation	4,000	4,000	2,025	1,975	2,484
Vaccinations	500	500	119	381	278
Telephone	17,000	17,000	14,162	2,838	14,715
Printing and Binding	1,000	1,000	873	127	225
Insurance	19,000	19,000	12,223	6,777	11,245
Legal Fees	1,000	1,000	-	1,000	896
Uniforms	11,000	11,000	7,204	3,796	7,727
Animal Control	2,500	2,500	2,413	87	1,713
Operating Leases	64,647	64,647	62,492	2,155	59,283
Capital Lease Principal	4,951	4,951	4,950	1	11,492
Capital Lease Interest	266	266	266	-	740
Capital Outlay	24,600	24,600	21,078	3,522	28,381
Miscellaneous	4,800	4,800	2,549	2,251	3,168
Total Police Department	<u>1,101,495</u>	<u>1,101,495</u>	<u>1,064,021</u>	<u>37,474</u>	<u>1,102,876</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Original Budget	Final Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
Expenditures: - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 15,888	\$ 15,888	\$ 21,866	\$ (5,978)	\$ 15,711
State Fire Aid	40,000	40,000	29,095	10,905	34,129
Municipal Fire Aid Contribution	59,000	59,000	58,342	658	58,342
Payroll Taxes	1,215	1,215	1,673	(458)	1,202
Workers' Compensation	5,000	5,000	6,101	(1,101)	6,842
Office Supplies	500	500	180	320	326
Motor Fuels	3,600	3,600	4,792	(1,192)	3,531
Repairs and Maintenance	16,300	16,300	16,287	13	17,224
Training	9,000	9,000	9,000	-	8,377
Telephone	2,000	2,000	1,854	146	1,636
Travel	1,650	1,650	1,612	38	1,638
Advertising	600	600	629	(29)	648
Insurance	12,000	12,000	9,392	2,608	10,878
Utilities	8,300	8,300	8,545	(245)	7,704
Continuing Education and Dues	6,000	6,000	6,671	(671)	6,512
Capital Lease Principal	33,802	33,802	33,802	-	32,443
Capital Lease Interest	4,430	4,430	4,429	1	5,789
Capital Outlay	11,000	12,645	10,846	1,799	11,000
Miscellaneous	5,133	5,133	6,097	(964)	5,498
Total Fire Department	<u>235,418</u>	<u>237,063</u>	<u>231,213</u>	<u>5,850</u>	<u>229,430</u>
Code Enforcement:					
Office Supplies	500	500	610	(110)	637
Building Inspector	20,000	20,000	66,359	(46,359)	28,180
Total Code Enforcement	<u>20,500</u>	<u>20,500</u>	<u>66,969</u>	<u>(46,469)</u>	<u>28,817</u>
Total Public Safety	1,357,413	1,359,058	1,362,203	(3,145)	1,361,123
Streets and Highways -					
Salaries	190,486	190,486	198,602	(8,116)	192,847
Employee Benefits	66,884	66,884	57,153	9,731	61,099
Payroll Taxes	11,810	11,810	12,086	(276)	10,868
Workers' Compensation	17,000	17,000	15,194	1,806	17,293
Supplies	200	200	246	(46)	589
Motor Fuels	20,000	20,000	29,561	(9,561)	25,109
Repairs and Maintenance	28,300	28,300	29,847	(1,547)	30,186
Street Maintenance	13,000	13,000	16,551	(3,551)	15,397
Street Overlay and Seal Coat	40,000	40,000	44,535	(4,535)	36,958
Landscaping	1,000	1,000	1,411	(411)	910
Telephone	800	800	1,229	(429)	1,054

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Original Budget	Final Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
Expenditures: - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 2,000	\$ 2,000	\$ 518	\$ 1,482	\$ 1,778
Insurance	12,000	12,000	6,767	5,233	6,506
Utilities	11,500	11,500	12,982	(1,482)	11,876
Capital Lease Principal	16,305	16,305	30,100	(13,795)	29,000
Capital Lease Interest	5,964	5,964	9,367	(3,403)	-
Maintenance Facility Principal	25,000	25,000	25,000	-	25,000
Maintenance Facility Interest	33,185	33,185	33,185	-	34,485
Fiscal Agent Fees	-	-	1,250	(1,250)	1,250
Capital Outlay	61,000	214,000	157,345	56,655	123,750
Miscellaneous	15,050	15,050	18,823	(3,773)	18,093
Total Street and Highways	571,484	724,484	701,752	22,732	644,048
Culture and Recreation -					
Parks and Recreation:					
Salaries	115,790	130,140	141,275	(11,135)	126,337
Employee Benefits	33,905	33,905	38,740	(4,835)	33,906
Payroll Taxes	7,179	7,179	8,472	(1,293)	7,666
Workers' Compensation	5,000	5,000	4,373	627	5,029
Supplies	9,750	9,750	6,437	3,313	10,522
Motor Fuels	6,000	6,000	11,793	(5,793)	7,446
Repairs and Maintenance	15,000	15,000	23,798	(8,798)	23,902
Management Fees	2,600	2,600	2,757	(157)	2,532
Telephone	1,500	1,500	1,622	(122)	1,502
Insurance	12,000	12,000	13,373	(1,373)	12,368
Utilities	7,900	7,900	8,371	(471)	6,359
Capital Lease Principal	6,329	6,329	6,004	325	19,006
Capital Lease Interest	1,173	1,173	621	552	1,503
Capital Outlay	31,550	31,550	25,387	6,163	31,366
Miscellaneous	4,550	4,550	6,505	(1,955)	6,965
Total Park and Recreation	260,226	274,576	299,528	(24,952)	296,409
Library and Community Center:					
Supplies	2,200	2,200	1,207	993	2,971
Repairs and Maintenance	1,000	1,000	1,568	(568)	942
Management Fees	68,958	68,958	68,958	-	67,109
Janitorial	2,000	2,000	1,200	800	1,073
Telephone	2,000	2,000	1,901	99	1,914
Insurance	1,300	1,300	1,237	63	1,272
Utilities	10,400	10,400	11,518	(1,118)	10,374
Capital Outlay	18,500	18,500	12,756	5,744	9,734
Continuing Education and Dues	250	250	-	250	282
Miscellaneous	500	500	798	(298)	41
Total Library and Community Center	107,108	107,108	101,143	5,965	95,712
Total Culture and Recreation	367,334	381,684	400,671	(18,987)	392,121

