

CITY OF GLENCOE, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2012

**CITY OF GLENCOE, MINNESOTA
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DECEMBER 31, 2012**

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INTRODUCTORY SECTION

**CITY OF GLENCOE, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2012**

Elected Officials

Term Expires

Mayor	12/31/2012	Randal Wilson
Council Member	12/31/2014	John Schrupp
Council Member	12/31/2014	Lori Adamietz
Council Member	12/31/2014	Gary C. Ziemer
Council Member	12/31/2012	Greg Copas
Council Member	12/31/2012	Daniel F. Perschau

Appointed Officials

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Honorable Mayor and
Members of the City Council
City of Glencoe

Report on Summarized Comparative Information

We have previously audited the City of Glencoe, State of Minnesota's 2011 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated May 8, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

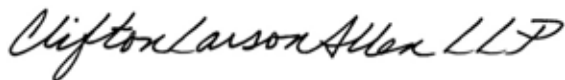
Accounting principles generally accepted in the United States of America require that the Statement of Revenues, Expenditures and Change in Fund Balance – General Fund – Budget and Actual and Schedule of Funding Progress for Postemployment Benefit Plan be presented to supplement the basic financial statements.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

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

Supplementary Information

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

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



CliftonLarsonAllen LLP

Austin, Minnesota
May 10, 2013

BASIC FINANCIAL STATEMENTS

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**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
ASSETS				
Cash and Cash Equivalents	\$ 2,296,445	\$ 1,013,478	\$ 3,309,923	\$ 992,997
Cash and Investments with Escrow Agent	1,179,764	1,162,122	2,341,886	-
Interest Receivable	588	870	1,458	-
Taxes Receivable	63,098	2,151	65,249	-
Accounts Receivable	244,966	31,987	276,953	597,911
Pledges Receivable	-	37,700	37,700	-
Special Assessments Receivable	65,597	16,228	81,825	-
Note Receivable	49,553	-	49,553	-
Lease Receivable	-	-	-	22,696
Other Receivables	-	-	-	450,059
Prepaid Expenses	-	-	-	40,246
Inventory	-	103,733	103,733	151,675
Land Held for Resale	247,063	-	247,063	-
Due from Component Unit	-	175,269	175,269	-
Deferred Charges	-	-	-	109,479
Restricted Assets	-	-	-	4,770,303
Capital Assets:				
Land	1,293,768	488,677	1,782,445	-
Other Capital Assets, Net of Depreciation	8,446,159	12,803,347	21,249,506	17,441,618
Deferred Bond Issuance Costs	172,620	114,871	287,491	-
Total Assets	<u>14,059,621</u>	<u>15,950,433</u>	<u>30,010,054</u>	<u>24,576,984</u>
LIABILITIES				
Accounts Payable	145,797	202,454	348,251	480,796
Accrued Interest Payable	74,256	82,479	156,735	-
Accrued Expenses	34,285	137,658	171,943	148,767
Customer Deposits Payable	-	-	-	74,475
Contracts Payable	-	-	-	552,333
Other Deposits Payable	-	-	-	79
Due to the Primary Government	-	-	-	175,269
Non-Current Liabilities:				
Due Within One Year	1,646,510	1,187,394	2,833,904	565,915
Due in More Than One Year	5,880,047	5,400,118	11,280,165	7,217,234
Total Liabilities	<u>7,780,895</u>	<u>7,010,103</u>	<u>14,790,998</u>	<u>9,214,868</u>
NET POSITION				
Net Investment in Capital Assets	5,100,780	8,829,447	13,930,227	9,900,475
Restricted for:				
Park Improvement	432,967	-	432,967	-
Street Improvement Projects	122,251	-	122,251	-
Debt Service	-	25,992	25,992	840,105
Capital Projects	466,730	-	466,730	-
Unrestricted	155,998	84,891	240,889	4,621,536
Total Net Position	<u>\$ 6,278,726</u>	<u>\$ 8,940,330</u>	<u>\$ 15,219,056</u>	<u>\$ 15,362,116</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 928,579	\$ 241,039	\$ -	\$ 30,000
Public Safety	1,351,920	91,880	78,867	10,291
Highways and Streets	515,241	43,110	-	1,079,577
Cemetery	19,414	-	-	-
Culture and Recreation	682,651	109,383	-	177,261
Economic Development	186,126	995	-	-
Interest on Long-Term Debt	215,248	-	-	-
Total Governmental Activities	<u>3,899,179</u>	<u>486,407</u>	<u>78,867</u>	<u>1,297,129</u>
Business-Type Activities:				
Water Fund	761,313	771,098	-	163,610
Wastewater Treatment Plant Fund	967,701	1,032,832	-	143,427
Sanitation Fund	11,754	30,228	-	-
City Center Fund	433,576	137,604	-	24,363
Municipal Liquor Fund	1,208,512	1,370,337	-	-
Airport Fund	134,060	58,387	57,477	-
Storm Water Management Fund	159,883	114,340	-	289,328
Total Business-Type Activities	<u>3,676,799</u>	<u>3,514,826</u>	<u>57,477</u>	<u>620,728</u>
Total Primary Government	<u>\$ 7,575,978</u>	<u>\$ 4,001,233</u>	<u>\$ 136,344</u>	<u>\$ 1,917,857</u>
Total Component Unit	<u>\$ 7,657,159</u>	<u>\$ 8,587,208</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 Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
\$ (657,540)	\$ -	\$ (657,540)	\$ -
(1,170,882)	-	(1,170,882)	-
607,446	-	607,446	-
(19,414)	-	(19,414)	-
(396,007)	-	(396,007)	-
(185,131)	-	(185,131)	-
(215,248)	-	(215,248)	-
<u>(2,036,776)</u>	<u>-</u>	<u>(2,036,776)</u>	<u>-</u>
-	173,395	173,395	-
-	208,558	208,558	-
-	18,474	18,474	-
-	(271,609)	(271,609)	-
-	161,825	161,825	-
-	(18,196)	(18,196)	-
-	243,785	243,785	-
<u>-</u>	<u>516,232</u>	<u>516,232</u>	<u>-</u>
(2,036,776)	516,232	(1,520,544)	-
			930,049
2,500,690	76,238	2,576,928	-
24,890	-	24,890	-
1,070,219	-	1,070,219	-
4,556	37,404	41,960	59,489
119,175	88,041	207,216	-
16,230	(16,230)	-	-
<u>3,735,760</u>	<u>185,453</u>	<u>3,921,213</u>	<u>59,489</u>
1,698,984	701,685	2,400,669	989,538
<u>4,579,742</u>	<u>8,238,645</u>	<u>12,818,387</u>	<u>14,372,578</u>
<u>\$ 6,278,726</u>	<u>\$ 8,940,330</u>	<u>\$ 15,219,056</u>	<u>\$ 15,362,116</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)