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Original Budget	Final Budget	2008 Actual	Variance with Final Budget Positive (Negative)	2007 Actual
Expenditures: - (Cont'd.)					
Economic Development	\$ -	\$ -	\$ 33,141	\$ (33,141)	\$ 4,108
Miscellaneous -					
Sales Tax	1,000	1,000	2,224	(1,224)	2,362
State Surcharge	1,000	1,000	3,333	(2,333)	885
Vehicle Towing	6,000	6,000	15,279	(9,279)	13,850
Refunds and Reimbursements	30,000	30,000	95,690	(65,690)	150,127
Capital Lease Principal	65,462	65,462	65,463	(1)	62,581
Capital Lease Interest	4,978	4,978	4,978	-	8,212
Total Miscellaneous	<u>108,440</u>	<u>108,440</u>	<u>186,967</u>	<u>(78,527)</u>	<u>238,017</u>
Total Expenditures	3,254,227	3,408,872	3,671,416	(262,544)	3,613,222
Deficiency of Revenues Under Expenditures	(135,522)	(290,167)	(529,066)	(238,899)	(386,302)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	150,000	150,000	246,000	96,000	215,000
Operating Transfers Out	-	-	(65,010)	(65,010)	(51,000)
Lease Proceeds	-	-	-	-	158,957
Bond Proceeds	-	153,000	153,000	-	150,000
Proceeds from the Sale of Capital Assets	-	-	-	-	13,750
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>303,000</u>	<u>333,990</u>	<u>30,990</u>	<u>486,707</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,478	12,833	(195,076)	(207,909)	100,405
Fund Balance - Beginning	<u>2,129,919</u>	<u>2,129,919</u>	<u>2,230,324</u>	<u>100,405</u>	<u>2,129,919</u>
Fund Balance - Ending	<u>\$ 2,144,397</u>	<u>\$ 2,142,752</u>	<u>\$ 2,035,248</u>	<u>\$ (107,504)</u>	<u>\$ 2,230,324</u>

CITY OF GLENCOE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008

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 2008.

NOTE 2 EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,408,872	\$ 3,671,416

COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

		Other Governmental Funds		
		2008		
		Special Revenue	Debt Service	Capital Projects
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$	514,908	\$ 128,426	\$ 568,749
Accounts Receivable		31,656	11,671	-
Taxes Receivable				
Current		-	541	-
Delinquent		-	9,227	-
Special Assessments Receivable				
Current		-	785	-
Deferred		-	190,823	-
Land Held for Resale		-	-	455,157
		<u>-</u>	<u>-</u>	<u>455,157</u>
Total Assets	\$	<u>546,564</u>	\$ <u>341,473</u>	<u>\$ 1,023,906</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$	50,342	\$ 4,590	\$ 22,008
Retainages Payable		-	-	-
Due to Other Funds		57,822	22,002	-
Deferred Revenue		-	200,050	-
Total Liabilities		<u>108,164</u>	<u>226,642</u>	<u>22,008</u>
FUND BALANCES				
Reserved for Library Improvement		259,011	-	-
Reserved for Land Held for Resale		-	-	455,157
Unreserved, Reported in				
Special Revenue		179,389	-	-
Debt Service		-	114,831	-
Capital Projects		-	-	546,741
Total Fund Balances		<u>438,400</u>	<u>114,831</u>	<u>1,001,898</u>
Total Liabilities and Fund Balances	\$	<u>546,564</u>	\$ <u>341,473</u>	<u>\$ 1,023,906</u>

<u>2008</u>	<u>2007</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 1,212,083	\$ 1,424,946
43,327	68,863
541	4,792
9,227	10,218
785	1,349
190,823	268,498
455,157	455,157
<u>\$ 1,911,943</u>	<u>\$ 2,233,823</u>
\$ 76,940	\$ 104,885
-	33,407
79,824	143,406
200,050	278,717
<u>356,814</u>	<u>560,415</u>
259,011	252,321
455,157	455,157
179,389	189,371
114,831	256,445
546,741	520,114
<u>1,555,129</u>	<u>1,673,408</u>
<u>\$ 1,911,943</u>	<u>\$ 2,233,823</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Other Governmental Funds		
	2008		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 6,856	\$ 443,384	\$ 204,654
Intergovernmental	131,316	46,961	370
Charges for Services	155,362	-	-
Fines and Forfeits	-	-	-
Assessments	-	65,234	-
Interest Income	12,247	(515)	14,806
Contributions and Donations	4,645	-	238,457
Franchise Taxes	28,161	-	-
Miscellaneous	13,446	3,884	-
Total Revenues	<u>352,033</u>	<u>558,948</u>	<u>458,287</u>
EXPENDITURES			
Current:			
General Government	7,412	45,586	-
Public Safety	2,317	-	-
Highways and Streets	8,693	-	87,301
Culture-Recreation	170,273	-	-
Economic Development	4,961	-	63,072
Capital Outlay:			
General Government	869	-	-
Public Safety	12,884	-	-
Highways and Streets	50,000	-	188,131
Culture-Recreation	17,133	-	-
Economic Development	-	-	1,080
Debt Service:			
Principal	57,000	721,000	-
Interest	25,049	291,746	-
Fiscal Charges	-	431	-
Total Liabilities	<u>356,591</u>	<u>1,058,763</u>	<u>339,584</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(4,558)	(499,815)	118,703
OTHER FINANCING SOURCES (USES)			
Transfers In	94,210	256,723	15,650
Transfers Out	(92,944)	(30,252)	(122,676)
Bond Proceeds	-	976,730	-
Bond Premium	-	-	-
Proceeds from Sale of Capital Assets	-	-	14,950
Payments to Bond Escrow Agent	-	(845,000)	-
Total Other Financing Sources (Uses)	<u>1,266</u>	<u>358,201</u>	<u>(92,076)</u>
Net Change in Fund Balances	(3,292)	(141,614)	26,627
Fund Balances - Beginning	441,692	256,445	975,271
Fund Balances - Ending	<u>\$ 438,400</u>	<u>\$ 114,831</u>	<u>\$ 1,001,898</u>