	2012		
	General	2007 Tax Increment Bond	Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,050,816	\$ 779	\$ 244,850
Cash and Investments with Escrow Agent	-	1,179,764	-
Accounts Receivable	15,983	-	228,984
Interest Receivable	-	588	-
Note Receivable	-	-	49,553
Taxes Receivable			
Current	21,855	-	10,415
Delinquent	20,526	-	10,302
Special Assessments Receivable			
Current	4,070	-	230
Deferred	15,514	-	45,783
Due from Other Funds	382,104	-	-
Land Held for Resale	-	-	247,063
Total Assets	<u>\$ 2,510,868</u>	<u>\$ 1,181,131</u>	<u>\$ 837,180</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 134,293	\$ 600	\$ 10,906
Retainages Payable	-	-	-
Accrued Expenses	34,285	-	-
Due to Other Funds	-	-	382,104
Deferred Revenue	36,040	-	105,638
Total Liabilities	<u>204,618</u>	<u>600</u>	<u>498,648</u>
FUND BALANCES			
Nonspendable	-	-	247,063
Restricted for:			
Park Improvement	432,967	-	-
Street Improvement Projects	-	-	122,251
Debt Service	-	1,180,531	42,911
Capital Projects	-	-	219,667
Committed for:			
Aquatic Center	-	-	1,637
Cable TV	-	-	18,788
Assigned for:			
Park Improvement	41,890	-	-
Charitable Gambling	837	-	-
Cemetery	87,265	-	-
Unassigned	1,743,291	-	(313,785)
Total Fund Balances	<u>2,306,250</u>	<u>1,180,531</u>	<u>338,532</u>
Total Liabilities and Fund Balances	<u>\$ 2,510,868</u>	<u>\$ 1,181,131</u>	<u>\$ 837,180</u>

See accompanying Notes to Financial Statements

<u>2012</u>		<u>2011</u>	
Total		Total	
Governmental		Governmental	
Funds		Funds	
\$	2,296,445	\$	2,682,545
	1,179,764		-
	244,967		60,155
	588		-
	49,553		-
	32,270		13,654
	30,828		24,388
	4,300		1,437
	61,297		115,042
	382,104		364,785
	247,063		261,563
<u>\$</u>	<u>4,529,179</u>	<u>\$</u>	<u>3,523,569</u>

\$	145,799	\$	133,492
	-		8,765
	34,285		28,598
	382,104		364,785
	141,678		139,428
<u>\$</u>	<u>703,866</u>	<u>\$</u>	<u>675,068</u>

	247,063		261,563
	432,967		534,120
	122,251		93,933
	1,223,442		6,369
	219,667		429,638
	1,637		1,799
	18,788		3,873
	41,890		39,035
	837		4,601
	87,265		96,640
	1,429,506		1,376,930
	3,825,313		2,848,501
<u>\$</u>	<u>4,529,179</u>	<u>\$</u>	<u>3,523,569</u>

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**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total Fund Balances for Governmental Funds \$ 3,825,313

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

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

Land	\$ 1,293,768	
Buildings, Net of Accumulated Depreciation	3,585,129	
Office Equipment and Furniture, Net of Accumulated Depreciation	29,231	
Vehicles, Net of Accumulated Depreciation	264,745	
Machinery and Shop Equipment, Net of Accumulated Depreciation	328,788	
Improvements Other than Buildings, Net of Accumulated Depreciation	2,201,987	
Infrastructure, Net of Accumulated Depreciation	<u>2,036,279</u>	9,739,927

Some of the City's property taxes, special assessments and notes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the governmental funds. 141,679

Bond issuance costs are reported as expenditures in the governmental funds. 172,620

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (74,256)

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

Bonds, Leases, Loans and		
Certificates of Participation Payable	(7,198,434)	
Other Postemployment Benefits Payable	(91,147)	
Compensated Absences Payable	<u>(236,976)</u>	<u>(7,526,557)</u>
Total Net Position of Governmental Activities		<u><u>\$ 6,278,726</u></u>

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	2012		
	General	2007 Tax Increment Bond	Other Governmental Funds
REVENUES			
Taxes	\$ 1,481,953	\$ -	\$ 1,054,167
Licenses and Permits	59,900	-	-
Intergovernmental	1,150,530	-	593,414
Charges for Services	138,271	-	77,385
Fines and Forfeits	26,284	-	-
Assessments	8,131	-	45,064
Interest Income	2,200	1,038	1,320
Contributions and Donations	91,676	-	-
Payment in Lieu of Taxes	77,500	-	-
Franchise Fees	10,495	-	24,890
Miscellaneous	141,916	-	18,054
Total Revenues	<u>3,188,856</u>	<u>1,038</u>	<u>1,814,294</u>
EXPENDITURES			
Current:			
General Government	755,549	35,259	10,979
Public Safety	1,249,332	-	-
Highways and Streets	389,848	-	53,650
Cemetery	19,414	-	-
Culture-Recreation	382,315	-	121,563
Economic Development	4,040	-	151,491
Miscellaneous	68,669	-	-
Capital Outlay:			
General Government	19,143	-	-
Public Safety	39,678	-	-
Highways and Streets	3,030	-	288,123
Culture-Recreation	179,245	-	-
Economic Development	-	-	223,149
Debt Service:			
Principal	208,027	100,000	829,141
Interest	43,441	65,081	123,198
Fiscal Charges	-	600	731
Total Expenditures	<u>3,361,731</u>	<u>200,940</u>	<u>1,802,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,875)	(199,902)	12,269
OTHER FINANCING SOURCES (USES)			
Transfers In	245,000	161,000	181,900
Transfers Out	(219,100)	-	(292,800)
Lease Proceeds	10,674	-	-
Bond Proceeds	-	1,220,000	315,000
Bond Discount	-	(1,089)	-
Proceeds from the Sale of Capital Assets	2,000	-	-
Insurance Proceeds	14,735	-	-
Payments to Bond Escrow Agent	-	-	(300,000)
Total Other Financing Sources (Uses)	<u>53,309</u>	<u>1,379,911</u>	<u>(95,900)</u>
Net Change in Fund Balances	(119,566)	1,180,009	(83,631)
Fund Balances - Beginning	2,425,816	522	422,163
Fund Balances - Ending	<u>\$ 2,306,250</u>	<u>\$ 1,180,531</u>	<u>\$ 338,532</u>