<u>2008</u>		<u>2007</u>	
Total Other Governmental Funds		Total Other Governmental Funds	
\$	654,894	\$	604,569
	178,647		176,207
	155,362		200,328
	-		643
	65,234		73,703
	26,538		27,554
	243,102		5,549
	28,161		30,312
	17,330		31,796
	<u>1,369,268</u>		<u>1,150,661</u>
	52,998		28,027
	2,317		472
	95,994		234,802
	170,273		191,507
	68,033		88,874
	869		-
	12,884		9,152
	238,131		618,133
	17,133		33,104
	1,080		-
	778,000		690,000
	316,795		270,135
	431		431
	<u>1,754,938</u>		<u>2,164,637</u>
	(385,670)		(1,013,976)
	366,583		282,600
	(245,872)		(272,600)
	976,730		1,625,000
	-		1,748
	14,950		-
	(845,000)		-
	<u>267,391</u>		<u>1,636,748</u>
	(118,279)		622,772
	<u>1,673,408</u>		<u>1,050,636</u>
\$	<u>1,555,129</u>	\$	<u>1,673,408</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Special Revenue Funds				
	2008				
	Library Improvement	Park Improvement	Police K-9	Crime Prevention	Charitable Gambling
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 261,663	\$ 61,748	\$ -	\$ 25,906	\$ 5,355
Accounts Receivable	-	-	-	-	-
Total Assets	<u>\$ 261,663</u>	<u>\$ 61,748</u>	<u>\$ -</u>	<u>\$ 25,906</u>	<u>\$ 5,355</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Reserved for Library Improvement	259,011	-	-	-	-
Unreserved, Undesignated	2,652	61,748	-	25,906	5,355
Total Fund Balances	<u>261,663</u>	<u>61,748</u>	<u>-</u>	<u>25,906</u>	<u>5,355</u>
Total Liabilities and Fund Balances	<u>\$ 261,663</u>	<u>\$ 61,748</u>	<u>\$ -</u>	<u>\$ 25,906</u>	<u>\$ 5,355</u>

Special Revenue Funds

2008						2007
Aquatic Center	Cable TV	Cemetery	Municipal State Aid	Engineering Inspection Service Fund	Total Special Revenue	Total Special Revenue
\$ 5,821	\$ 6,070	\$ 98,254	\$ 50,091	\$ -	\$ 514,908	\$ 518,528
-	10,142	-	-	21,514	31,656	68,863
<u>\$ 5,821</u>	<u>\$ 16,212</u>	<u>\$ 98,254</u>	<u>\$ 50,091</u>	<u>\$ 21,514</u>	<u>\$ 546,564</u>	<u>\$ 587,391</u>
\$ 212	\$ -	\$ 10	\$ 50,120	\$ -	\$ 50,342	\$ 2,531
-	-	-	-	57,822	57,822	143,168
212	-	10	50,120	57,822	108,164	145,699
-	-	-	-	-	259,011	252,321
5,609	16,212	98,244	(29)	(36,308)	179,389	189,371
<u>5,609</u>	<u>16,212</u>	<u>98,244</u>	<u>(29)</u>	<u>(36,308)</u>	<u>438,400</u>	<u>441,692</u>
<u>\$ 5,821</u>	<u>\$ 16,212</u>	<u>\$ 98,254</u>	<u>\$ 50,091</u>	<u>\$ 21,514</u>	<u>\$ 546,564</u>	<u>\$ 587,391</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – SPECIAL REVENUE FUNDS
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Special Revenue Funds				
	2008				
	Library Improvement	Park Improvement	Police K-9	Crime Prevention	Charitable Gambling
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for Services	-	31,907	-	-	-
Fines and Forfeits	-	-	-	-	-
Interest Income	6,690	2,807	-	695	181
Contributions and Donations	-	4,000	-	645	-
Franchise Fees	-	-	-	-	-
Miscellaneous	-	25	-	9,482	-
Total Revenues	<u>6,690</u>	<u>38,739</u>	<u>-</u>	<u>10,822</u>	<u>181</u>
EXPENDITURES					
Current:					
General Government	-	-	-	-	-
Public Safety	-	-	-	2,317	-
Highways and Streets	-	-	-	-	-
Culture-Recreation	2,258	10,786	-	-	1,760
Economic Development	-	-	-	-	-
Capital Outlay:					
General Government	-	-	-	-	-
Public Safety	-	-	-	12,884	-
Highways and Streets	-	-	-	-	-
Culture-Recreation	-	17,133	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>2,258</u>	<u>27,919</u>	<u>-</u>	<u>15,201</u>	<u>1,760</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	4,432	10,820	-	(4,379)	(1,579)
OTHER FINANCING SOURCES (USES)					
Transfers In	2,500	-	-	-	-
Transfers Out	-	(61,000)	(6,944)	-	-
Total Other Financing Sources (Uses)	<u>2,500</u>	<u>(61,000)</u>	<u>(6,944)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	6,932	(50,180)	(6,944)	(4,379)	(1,579)
Fund Balance - Beginning	<u>254,731</u>	<u>111,928</u>	<u>6,944</u>	<u>30,285</u>	<u>6,934</u>
Fund Balances - Ending	<u>\$ 261,663</u>	<u>\$ 61,748</u>	<u>\$ -</u>	<u>\$ 25,906</u>	<u>\$ 5,355</u>