See accompanying Notes to Financial Statements

	2012	2011
	Total	Total
	Governmental Funds	Governmental Funds
\$	2,536,120	\$ 2,172,975
	59,900	39,506
	1,743,944	1,641,423
	215,656	281,102
	26,284	20,738
	53,195	50,587
	4,558	4,931
	91,676	615,126
	77,500	75,000
	35,385	32,246
	159,970	138,580
	<u>5,004,188</u>	<u>5,072,214</u>
	801,787	801,434
	1,249,332	1,202,251
	443,498	473,957
	19,414	20,322
	503,878	505,005
	155,531	54,618
	68,669	90,596
	19,143	5,894
	39,678	50,468
	291,153	179,451
	179,245	34,376
	223,149	-
	1,137,168	1,353,133
	231,720	294,882
	1,331	4,295
	<u>5,364,696</u>	<u>5,070,682</u>
	(360,508)	1,532
	587,900	584,200
	(511,900)	(431,819)
	10,674	-
	1,535,000	3,165,000
	(1,089)	(2,142)
	2,000	-
	14,735	908
	<u>(300,000)</u>	<u>(3,075,000)</u>
	<u>1,337,320</u>	<u>241,147</u>
	976,812	242,679
	2,848,501	2,605,822
\$	<u><u>3,825,313</u></u>	<u><u>\$ 2,848,501</u></u>

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**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ 976,812

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

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

Capital Outlay	\$ 705,065	
Contributed Capital Assets	563,866	
Proceeds from Sale of Capital Assets	(2,000)	
Depreciation Expense	<u>(457,586)</u>	809,345

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. (6,510)

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

Issuance of General Obligation Bonds	(1,535,000)	
Bond Discounts	1,089	
Bond Issuance Costs	43,246	
Lease Proceeds	(10,674)	
Repayment of Bond and Lease Principal	1,437,169	
Change in Accrued Interest	(984)	
Amortization of Bond Issuance Costs	(17,011)	
Amortization of Bond Premiums	87	
Amortization of Bond Discounts	(250)	
Amortization of Deferred Loss on Refunding	<u>(3,485)</u>	(85,813)

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

Deferred Revenue - December 31, 2011	139,428	
Deferred Revenue - December 31, 2012	<u>141,679</u>	2,251

In the Statement of Activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). 2,899

Change in Net Position of Governmental Activities \$ 1,698,984

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2012
 (WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 440,268	\$ 416,391	\$ 31,011
Cash and Investments with Escrow Agent	-	-	-
Interest Receivable	-	-	-
Accounts Receivable	1,560	2,514	2,964
Pledges Receivable	-	-	-
Taxes Receivable	-	-	-
Special Assessments Receivable	6,616	9,612	-
Inventory	-	-	-
Due from Other Funds	3,397	-	-
Due from Component Unit	63,240	97,874	2,529
Total Current Assets	<u>515,081</u>	<u>526,391</u>	<u>36,504</u>
NON-CURRENT ASSETS			
Capital Assets			
Land	46,628	291,500	-
Construction in Progress	-	-	-
Other Capital Assets (Net of Accumulated Depreciation)	2,689,254	4,617,091	-
Total Capital Assets	<u>2,735,882</u>	<u>4,908,591</u>	<u>-</u>
Other Assets			
Bond Issuance Costs	9,054	23,296	-
Total Other Assets	<u>9,054</u>	<u>23,296</u>	<u>-</u>
Total Non-Current Assets	<u>2,744,936</u>	<u>4,931,887</u>	<u>-</u>
Total Assets	<u>3,260,017</u>	<u>5,458,278</u>	<u>36,504</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	90,618	59,367	195
Accrued Interest Payable	2,846	5,197	-
Compensated Absences Payable	53,649	50,460	-
Accrued Expenses	5,747	4,313	-
Due to Other Funds	-	-	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	40,000	305,000	-
Total Current Liabilities	<u>192,860</u>	<u>424,337</u>	<u>195</u>
NON-CURRENT LIABILITIES			
Other Postemployment Benefits Payable	14,864	22,070	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	359,185	755,692	-
Total Noncurrent Liabilities	<u>374,049</u>	<u>777,762</u>	<u>-</u>
Total Liabilities	<u>566,909</u>	<u>1,202,099</u>	<u>195</u>
NET POSITION			
Net Investment in Capital Assets	2,336,697	3,847,899	-
Restricted for Debt Service	-	-	-
Unrestricted	356,411	408,280	36,309
Total Net Position	<u>\$ 2,693,108</u>	<u>\$ 4,256,179</u>	<u>\$ 36,309</u>