Special Revenue Funds

2008						2007
Aquatic Center	Cable TV	Cemetery	Municipal State Aid	Engineering Inspection Service Fund	Total Special Revenue	Total Special Revenue
\$ 6,856	\$ -	\$ -	\$ -	\$ -	\$ 6,856	\$ 6,854
-	-	-	131,316	-	131,316	133,802
107,634	-	8,584	-	7,237	155,362	200,328
-	-	-	-	-	-	643
(360)	536	2,522	908	(1,732)	12,247	17,935
-	-	-	-	-	4,645	5,549
-	28,161	-	-	-	28,161	30,312
1,020	2,892	27	-	-	13,446	31,553
<u>115,150</u>	<u>31,589</u>	<u>11,133</u>	<u>132,224</u>	<u>5,505</u>	<u>352,033</u>	<u>426,976</u>
-	-	7,412	-	-	7,412	10,081
-	-	-	-	-	2,317	472
-	-	-	8,693	-	8,693	19,501
151,280	4,189	-	-	-	170,273	191,507
-	-	-	-	4,961	4,961	42,765
-	-	869	-	-	869	-
-	-	-	-	-	12,884	9,152
-	-	-	50,000	-	50,000	-
-	-	-	-	-	17,133	33,104
-	-	-	57,000	-	57,000	58,000
-	-	-	25,049	-	25,049	26,383
<u>151,280</u>	<u>4,189</u>	<u>8,281</u>	<u>140,742</u>	<u>4,961</u>	<u>356,591</u>	<u>390,965</u>
(36,130)	27,400	2,852	(8,518)	544	(4,558)	36,011
87,510	-	-	4,200	-	94,210	-
-	(25,000)	-	-	-	(92,944)	(109,000)
<u>87,510</u>	<u>(25,000)</u>	<u>-</u>	<u>4,200</u>	<u>-</u>	<u>1,266</u>	<u>(109,000)</u>
51,380	2,400	2,852	(4,318)	544	(3,292)	(72,989)
(45,771)	13,812	95,392	4,289	(36,852)	441,692	514,681
<u>\$ 5,609</u>	<u>\$ 16,212</u>	<u>\$ 98,244</u>	<u>\$ (29)</u>	<u>\$ (36,308)</u>	<u>\$ 438,400</u>	<u>\$ 441,692</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Debt Service Funds		
	2008		
	City Sinking	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ -	\$ 219	\$ -
Accounts Receivable	11,671	-	-
Taxes Receivable			
Current	-	-	-
Delinquent	-	-	-
Special Assessments Receivable			
Current	-	-	-
Deferred	24,926	-	-
	<u>36,597</u>	<u>219</u>	<u>-</u>
Total Assets	<u>\$ 36,597</u>	<u>\$ 219</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 526	\$ -	\$ -
Due to Other Funds	10,329	-	-
Deferred Revenue	24,926	-	-
Total Liabilities	<u>35,781</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Unreserved, Undesignated	816	219	-
Total Fund Balances	<u>816</u>	<u>219</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 36,597</u>	<u>\$ 219</u>	<u>\$ -</u>

Debt Service Funds

2008

1997 Storm Sewer Bond	1997 McLeod/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition
\$ 221	\$ -	\$ 1,619	\$ 12,488	\$ 1,090	\$ 4,998
-	-	-	-	-	-
-	113	42	79	40	34
-	1,930	714	1,351	676	579
-	-	-	-	-	404
-	-	183	-	5,679	3,925
<u>\$ 221</u>	<u>\$ 2,043</u>	<u>\$ 2,558</u>	<u>\$ 13,918</u>	<u>\$ 7,485</u>	<u>\$ 9,940</u>
\$ -	\$ 889	\$ 321	\$ 744	\$ 367	\$ 321
-	11,673	-	-	-	-
-	1,930	897	1,351	6,355	4,504
-	14,492	1,218	2,095	6,722	4,825
221	(12,449)	1,340	11,823	763	5,115
<u>221</u>	<u>(12,449)</u>	<u>1,340</u>	<u>11,823</u>	<u>763</u>	<u>5,115</u>
<u>\$ 221</u>	<u>\$ 2,043</u>	<u>\$ 2,558</u>	<u>\$ 13,918</u>	<u>\$ 7,485</u>	<u>\$ 9,940</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Debt Service Funds		
	2008		
	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 47	\$ 19,063	\$ 228
Accounts Receivable	-	-	-
Taxes Receivable			
Current	34	11	-
Delinquent	579	193	-
Special Assessments Receivable			
Current	381	-	-
Deferred	43,461	-	-
	<u>43,461</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 44,502</u>	<u>\$ 19,267</u>	<u>\$ 228</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 148	\$ 81	\$ -
Due to Other Funds	-	-	-
Deferred Revenue	44,040	193	-
Total Liabilities	<u>44,188</u>	<u>274</u>	<u>-</u>
FUND BALANCES			
Unreserved, Undesignated	314	18,993	228
Total Fund Balances	<u>314</u>	<u>18,993</u>	<u>228</u>
Total Liabilities and Fund Balances	<u>\$ 44,502</u>	<u>\$ 19,267</u>	<u>\$ 228</u>

Debt Service Funds

2008							2007
County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2007 Tax Increment Bond	2008 11th Street Morningside	Total Debt Service	Total Debt Service	
\$ 10,002	\$ 46,166	\$ 347	\$ 56	\$ 31,882	\$ 128,426	\$ 250,543	
-	-	-	-	-	11,671	-	
77	28	83	-	-	541	4,792	
1,313	483	1,409	-	-	9,227	10,218	
-	-	-	-	-	785	1,349	
22,736	89,913	-	-	-	190,823	268,498	
<u>\$ 34,128</u>	<u>\$ 136,590</u>	<u>\$ 1,839</u>	<u>\$ 56</u>	<u>\$ 31,882</u>	<u>\$ 341,473</u>	<u>\$ 535,400</u>	
\$ 639	\$ 178	\$ 376	\$ -	\$ -	\$ 4,590	\$ -	
-	-	-	-	-	22,002	238	
24,049	90,396	1,409	-	-	200,050	278,717	
24,688	90,574	1,785	-	-	226,642	278,955	
9,440	46,016	54	56	31,882	114,831	256,445	
9,440	46,016	54	56	31,882	114,831	256,445	
<u>\$ 34,128</u>	<u>\$ 136,590</u>	<u>\$ 1,839</u>	<u>\$ 56</u>	<u>\$ 31,882</u>	<u>\$ 341,473</u>	<u>\$ 535,400</u>	

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – DEBT SERVICE FUNDS
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Debt Service Funds		
	2008		
	City Sinking	1995 Storm Sewer Bond	1996 N.C.II/ Glenknoll III Bond
REVENUES			
Taxes	\$ 12,316	\$ -	\$ -
Intergovernmental	-	-	-
Charges for Services	-	-	-
Assessments	10,110	-	-
Interest Income	1,039	(86)	-
Miscellaneous	3,884	-	-
Total Revenues	<u>27,349</u>	<u>(86)</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	20,810	-	-
Debt Service:			
Principal	45,000	35,000	-
Interest	-	3,115	-
Fiscal Charges	-	-	-
Total Expenditures	<u>65,810</u>	<u>38,115</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(38,461)	(38,201)	-
OTHER FINANCING SOURCES (USES)			
Transfers In	36,023	38,000	-
Transfers Out	(28,100)	-	(2,152)
Bond Proceeds	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>7,923</u>	<u>38,000</u>	<u>(2,152)</u>
Net Change in Fund Balances	(30,538)	(201)	(2,152)
Fund Balances - Beginning	<u>31,354</u>	<u>420</u>	<u>2,152</u>
Fund Balances - Ending	<u>\$ 816</u>	<u>\$ 219</u>	<u>\$ -</u>

Debt Service Funds

2008

1997 Storm Sewer Bond	1997 McLeod/N.C. Pond Bond	1997 N. Country III/ Morningside	1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition
\$ -	\$ 90,594	\$ 33,388	\$ 63,189	\$ 31,621	\$ 27,149
-	9,825	3,635	6,877	3,439	2,947
-	-	-	-	-	-
-	-	52	-	3,436	1,720
(137)	410	251	1,243	340	(326)
-	-	-	-	-	-
(137)	100,829	37,326	71,309	38,836	31,490
-	-	-	17,167	7,609	-
62,000	100,000	34,000	85,000	55,000	30,000
2,454	36,398	7,458	35,741	10,592	9,523
-	-	-	-	-	-
64,454	136,398	41,458	137,908	73,201	39,523
(64,591)	(35,569)	(4,132)	(66,599)	(34,365)	(8,033)
64,500	13,000	-	-	-	-
-	-	-	-	-	-
-	-	-	730,000	215,000	-
-	-	-	(665,000)	(180,000)	-
64,500	13,000	-	65,000	35,000	-
(91)	(22,569)	(4,132)	(1,599)	635	(8,033)
312	10,120	5,472	13,422	128	13,148
\$ 221	\$ (12,449)	\$ 1,340	\$ 11,823	\$ 763	\$ 5,115

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Debt Service Funds		
	2008		
	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond
REVENUES			
Taxes	\$ 27,106	\$ 9,050	\$ -
Intergovernmental	2,947	982	-
Charges for Services	-	-	-
Assessments	26,256	-	-
Interest Income	(1,099)	400	(1,718)
Miscellaneous	-	-	-
Total Revenues	<u>55,210</u>	<u>10,432</u>	<u>(1,718)</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Debt Service:			
Principal	60,000	20,000	50,000
Interest	16,030	6,020	31,625
Fiscal Charges	-	-	431
Total Expenditures	<u>76,030</u>	<u>26,020</u>	<u>82,056</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(20,820)	(15,588)	(83,774)
OTHER FINANCING SOURCES (USES)			
Transfers In	12,200	-	84,000
Transfers Out	-	-	-
Bond Proceeds	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>12,200</u>	<u>-</u>	<u>84,000</u>
Net Change in Fund Balances	(8,620)	(15,588)	226
Fund Balances - Beginning	<u>8,934</u>	<u>34,581</u>	<u>2</u>
Fund Balances - Ending	<u>\$ 314</u>	<u>\$ 18,993</u>	<u>\$ 228</u>

Debt Service Funds

2008							2007
County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2007 Tax Increment Bond	2008 11th Street Morningside	Total Debt Service	Total Debt Service	
\$ 61,393	\$ 22,643	\$ 64,935	\$ -	\$ -	\$ 443,384	\$ 389,781	
6,681	2,456	7,172	-	-	46,961	41,955	
-	-	-	-	-	-	73,703	
5,677	17,983	-	-	-	65,234	-	
(816)	609	(1,182)	405	152	(515)	7,760	
-	-	-	-	-	3,884	-	
<u>72,935</u>	<u>43,691</u>	<u>70,925</u>	<u>405</u>	<u>152</u>	<u>558,948</u>	<u>513,199</u>	
-	-	-	-	-	45,586	17,946	
45,000	45,000	55,000	-	-	721,000	632,000	
26,480	15,788	18,810	71,712	-	291,746	243,752	
-	-	-	-	-	431	431	
<u>71,480</u>	<u>60,788</u>	<u>73,810</u>	<u>71,712</u>	<u>-</u>	<u>1,058,763</u>	<u>894,129</u>	
1,455	(17,097)	(2,885)	(71,307)	152	(499,815)	(380,930)	
-	-	2,900	6,100	-	256,723	250,100	
-	-	-	-	-	(30,252)	(41,000)	
-	-	-	-	31,730	976,730	59,614	
-	-	-	-	-	(845,000)	-	
<u>-</u>	<u>-</u>	<u>2,900</u>	<u>6,100</u>	<u>31,730</u>	<u>358,201</u>	<u>268,714</u>	
1,455	(17,097)	15	(65,207)	31,882	(141,614)	(112,216)	
7,985	63,113	39	65,263	-	256,445	368,661	
<u>\$ 9,440</u>	<u>\$ 46,016</u>	<u>\$ 54</u>	<u>\$ 56</u>	<u>\$ 31,882</u>	<u>\$ 114,831</u>	<u>\$ 256,445</u>	