See accompanying Notes to Financial Statements

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2012 Total Proprietary Funds	2011 Total Proprietary Funds
\$ 76,591	\$ 40,253	\$ 8,964	\$ -	\$ 1,013,478	\$ 904,884
-	-	-	1,162,122	1,162,122	-
-	-	-	870	870	-
8,335	392	16,201	21	31,987	27,543
37,700	-	-	-	37,700	55,972
2,151	-	-	-	2,151	-
-	-	-	-	16,228	18,203
-	103,733	-	-	103,733	99,153
-	-	-	-	3,397	-
-	-	-	11,626	175,269	158,546
<u>124,777</u>	<u>144,378</u>	<u>25,165</u>	<u>1,174,639</u>	<u>2,546,935</u>	<u>1,264,301</u>
-	-	150,549	-	488,677	488,677
-	-	-	-	-	12,888
3,125,525	207,980	156,935	2,006,562	12,803,347	12,560,021
<u>3,125,525</u>	<u>207,980</u>	<u>307,484</u>	<u>2,006,562</u>	<u>13,292,024</u>	<u>13,061,586</u>
<u>27,302</u>	<u>-</u>	<u>-</u>	<u>55,219</u>	<u>114,871</u>	<u>97,585</u>
<u>27,302</u>	<u>-</u>	<u>-</u>	<u>55,219</u>	<u>114,871</u>	<u>97,585</u>
<u>3,152,827</u>	<u>207,980</u>	<u>307,484</u>	<u>2,061,781</u>	<u>13,406,895</u>	<u>13,159,171</u>
<u>3,277,604</u>	<u>352,358</u>	<u>332,649</u>	<u>3,236,420</u>	<u>15,953,830</u>	<u>14,423,472</u>
8,652	35,013	8,118	491	202,454	180,257
44,666	-	-	29,770	82,479	76,269
7,503	11,702	-	-	123,314	108,804
2,139	2,145	-	-	14,344	12,675
-	-	-	3,397	3,397	-
2,394	-	-	-	2,394	3,863
785,000	-	-	55,000	1,185,000	440,000
<u>850,354</u>	<u>48,860</u>	<u>8,118</u>	<u>88,658</u>	<u>1,613,382</u>	<u>821,868</u>
4,798	2,992	-	-	44,724	28,500
1,136	-	-	-	1,136	3,532
1,855,000	-	-	2,384,381	5,354,258	5,330,927
<u>1,860,934</u>	<u>2,992</u>	<u>-</u>	<u>2,384,381</u>	<u>5,400,118</u>	<u>5,362,959</u>
<u>2,711,288</u>	<u>51,852</u>	<u>8,118</u>	<u>2,473,039</u>	<u>7,013,500</u>	<u>6,184,827</u>
481,995	207,980	307,484	1,647,392	8,829,447	8,239,097
-	-	-	25,992	25,992	-
84,321	92,526	17,047	(910,003)	84,891	(452)
<u>\$ 566,316</u>	<u>\$ 300,506</u>	<u>\$ 324,531</u>	<u>\$ 763,381</u>	<u>\$ 8,940,330</u>	<u>\$ 8,238,645</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
 YEAR ENDED DECEMBER 31, 2012
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 768,745	\$ 1,006,756	\$ 6,898
Other Operating Revenues	2,353	26,076	23,330
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>771,098</u>	<u>1,032,832</u>	<u>30,228</u>
OPERATING EXPENSES			
Personal Services	324,244	313,689	9,499
Materials and Supplies	65,428	35,013	-
Repairs and Maintenance	17,896	146,909	-
Management Fees	14,718	9,774	1,699
Professional Services	37,808	62,345	-
Insurance	19,487	20,488	86
Utilities	62,205	95,969	465
Depreciation	82,737	230,997	-
Other	123,906	15,062	5
Total Operating Expenses	<u>748,429</u>	<u>930,246</u>	<u>11,754</u>
Operating Income (Loss)	22,669	102,586	18,474
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	1,420	3,627	-
Taxes	-	-	-
Federal Aid and Grants	-	-	-
State Aid and Grants	-	-	-
Donations	-	-	-
Insurance Proceeds	20,792	57,527	-
Interest on Investments	606	570	30
Interest Expense and Fiscal Charges	(11,920)	(31,250)	-
Amortization Expense	(964)	(6,205)	-
Total Nonoperating Revenues (Expenses)	<u>9,934</u>	<u>24,269</u>	<u>30</u>
Net Income (Loss) Before Contributions and Transfers	32,603	126,855	18,504
CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	162,190	139,800	-
Transfers In	13,507	8,863	-
Transfers Out	(28,106)	(25,000)	(3,000)
Total Contributions and Transfers	<u>147,591</u>	<u>123,663</u>	<u>(3,000)</u>
Change in Net Position	180,194	250,518	15,504
Net Position - Beginning	<u>2,512,914</u>	<u>4,005,661</u>	<u>20,805</u>
Net Position - Ending	<u>\$ 2,693,108</u>	<u>\$ 4,256,179</u>	<u>\$ 36,309</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2012 Total Proprietary Funds	2011 Total Proprietary Funds
\$ 65,370	\$ -	\$ 56,996	\$ 114,340	\$ 2,019,105	\$ 2,015,879
72,234	-	1,391	-	125,384	155,247
-	1,370,337	-	-	1,370,337	1,280,440
-	(1,034,936)	-	-	(1,034,936)	(973,379)
<u>137,604</u>	<u>335,401</u>	<u>58,387</u>	<u>114,340</u>	<u>2,479,890</u>	<u>2,478,187</u>
106,207	93,840	-	-	847,479	812,360
21,533	19,277	33,531	-	174,782	178,069
11,568	5,604	4,127	600	186,704	190,728
-	-	1,684	-	27,875	45,670
3,318	3,268	49,564	3,481	159,784	130,878
12,688	5,442	16,744	-	74,935	67,844
18,855	11,301	4,034	-	192,829	206,189
69,392	15,296	20,165	87,662	506,249	497,719
73,799	19,548	4,211	-	236,531	215,966
<u>317,360</u>	<u>173,576</u>	<u>134,060</u>	<u>91,743</u>	<u>2,407,168</u>	<u>2,345,423</u>
(179,756)	161,825	(75,673)	22,597	72,722	132,764
-	-	-	-	5,047	2,640
76,238	-	-	-	76,238	-
-	-	43,701	-	43,701	-
-	-	13,776	-	13,776	16,376
6,540	-	-	-	6,540	13,010
-	-	9,722	-	88,041	-
34,599	95	5	1,499	37,404	36,784
(111,101)	-	-	(65,187)	(219,458)	(223,343)
(5,115)	-	-	(2,953)	(15,237)	(3,918)
<u>1,161</u>	<u>95</u>	<u>67,204</u>	<u>(66,641)</u>	<u>36,052</u>	<u>(158,451)</u>
(178,595)	161,920	(8,469)	(44,044)	108,774	(25,687)
17,823	-	-	289,328	609,141	-
160,000	-	-	40,506	222,876	85,419
-	(174,000)	-	(9,000)	(239,106)	(237,800)
<u>177,823</u>	<u>(174,000)</u>	<u>-</u>	<u>320,834</u>	<u>592,911</u>	<u>(152,381)</u>
(772)	(12,080)	(8,469)	276,790	701,685	(178,068)
<u>567,088</u>	<u>312,586</u>	<u>333,000</u>	<u>486,591</u>	<u>8,238,645</u>	<u>8,416,713</u>
<u>\$ 566,316</u>	<u>\$ 300,506</u>	<u>\$ 324,531</u>	<u>\$ 763,381</u>	<u>\$ 8,940,330</u>	<u>\$ 8,238,645</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2012
 (WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 761,678	\$ 1,026,643	\$ 30,085
Cash Paid to Suppliers	(317,687)	(349,921)	(2,181)
Cash Paid to Employees	(302,123)	(336,153)	(9,499)
Net Cash Provided (Used) by Operating Activities	<u>141,868</u>	<u>340,569</u>	<u>18,405</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(25,000)	(25,000)	(3,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(25,000)</u>	<u>(25,000)</u>	<u>(3,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer to Other Funds	(3,106)	-	-
Proceeds from the Sale of Bonds	410,000	-	-
Principal Paid on Bonds	(425,000)	(285,000)	-
Principal Paid on Capital Leases	-	-	-
Collection of Special Assessments	2,743	4,279	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(15,372)	(27,237)	-
Acquisition of Capital Assets	(13,387)	(51,284)	-
Deposits on Refunding Bonds	-	-	-
Bond Issuance Costs	(9,728)	-	-
Capital Contributions Received	-	-	-
Insurance Proceeds	20,792	57,527	-
Purchase of Investments	-	-	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(33,058)</u>	<u>(301,715)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	606	570	30
Net Increase (Decrease) in Cash and Cash Equivalents	<u>84,416</u>	<u>14,424</u>	<u>15,435</u>
Cash and Cash Equivalents - January 1	<u>355,852</u>	<u>401,967</u>	<u>15,576</u>
Cash and Cash Equivalents - December 31	<u>\$ 440,268</u>	<u>\$ 416,391</u>	<u>\$ 31,011</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 22,669	\$ 102,586	\$ 18,474
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	82,737	230,997	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	483	3,141	(12)
(Increase) Decrease in Due from Other Funds	(3,397)	-	-
(Increase) Decrease in Due from Component Unit	(6,506)	(9,330)	(131)
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	9,043	25,865	74
Increase (Decrease) in Retainages Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	30,571	(21,302)	-
Increase in Due to Other Funds	-	-	-
Increase in OPEB Payable	5,112	8,905	-
Increase (Decrease) in Accrued Expenses	1,156	(293)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 141,868</u>	<u>\$ 340,569</u>	<u>\$ 18,405</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Bond Issuance Costs	\$ 964	\$ 6,205	\$ -
Transfer of Capital Assets	13,507	8,863	-
Capital Contributions	162,190	139,800	-