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2008
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2007)**

	Capital Project Funds			
	2008			
	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park	Tax Increment #12- Pizza Ranch
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 162,400	\$ 155,590	\$ 173,265	\$ -
Land Held for Resale	-	-	-	-
Total Assets	<u>\$ 162,400</u>	<u>\$ 155,590</u>	<u>\$ 173,265</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Retainages Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Reserved for Land Held for Resale	-	-	-	-
Unreserved, Undesignated	162,400	155,590	173,265	-
Total Fund Balances	<u>162,400</u>	<u>155,590</u>	<u>173,265</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 162,400</u>	<u>\$ 155,590</u>	<u>\$ 173,265</u>	<u>\$ -</u>

Capital Project Funds

2008							2007
Tax Increment #13- Kestrel Properties	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows	Panther Heights 2nd Addition	Total Capital Projects	Total Capital Projects	
\$ 8,848	\$ 11,238	\$ 30,584	\$ 26,656	\$ 168	\$ 568,749	\$ 655,875	
-	125,157	330,000	-	-	455,157	455,157	
<u>\$ 8,848</u>	<u>\$ 136,395</u>	<u>\$ 360,584</u>	<u>\$ 26,656</u>	<u>\$ 168</u>	<u>\$ 1,023,906</u>	<u>\$ 1,111,032</u>	
\$ 9,205	\$ -	\$ -	\$ 12,803	\$ -	\$ 22,008	\$ 102,354	
-	-	-	-	-	-	33,407	
<u>9,205</u>	<u>-</u>	<u>-</u>	<u>12,803</u>	<u>-</u>	<u>22,008</u>	<u>135,761</u>	
-	125,157	330,000	-	-	455,157	455,157	
(357)	11,238	30,584	13,853	168	546,741	520,114	
<u>(357)</u>	<u>136,395</u>	<u>360,584</u>	<u>13,853</u>	<u>168</u>	<u>1,001,898</u>	<u>975,271</u>	
<u>\$ 8,848</u>	<u>\$ 136,395</u>	<u>\$ 360,584</u>	<u>\$ 26,656</u>	<u>\$ 168</u>	<u>\$ 1,023,906</u>	<u>\$ 1,111,032</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, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2007)**

	Capital Project Funds			
	2008			
	Tax Increment #2- Littfin	Tax Increment #3- Lakeland	Tax Increment #4- Industrial Park	Tax Increment #12- Pizza Ranch
REVENUES				
Taxes	\$ 42,464	\$ 44,207	\$ 97,739	\$ -
Intergovernmental	-	370	-	-
Interest Income	4,082	3,913	3,609	-
Contributions and Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>46,546</u>	<u>48,490</u>	<u>101,348</u>	<u>-</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Economic Development	-	4,235	-	-
Capital Outlay:				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	-
Total Expenditures	<u>-</u>	<u>4,235</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	46,546	44,255	101,348	-
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(30,000)	(30,000)	(45,750)	(16,926)
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	14,950	-
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,800)</u>	<u>(16,926)</u>
Net Change in Fund Balances	16,546	14,255	70,548	(16,926)
Fund Balances - Beginning	<u>145,854</u>	<u>141,335</u>	<u>102,717</u>	<u>16,926</u>
Fund Balances - Ending	<u>\$ 162,400</u>	<u>\$ 155,590</u>	<u>\$ 173,265</u>	<u>\$ -</u>

Capital Project Funds

2008							2007
Tax Increment #13- Kestrel Properties	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows	Panther Heights 2nd Addition	Total Capital Projects	Total Capital Projects	
\$ 9,172	\$ 11,072	\$ -	\$ -	\$ -	\$ 204,654	\$ 207,934	
-	-	-	-	-	370	450	
30	79	3,297	(101)	(103)	14,806	1,859	
-	-	-	201,438	37,019	238,457	-	
-	-	-	-	-	-	243	
<u>9,202</u>	<u>11,151</u>	<u>3,297</u>	<u>201,337</u>	<u>36,916</u>	<u>458,287</u>	<u>210,486</u>	
-	-	44,282	43,019	-	87,301	215,301	
9,206	-	1,383	-	48,248	63,072	46,109	
-	-	43,666	144,465	-	188,131	618,133	
-	-	1,080	-	-	1,080	-	
<u>9,206</u>	<u>-</u>	<u>90,411</u>	<u>187,484</u>	<u>48,248</u>	<u>339,584</u>	<u>879,543</u>	
(4)	11,151	(87,114)	13,853	(11,332)	118,703	(669,057)	
1,650	-	2,500	-	11,500	15,650	32,500	
-	-	-	-	-	(122,676)	(122,600)	
-	-	-	-	-	-	1,565,386	
-	-	-	-	-	-	1,748	
-	-	-	-	-	14,950	-	
<u>1,650</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>11,500</u>	<u>(92,076)</u>	<u>1,477,034</u>	
1,646	11,151	(84,614)	13,853	168	26,627	807,977	
(2,003)	125,244	445,198	-	-	975,271	167,294	
<u>\$ (357)</u>	<u>\$ 136,395</u>	<u>\$ 360,584</u>	<u>\$ 13,853</u>	<u>\$ 168</u>	<u>\$ 1,001,898</u>	<u>\$ 975,271</u>	

SUPPLEMENTARY INFORMATION

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008

	\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G		\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$974,000 Portion	
	Principal	Interest	Principal	Interest
2009	\$ 50,000	\$ 29,675	\$ 64,000	\$ 23,510
2010	75,000	26,950	61,000	21,590
2011	75,000	23,462	70,000	19,638
2012	100,000	19,162	70,000	17,328
2013	100,000	14,087	71,000	14,948
2014	50,000	10,163	75,000	12,428
2015	25,000	8,094	75,000	9,615
2016	25,000	6,656	75,000	6,690
2017	25,000	5,219	90,000	3,690
2018	25,000	3,750	-	-
2019	25,000	2,250	-	-
2020	25,000	750	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 600,000</u>	<u>\$ 150,218</u>	<u>\$ 651,000</u>	<u>\$ 129,437</u>

\$610,000 G.O. Taxable Tax Increment Bonds of 2007 - Series 2007B		\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion		\$153,000 G.O. Equipment Certificate of Indebtedness Series 2008	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 35,000	\$ 35,189	\$ 45,000	\$ 24,723	\$ 28,531	\$ 5,867
40,000	33,126	50,000	23,485	29,855	4,543
45,000	30,732	55,000	21,985	31,241	3,157
50,000	28,001	55,000	20,335	32,685	1,714
50,000	25,089	60,000	18,465	16,893	306
55,000	21,991	60,000	16,425	-	-
60,000	18,569	65,000	14,205	-	-
60,000	14,969	70,000	11,800	-	-
65,000	11,178	70,000	9,000	-	-
70,000	7,044	75,000	6,200	-	-
80,000	2,450	80,000	3,200	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 610,000</u>	<u>\$ 228,338</u>	<u>\$ 685,000</u>	<u>\$ 169,823</u>	<u>\$ 139,205</u>	<u>\$ 15,587</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008**

	\$605,000 G.O. Improvement Bonds of 2001		\$215,000 G.O. Improvement Bonds of 2002	
	Principal	Interest	Principal	Interest
2009	\$ 60,000	\$ 13,570	\$ 20,000	\$ 5,140
2010	65,000	10,943	25,000	4,125
2011	65,000	8,147	25,000	2,975
2012	75,000	5,062	25,000	1,800
2013	75,000	1,688	25,000	600
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 340,000</u>	<u>\$ 39,410</u>	<u>\$ 120,000</u>	<u>\$ 14,640</u>

<u>\$335,000 G.O. Improvement Bonds of 2003 - Series 2003A</u>		<u>\$745,000 G. O. Improvement Bonds of 2003 - Series 2003F</u>		<u>\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$230,000 Portion</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 30,000	\$ 8,510	\$ 45,000	\$ 25,074	\$ 35,000	\$ 2,170
35,000	7,329	45,000	23,386	35,000	1,120
35,000	5,972	45,000	21,699	-	-
35,000	4,529	50,000	19,917	-	-
40,000	2,905	50,000	17,855	-	-
45,000	1,013	50,000	15,605	-	-
-	-	55,000	13,187	-	-
-	-	55,000	10,603	-	-
-	-	60,000	7,840	-	-
-	-	60,000	4,900	-	-
-	-	70,000	1,714	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 220,000</u>	<u>\$ 30,258</u>	<u>\$ 585,000</u>	<u>\$ 161,780</u>	<u>\$ 70,000</u>	<u>\$ 3,290</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008**

	\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$1,360,000 Portion		\$2,410,000 G.O. Refunding Bonds of 2003 - Series 2003B \$346,000 Portion	
	Principal	Interest	Principal	Interest
2009	\$ 100,000	\$ 33,697	\$ 26,000	\$ 780
2010	100,000	30,698	-	-
2011	105,000	27,497	-	-
2012	125,000	24,033	-	-
2013	85,000	19,783	-	-
2014	100,000	16,765	-	-
2015	100,000	13,015	-	-
2016	110,000	9,115	-	-
2017	115,000	4,714	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 940,000</u>	<u>\$ 179,317</u>	<u>\$ 26,000</u>	<u>\$ 780</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	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 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>\$ 198,000</u>	<u>\$ 20,756</u>	<u>\$ 445,000</u>	<u>\$ 69,502</u>	<u>\$ 375,000</u>	<u>\$ 58,271</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008

	\$2,365,000 G.O. Sewer and Improvement Bonds of 2007 - Series 2007A - \$1,015,000 Portion		\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 42,080	\$ -	\$ 59,210
2010	50,000	41,080	65,000	53,729
2011	50,000	39,080	75,000	51,734
2012	50,000	37,080	80,000	49,365
2013	50,000	35,080	80,000	46,765
2014	50,000	33,080	85,000	43,935
2015	50,000	31,080	85,000	40,875
2016	50,000	29,080	90,000	37,545
2017	50,000	27,080	90,000	33,945
2018	50,000	25,055	100,000	30,145
2019	50,000	23,005	100,000	26,145
2020	50,000	20,942	105,000	21,993
2021	50,000	18,867	110,000	17,585
2022	55,000	16,675	115,000	12,915
2023	55,000	14,365	115,000	8,085
2024	55,000	12,028	135,000	2,835
2025	60,000	9,555	-	-
2026	60,000	6,960	-	-
2027	60,000	4,350	-	-
2028	70,000	1,523	-	-
	<u>\$ 1,015,000</u>	<u>\$ 468,045</u>	<u>\$ 1,430,000</u>	<u>\$ 536,806</u>

\$945,000 G.O. Refunding Bonds - Series 2008B \$215,000 Portion		Capital Lease Contender Tanker		Capital Lease Johnson Controls Project	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 30,000	\$ 5,980	\$ 35,218	\$ 3,013	\$ 37,646	\$ 26,357
25,000	5,155	36,694	1,538	39,313	24,690
30,000	4,405	-	-	41,053	22,949
30,000	3,505	-	-	42,871	21,131
35,000	2,485	-	-	44,770	19,233
35,000	1,295	-	-	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	3,370
-	-	-	-	31,315	686
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 185,000</u>	<u>\$ 22,825</u>	<u>\$ 71,912</u>	<u>\$ 4,551</u>	<u>\$ 611,059</u>	<u>\$ 188,970</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008**