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2012	2011
				Total Proprietary Funds	Total Proprietary Funds
\$ 135,971 (136,884) (97,859) <u>(98,772)</u>	\$ 1,370,115 (1,114,373) (93,934) <u>161,808</u>	\$ 52,186 (116,336) (1,684) <u>(65,834)</u>	\$ 113,584 (3,803) - <u>109,781</u>	\$ 3,490,262 (2,041,185) (841,252) <u>607,825</u>	\$ 3,806,729 (2,456,859) (838,987) <u>510,883</u>
160,000 - <u>160,000</u>	- (174,000) <u>(174,000)</u>	- - -	- (9,000) <u>(9,000)</u>	160,000 (236,000) <u>(76,000)</u>	85,419 (237,800) <u>(152,381)</u>
- - (70,000) (3,865) - 74,087 (111,785) - - - 24,812 - 34,680 - -	- - - - - - - - - - - - - -	- - - - - - - 9,722 - - 43,701 13,776	- - 1,193,244 (55,000) - - (53,210) - - (28,352) - (1,162,122) - -	(3,106) 1,603,244 (835,000) (3,865) 7,022 74,087 (207,604) (64,671) - (38,080) 24,812 88,041 (1,162,122) 34,680 43,701 13,776	- 1,355,000 (1,700,000) (3,710) 12,297 - (228,209) (54,133) (16,040) (25,595) 624,027 - - 34,906 10,000 16,376
(52,071) <u>(81)</u>	- 95	67,199 5	(105,440) 629	(425,085) 1,854	24,919 1,878
9,076 67,515 <u>\$ 76,591</u>	(12,097) 52,350 <u>\$ 40,253</u>	1,370 7,594 <u>\$ 8,964</u>	(4,030) 4,030 <u>\$ -</u>	108,594 904,884 <u>\$ 1,013,478</u>	385,299 519,585 <u>\$ 904,884</u>
\$ (179,756)	\$ 161,825	\$ (75,673)	\$ 22,597	\$ 72,722	\$ 132,764
69,392 (1,633) - - 4,877 6,749 - 1,044 555 <u>(98,772)</u>	15,296 (222) - (4,580) (10,418) (1,508) - 1,163 252 <u>161,808</u>	20,165 (6,201) - - (4,125) - - - - <u>(65,834)</u>	87,662 - - (756) - (3,119) - 3,397 - <u>109,781</u>	506,249 (4,444) (3,397) (16,723) (4,580) 22,197 - 14,510 3,397 16,224 1,670 <u>607,825</u>	497,719 (12,976) 362,434 5,705 10,885 (72,671) (69,586) 7,132 (362,434) 11,619 292 <u>510,883</u>
\$ 5,115 - 17,823	\$ - - -	\$ - - -	\$ 2,953 40,506 289,328	\$ 15,237 62,876 609,141	\$ 13,918 - -

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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

Discrete Presentation

Light and Power Commission

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

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

Excluded Units -

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

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

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

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

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

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

Wastewater Treatment Plant Fund – This accounts for the 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.

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

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Net Position or Fund Balance

Cash and Cash Equivalents

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

Cash and Investments with Escrow Agent

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

Taxes and Special Assessments

Current taxes and special assessments receivable at December 31, 2012, 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 2012 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 collectability. The amount of uncollectible accounts is not considered significant.

Pledges Receivable

Pledges receivable consist of donations committed for the completion of the City Center Project. These pledges receivable are due in 2013. There is no allowance for uncollectible pledges as this amount 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.

Land Held for Resale

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

Capital Assets

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

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

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

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, delinquent taxes and notes receivable.

Compensated Absences

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

Other Postemployment Benefits Payable

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

Long-Term Obligations

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

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 Balance

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

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

Interfund Receivables and Payables

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

Property Tax Revenue Recognition

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

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

Net Position

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

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2012.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 3,114,283	\$ 3,361,731

C. Deficit Fund Balances

Certain funds had deficit fund balances at December 31, 2012, as follows:

Debt Service Funds	
City Sinking	\$ (23,116)
Willow Ridge 1st Addition	(42,945)
2001 N. Country V/Popelka	(75,321)
County State Aid Hwy #3	(55,923)
2004 N. Country/Glenknoll Area	(47,360)
2004 Street Improvement Bond	(69,120)

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. The City’s deposits were not exposed to custodial credit risk at December 31, 2012.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

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

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

The City's deposits in the depository banks at December 31, 2012 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

The Light and Power Commission's deposits in the depository banks at December 31, 2012 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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

Investments

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At December 31, 2012, the City had the following investments:

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

Type	Total	12 Months or Less	13 to 24 Months
US Treasury Department	\$ 1,948,085	\$ 37,182	\$ 1,910,903

At December 31, 2012, the Light and Power Commission had no investments.

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

Deposits	\$ 3,703,724
United States Treasury Securities (SLGS)	<u>1,948,085</u>
Total Cash and Cash Equivalents and Investments	<u>\$ 5,651,809</u>

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

Cash and Cash Equivalents - Governmental Activities	\$ 2,296,445
Cash and Investments with Escrow Agent - Governmental Activities	1,179,764
Cash and Cash Equivalents - Business-Type Activities	1,013,478
Cash and Investments with Escrow Agent - Business-Type Activities	<u>1,162,122</u>
	<u>\$ 5,651,809</u>

NOTE 4 NOTE RECEIVABLE

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 1,272,268	\$ 21,500	\$ -	\$ -	\$ 1,293,768
Construction in Progress	241,247	-	(241,247)	-	-
Total Capital Assets, Not Being Depreciated	1,513,515	21,500	(241,247)	-	1,293,768
Capital Assets, Being Depreciated:					
Buildings	4,367,750	133,448	(13,667)	-	4,487,531
Improvements Other than Buildings	2,869,940	623,633	-	-	3,493,573
Office Equipment and Furniture	68,784	-	-	-	68,784
Vehicles	1,625,530	-	-	-	1,625,530
Machinery and Shop Equipment	810,966	30,734	(11,305)	-	830,395
Infrastructure	7,731,101	700,863	-	-	8,431,964
Total Capital Assets, Being Depreciated	17,474,071	1,488,678	(24,972)	-	18,937,777
Accumulated Depreciation:					
Buildings	(819,104)	(92,223)	8,925	-	(902,402)
Improvements Other than Buildings	(1,164,809)	(126,777)	-	-	(1,291,586)
Office Equipment and Furniture	(33,277)	(6,276)	-	-	(39,553)
Vehicles	(1,294,875)	(65,910)	-	-	(1,360,785)
Machinery and Shop Equipment	(451,685)	(57,459)	7,537	-	(501,607)
Infrastructure	(6,286,744)	(108,941)	-	-	(6,395,685)
Total Accumulated Depreciation	(10,050,494)	(457,586)	16,462	-	(10,491,618)
Total Capital Assets, Being Depreciated, Net	7,423,577	1,031,092	(8,510)	-	8,446,159
Governmental Activities Capital Assets, Net	<u>\$ 8,937,092</u>	<u>\$ 1,052,592</u>	<u>\$ (249,757)</u>	<u>\$ -</u>	<u>\$ 9,739,927</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 50,198
Public Safety	68,417
Public Works	188,943
Culture and Recreation	150,028
Total Depreciation Expense, Governmental Activities	<u>\$ 457,586</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-Type Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 488,677	\$ -	\$ -	\$ -	\$ 488,677
Construction in Progress	12,888	-	(12,888)	-	-
Total Capital Assets, Not Being Depreciated	501,565	-	(12,888)	-	488,677
Capital Assets, Being Depreciated:					
Buildings	10,248,991	17,822	-	-	10,266,813
Improvements Other than Buildings	1,205,527	-	-	-	1,205,527
Vehicles	161,572	-	-	-	161,572
Office Equipment and Furniture	76,430	-	-	-	76,430
Machinery and Shop Equipment	1,323,986	64,523	(16,200)	-	1,372,309
Infrastructure	8,896,077	667,230	-	-	9,563,307
Total Capital Assets, Being Depreciated	21,912,583	749,575	(16,200)	-	22,645,958
Accumulated Depreciation:					
Buildings	(3,757,979)	(211,507)	-	-	(3,969,486)
Improvements Other than Buildings	(978,317)	(18,005)	-	-	(996,322)
Vehicles	(151,376)	(4,078)	-	-	(155,454)
Office Equipment and Furniture	(27,931)	(5,593)	-	-	(33,524)
Machinery and Shop Equipment	(1,001,098)	(70,706)	16,200	-	(1,055,604)
Infrastructure	(3,435,861)	(196,360)	-	-	(3,632,221)
Total Accumulated Depreciation	(9,352,562)	(506,249)	16,200	-	(9,842,611)
Total Capital Assets, Being Depreciated, Net	12,560,021	243,326	-	-	12,803,347
Business-Type Capital Assets, Net	<u>\$ 13,061,586</u>	<u>\$ 243,326</u>	<u>\$ (12,888)</u>	<u>\$ -</u>	<u>\$13,292,024</u>

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2012 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 382,104	\$ -
Nonmajor Governmental Funds	-	382,104
Water Fund	3,397	-
Storm Water Management Fund	-	3,397
Total	<u>\$ 385,501</u>	<u>\$ 385,501</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2012:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities -							
<u>General Obligation Bonds</u>							
\$700,000 G.O. Tax Increment Bonds of 2003 - Series 2003G These Bonds were Refunded on 6/1/12	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	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
\$610,000 G.O. Taxable Tax Increment Bonds - Series 2007B These Bonds will be Refunded with Refunding Bonds Issued During 2012	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	490,000	-	(50,000)	440,000	440,000
\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion	2.75% - 4.00%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/19	535,000	-	(55,000)	480,000	60,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/17	460,000	-	(75,000)	385,000	75,000
\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B	1.10% - 2.85%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/19	455,000	-	(50,000)	405,000	55,000
\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B \$315,000 Portion	.50% - 2.10%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/19	-	315,000	-	315,000	105,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities - (Continued)							
<u>General Obligation Bonds (Continued)</u>							
\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B \$410,000 Portion	.50% - 2.10%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19	\$ -	\$ 410,000	\$ -	\$ 410,000	\$ -
Total General Obligation Bonds			2,340,000	725,000	(630,000)	2,435,000	735,000
<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	49,479	-	(32,730)	16,749	16,749
Total General Obligation Equipment Certificates of Indebtedness			49,479	-	(32,730)	16,749	16,749
<u>Special Assessment Bonds</u>							
\$215,000 G.O. Improvement Bonds of 2002	4.00% - 4.80%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/13	50,000	-	(25,000)	25,000	25,000
\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A \$1,015,000 Portion These Bonds will be Refunded with Refunding Bonds Issued During 2012	4.00% - 4.35%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	915,000	-	(50,000)	865,000	50,000
\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A	2.85% - 4.20%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/24	1,290,000	-	(80,000)	1,210,000	80,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 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 Bonds - Series 2008B \$215,000 Portion	2.75% - 4.00%	Interest due semi- annually on 12/1 and and 6/1 and principal due annually on 12/1 until 12/1/14	\$ 100,000	\$ -	\$ (30,000)	\$ 70,000	\$ 35,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$150,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	75,000	-	(75,000)	-	-
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$125,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	85,000	-	(40,000)	45,000	45,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$125,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	85,000	-	(40,000)	45,000	45,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	645,000	-	(135,000)	510,000	90,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	400,000	-	(55,000)	345,000	55,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<u>Special Assessment Bonds (Continued)</u>							
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$275,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	\$ 210,000	\$ -	\$ (65,000)	\$ 145,000	\$ 70,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$230,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and and 12/1 and principal due annually on 12/1 until 12/1/22	175,000	-	(50,000)	125,000	60,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/28	-	810,000	-	810,000	-
Total Special Assessment Bonds			4,030,000	810,000	(645,000)	4,195,000	555,000
Total Bonds Payable			6,419,479	1,535,000	(1,307,730)	6,646,749	1,306,749
Capital Leases Payable							
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	493,047	-	(42,871)	450,176	44,770
2007 Bobcat Toolcat This Lease was Paid Off in 2012	7.45%	Lease payments of \$6,625 due annually on 1/24 until 1/24/12	6,214	-	(6,214)	-	-
2007 John Deere Wheel Loader This Lease was Paid Off in 2012	6.25%	Lease payments of \$22,269 due annually on 5/10 until 5/10/12	20,923	-	(20,923)	-	-

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Heritage Series Tanker/Pumper	4.69%	Lease payments of \$46,999 due annually on 11/5 until 11/5/14	\$ 128,736	\$ -	\$ (40,961)	\$ 87,775	\$ 42,882
Audio/Video System This Lease was Paid Off in 2012	8.34%	Lease payments of \$1,768 due monthly until 5/31/12	4,141	-	(4,141)	-	-
2010 John Deere Mower This Lease was Paid Off in 2012	0.00%	Lease payments of \$398 due monthly until 5/3/12	1,990	-	(1,990)	-	-
Phone System	16.25%	Lease payments of \$991 due monthly until 8/1/14	25,598	-	(8,336)	17,262	9,796
2012 John Deere Mower	0.00%	Lease payments of \$445 due monthly until 3/19/14	-	10,674	(4,003)	6,671	5,337
Total Capital Leases Payable			<u>680,649</u>	<u>10,674</u>	<u>(129,439)</u>	<u>561,884</u>	<u>102,785</u>
Unamortized Bond Discount			(1,933)	(1,089)	250	(2,772)	-
Unamortized Bond Premium			1,371	-	(87)	1,284	-
Deferred Loss on Refunding			(12,196)	-	3,485	(8,711)	-
Compensated Absences Payable			273,642	236,976	(273,642)	236,976	236,976
Other Postemployment Benefits Payable			57,380	33,767	-	91,147	-
Total Governmental Activities Long-Term Liabilities			<u>\$ 7,418,392</u>	<u>\$ 1,815,328</u>	<u>\$ (1,707,163)</u>	<u>\$ 7,526,557</u>	<u>\$ 1,646,510</u>
Business-Type Activities							
\$580,000 G.O. Water Revenue Bonds of 2005 - Series 2005A These Bonds were Refunded on 6/1/12	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	\$ 425,000	\$ -	\$ (425,000)	\$ -	\$ -