	Capital Lease Bobcat Toolcat		Capital Lease John Deere Wheel Loader	
	Principal	Interest	Principal	Interest
2009	\$ 4,970	\$ 1,655	\$ 17,354	\$ 4,915
2010	5,340	1,285	18,471	3,798
2011	5,738	887	19,659	2,610
2012	6,108	517	20,923	1,346
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 22,156</u>	<u>\$ 4,344</u>	<u>\$ 76,407</u>	<u>\$ 12,669</u>

Certificates of Participation Street Maintenance		Contract for Deed Schimelpfenig Contract		Contract for Deed Meyer Sterner Contract	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 30,000	\$ 31,860	\$ 11,861	\$ 1,592	\$ 25,000	\$ -
35,000	30,240	12,630	821	-	-
35,000	28,315	-	-	-	-
40,000	26,355	-	-	-	-
45,000	23,955	-	-	-	-
45,000	21,255	-	-	-	-
50,000	18,555	-	-	-	-
55,000	15,555	-	-	-	-
60,000	12,200	-	-	-	-
65,000	8,540	-	-	-	-
75,000	4,575	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 535,000</u>	<u>\$ 221,405</u>	<u>\$ 24,491</u>	<u>\$ 2,413</u>	<u>\$ 25,000</u>	<u>\$ -</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008**

	Contract for Deed Stevens Seminary		\$460,000 Liquor Store Revenue Bonds of 1995	
	Principal	Interest	Principal	Interest
2009	\$ 20,000	\$ -	\$ 40,000	\$ 3,936
2010	20,000	-	40,000	1,968
2011	20,000	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 5,904</u>

\$465,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003D		\$105,000 G.O. Sewer Revenue Bonds of 2003 - Series 2003E		\$3,745,000 G.O. Refunding Bonds of 2003 - Series 2003C \$2,155,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 10,000	\$ 18,962	\$ 25,000	\$ 394	\$ 200,000	\$ 45,725
20,000	18,458	-	-	200,000	39,725
20,000	17,732	-	-	225,000	33,325
25,000	16,858	-	-	225,000	25,900
25,000	15,845	-	-	250,000	18,250
25,000	14,801	-	-	250,000	9,375
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>\$ 425,000</u>	<u>\$ 173,361</u>	<u>\$ 25,000</u>	<u>\$ 394</u>	<u>\$ 1,350,000</u>	<u>\$ 172,300</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2008

	\$580,000 G.O. Water Revenue Bonds of 2005 - Series 2005A		\$2,365,000 G.O. Sewer and Improvement Bonds of 2007 - Series 2007A - \$1,350,000 Portion	
	Principal	Interest	Principal	Interest
2009	\$ 30,000	\$ 21,285	\$ -	\$ 56,310
2010	35,000	20,190	-	56,310
2011	35,000	18,930	50,000	55,310
2012	30,000	17,700	55,000	53,210
2013	35,000	16,400	55,000	51,010
2014	35,000	15,000	60,000	48,710
2015	45,000	13,355	60,000	46,310
2016	40,000	11,570	60,000	43,910
2017	40,000	9,890	70,000	41,310
2018	50,000	7,925	70,000	38,475
2019	50,000	5,675	70,000	35,605
2020	45,000	3,526	70,000	32,718
2021	55,000	1,251	75,000	29,709
2022	-	-	80,000	26,472
2023	-	-	85,000	23,007
2024	-	-	90,000	19,287
2025	-	-	95,000	15,310
2026	-	-	95,000	11,201
2027	-	-	100,000	6,960
2028	-	-	110,000	2,393
	<u>\$ 525,000</u>	<u>\$ 162,697</u>	<u>\$ 1,350,000</u>	<u>\$ 693,527</u>

Total	
<u>Principal</u>	<u>Interest</u>
\$ 1,195,580	\$ 569,241
1,312,303	519,520
1,307,691	468,130
1,372,587	416,718
1,351,663	360,557
1,196,752	308,008
883,822	258,805
770,984	223,006
818,241	187,957
650,599	150,172
693,061	118,751
390,632	89,792
356,315	72,875
285,000	59,125
300,000	46,559
280,000	34,150
155,000	24,865
155,000	18,161
160,000	11,310
180,000	3,916
<u>\$ 13,815,230</u>	<u>\$ 3,941,618</u>

OTHER REPORTS SECTION

REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the City of Glencoe as of and for the year ended December 31, 2008, and have issued our report thereon dated May 19, 2009.

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 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 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

Austin, Minnesota
May 19, 2009

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF FINDINGS
DECEMBER 31, 2008**

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):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

The City is waiting for legislation regarding administrative penalties for traffic regulation and will obtain a legal opinion from the City Attorney in regards to the administrative penalties already established and for any future administrative penalties.

Official Responsible for Ensuring CAP

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

Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

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, 2008**

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 (\$332) of the employee Christmas Party and a portion (\$550) of an employee recognition dinner.

Corrective Action Plan (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

The City will obtain a legal opinion from the City Attorney regarding paying for future Christmas parties and other employee social events.

Official Responsible for Ensuring CAP

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

Planned Completion Date for CAP

The planned completion date for the CAP is immediately.

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, 2008**

Finding:

Minnesota State Statute 118A.003 requires the City to have deposits in excess of FDIC or FSLIC insurance protected by a bond or collateral of which market value should be at least ten percent more than the excess deposits. The City did not have adequate collateral for its deposits at June 30, 2008.

Corrective Action Plan (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

The City will implement procedures to ensure that the City's deposits remain fully collateralized.

Official Responsible for Ensuring CAP

Todd Trippel, Finance Director, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP

The completion date is immediately.

Plan to Monitor Completion of CAP

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