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
\$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	\$ 1,300,000	\$ -	\$ (55,000)	\$ 1,245,000	\$ 55,000
These Bonds will be Refunded with Refunding Bonds Issued During 2012							
\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A	1.85% - 6.30%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/31	2,000,000	-	(70,000)	1,930,000	75,000
\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B	4.00%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/21	270,000	-	(20,000)	250,000	20,000
\$710,000 Temporary Gross Revenue Event Facility Bonds - Series 2010C	1.70%	Interest due semi-annually on 3/1 and 9/1 and principal due on 9/1/13	710,000	-	-	710,000	710,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$975,000 Portion	.55% - 3.45%	Interest due semi-annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	735,000	-	(235,000)	500,000	255,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion	.55% - 3.45%	Interest due semi-annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	350,000	-	(30,000)	320,000	30,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$410,000 Portion	.55% - 2.75%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/21	-	410,000	-	410,000	40,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and and 8/1 and principal due annually on 2/1 until 2/1/28	\$ -	\$ 1,195,000	\$ -	\$ 1,195,000	\$ -
Total Bonds Payable			5,790,000	1,605,000	(835,000)	6,560,000	1,185,000
Dishwasher	0.00%	Lease payments of \$67 due monthly until 5/1/15	2,741	-	(802)	1,939	803
Hillyard Scrubber/Carpet	5.27%	Lease payments of \$1,634 due semi- annually until 2/1/13	4,654	-	(3,063)	1,591	1,591
Total Capital Leases			7,395	-	(3,865)	3,530	2,394
Other Postemployment Benefits Payable			28,500	16,224	-	44,724	-
Unamortized Bond Premium			1,144	-	(73)	1,071	-
Unamortized Bond Discount			(7,203)	(1,757)	6,519	(2,441)	-
Deferred Loss on Refunding			(13,014)	(11,620)	5,262	(19,372)	-
Total Business-Type Long-Term Liabilities			<u>\$ 5,806,822</u>	<u>\$ 1,607,847</u>	<u>\$ (827,157)</u>	<u>\$ 6,587,512</u>	<u>\$ 1,187,394</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,306,749	\$ 191,086	\$ 1,185,000	\$ 215,056	\$ 2,491,749	\$ 406,142
2014	1,535,000	146,864	1,605,000	190,075	3,140,000	336,939
2015	595,000	99,879	260,000	133,537	855,000	233,416
2016	620,000	87,696	255,000	128,397	875,000	216,093
2017	630,000	73,174	260,000	122,498	890,000	195,672
2018 - 2022	1,360,000	184,449	1,360,000	495,274	2,720,000	679,723
2023 - 2027	535,000	37,520	1,005,000	285,164	1,540,000	322,684
2028 - 2031	65,000	894	630,000	69,379	695,000	70,273
Total	<u>\$ 6,646,749</u>	<u>\$ 821,562</u>	<u>\$ 6,560,000</u>	<u>\$ 1,639,380</u>	<u>\$ 13,206,749</u>	<u>\$ 2,460,942</u>

On June 1, 2012, the City of Glencoe issued \$2,415,000 of General Obligation Refunding Bonds, Series 2012A. The proceeds of the issue were used to refund, in advance of their stated maturities, the remaining maturities of the City's General Obligation Water Revenue Bonds, Series 2005A and General Obligation Sewer Revenue and Improvement Bonds, Series 2007A. The maturities of the General Obligation Sewer Revenue and Improvement Bonds, Series 2007A are scheduled to mature in 2014 through 2028. This portion of the refunding is considered an advance crossover refunding. The proceeds of this portion of the refunding bonds were placed into an escrow account pending the call date of the old bonds which is February 1, 2014. Assets of various Debt Service Funds, together with scheduled ad valorem taxes, and assets and revenues of the Water Fund and Storm Water Management Fund are dedicated to retire these bonds. This refunding resulted in an economic savings of \$267,771 for the City, with a present value of \$232,204.

On June 1, 2012, the City of Glencoe issued \$725,000 of Taxable General Obligation Tax Increment Refunding Bonds, Series 2012B. The proceeds of the issue were used to refund, in advance of their stated maturities, the remaining maturities of the City's Taxable General Obligation Tax Increment Bonds, Series 2003G and Taxable General Obligation Tax Increment Bonds, Series 2007B. The maturities of the Taxable General Obligation Tax Increment Bonds, Series 2007B are scheduled to mature in 2013 through 2019. This portion of the refunding is considered an advance crossover refunding. The proceeds of this portion of the refunding bonds were placed into an escrow account pending the call date of the old bonds which is February 1, 2013. Assets of various Debt Service Funds, together with scheduled ad valorem taxes are dedicated to retire these bonds. This refunding resulted in an economic savings of \$77,889 for the City, with a present value of \$72,949.

In 2012 and prior years, the City of Glencoe entered into lease agreements as a lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital assets related to the capital leases have a cost of \$789,983 and \$234,736 of accumulated depreciation at December 31, 2012.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2012 are as follows:

Year Ending December 31	Capital Leases Payable
2013	\$ 130,667
2014	121,364
2015	64,337
2016	64,002
2017	64,002
2018 - 2021	224,009
Total Minimum Lease Payments	668,381
Less Amount Representing Interest	102,967
Present Value of Minimum Lease Payments	\$ 565,414

Conduit Debt

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, 2012, the principal amount outstanding was \$23,245,000.

Limited Pay-As-You-Go Note

The City of Glencoe has issued a Limited Revenue Pay-As-You-Go Note for the purpose of financing a tax increment project. This note is not a general obligation of the City as it is payable only to the extent of future tax increments received. The balance as of December 31, 2012 was \$347,748.

NOTE 8 OPERATING LEASES

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

Year Ending December 31,	
2013	\$ 19,008
2014	5,973
2015	5,308
2016	5,308
2017	1,769
	\$ 37,366

The City had \$43,045 of expenditures for these leases in 2012.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 9 RESTRICTED FUND BALANCES

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

A. Restricted for Park Improvement

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

B. Restricted for Street Improvement Projects

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

C. Restricted for Debt Service

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

D. Restricted for Capital Projects

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

NOTE 10 COMMITTED FUND BALANCES

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

A. Committed for Aquatic Center

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

B. Committed for Cable TV

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 11 ASSIGNED FUND BALANCES

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

A. Assigned for Park Improvement

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

B. Assigned for Charitable Gambling

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

C. Assigned for Cemetery

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

NOTE 12 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Descriptions

All full-time and certain part-time employees of the City of Glencoe, MN are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 12 DEFINED BENEFIT PENSION PLANS - STATEWIDE (CONTINUED)

Plan Descriptions (Continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60% of their annual covered salary in 2012. In 2012, the City of Glencoe, MN was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members and 14.40% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$85,502, \$87,078, and \$77,413, respectively. The City's contributions to Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011, and 2010, were \$70,038, \$68,591, and \$72,199, 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 for the years ended December 31, 2012, 2011, and 2010 were \$68,789, \$68,795, and \$68,779, respectively.

NOTE 13 DEFERRED COMPENSATION PLAN

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

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

B. Funding Policy

Contributions requirements are also negotiated between the City and union representatives. The City contributes 100 percent of the cost of current-year premiums for eligible retired plan members. For fiscal year 2012, the City contributed \$1,137 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 52,660
Interest on Net OPEB Obligation	3,435
Adjustment to Annual Required Contribution	<u>(4,966)</u>
Annual OPEB Cost (Expense)	51,129
Contributions Made	<u>1,137</u>
Increase in Net OPEB Obligation	49,992
Net OPEB Obligation - Beginning of Year	<u>85,879</u>
Net OPEB Obligation - End of Year	<u><u>\$ 135,871</u></u>

The City’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 51,129	0.02%	\$ 135,871
12/31/2011	29,382	0.00%	85,879
12/31/2010	28,881	0.00%	56,497

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress

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

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

E. Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

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

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 14 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Methods and Assumptions (Continued)

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4 percent was used. In addition, the Projected Unit Credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at December 31, 2012, did not exceed 30 years.

NOTE 15 FRANCHISE TO CITY

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

Beginning in 1998, the Commission and the City of Glencoe agreed that the annual transfers in lieu of taxes would be \$50,000. Starting in 2011, this amount increased to \$75,000. In addition, the Commission approved a \$2,500 increase starting in 2012 for five consecutive years. In addition, the Commission provided street lights and street light maintenance in the amount of \$41,934 for 2012.

NOTE 16 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance policies to handle any losses arising from various risks. There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three years.

NOTE 17 CONTINGENT LIABILITIES

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

The City has been named in a lawsuit along with McLeod County and West Central Sanitation regarding a fall by a citizen at the McLeod County owned Recycling Plant. The preliminary investigation and discovery phases are completed. There is a summary judgment motion scheduled on June 27, 2013. The City is currently unable to estimate a liability, if any, that would result from this matter.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 17 CONTINGENT LIABILITIES (CONTINUED)

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

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

NOTE 18 RECONCILIATION OF OPERATING TRANSFERS

	Transfers In	Transfers Out
Governmental Fund Types		
General Fund	\$ 248,106	\$ (219,100)
2007 Tax Increment Bond	161,000	-
Nonmajor Governmental Funds	181,900	(355,676)
Total Governmental Funds	591,006	(574,776)
Proprietary Fund Types		
Water Fund	13,507	(28,106)
Wastewater Treatment Plant	8,863	(25,000)
Sanitation	-	(3,000)
City Center	160,000	-
Liquor Store	-	(174,000)
Storm Water Management	40,506	(9,000)
Total Proprietary Funds	222,876	(239,106)
Total Operating Transfers	\$ 813,882	\$ (813,882)

Throughout the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. Other transfers were made between funds for deficit reduction, funding debt payments and paying for management services provided by City Administrative staff. \$62,876 of the transfers out from the Nonmajor Governmental Funds was for the contributions of capital assets to other funds. Accordingly, these are recorded as transfers in of \$13,507 in the Water Fund, \$8,863 in the Wastewater Treatment Plant Fund and \$40,506 in the Storm Water Management Fund, respectively. \$3,106 of the transfers out from the Water Fund was for the contribution of capital assets to the General Fund. Accordingly, there is no transfer or contribution of \$3,106 recorded in the General Fund because it is a Governmental Fund.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget Positive (Negative)	2011 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,470,000	\$ 1,470,000	\$ 1,481,953	\$ 11,953	\$ 1,288,714
Special Assessments	5,372	5,372	8,131	2,759	2,494
Franchise Taxes	11,000	11,000	10,495	(505)	9,178
Total Taxes	<u>1,486,372</u>	<u>1,486,372</u>	<u>1,500,579</u>	<u>14,207</u>	<u>1,300,386</u>
Licenses and Permits	45,000	45,000	59,900	14,900	39,506
Intergovernmental -					
Local Government Aid	1,063,153	1,063,153	1,063,153	-	1,063,153
Market Value Credit Aid	3,000	3,000	9	(2,991)	54,812
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,491
Police State Aid	60,000	60,000	51,780	(8,220)	59,869
Fire State Aid	32,400	32,400	27,087	(5,313)	30,371
Miscellaneous State Aid	2,000	2,000	4,010	2,010	8,841
Miscellaneous Federal Aid	-	-	-	-	25,010
Total Intergovernmental	<u>1,165,053</u>	<u>1,165,053</u>	<u>1,150,530</u>	<u>(14,523)</u>	<u>1,246,547</u>
Charges for Services -					
Special Services, Police	10,000	10,000	13,171	3,171	41,048
Special Services, Fire	43,260	43,260	35,322	(7,938)	47,626
Miscellaneous Charges	46,000	46,000	89,778	43,778	104,384
Total Charges for Services	<u>99,260</u>	<u>99,260</u>	<u>138,271</u>	<u>39,011</u>	<u>193,058</u>
Fines and Forfeits	30,000	30,000	26,284	(3,716)	20,738
Interest	15,500	15,500	2,200	(13,300)	2,904
Contributions and Donations	6,000	6,000	91,676	85,676	615,126
Payments in Lieu of Taxes	85,000	85,000	77,500	(7,500)	75,000
Miscellaneous -					
Park Fees	13,000	13,000	14,317	1,317	11,977
Reimbursements, Refunds and Miscellaneous	43,000	43,000	127,599	84,599	117,915
Total Miscellaneous	<u>56,000</u>	<u>56,000</u>	<u>141,916</u>	<u>85,916</u>	<u>129,892</u>
Total Revenues	<u>2,988,185</u>	<u>2,988,185</u>	<u>3,188,856</u>	<u>200,671</u>	<u>3,623,157</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget Positive (Negative)	2011 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 165,511	\$ 165,511	\$ 165,151	\$ 360	\$ 164,786
Employee Benefits	59,182	59,182	47,378	11,804	51,474
Payroll Taxes	10,262	10,262	9,758	504	9,619
Workers' Compensation	2,000	2,000	1,712	288	1,825
Office Supplies	9,500	9,500	4,878	4,622	6,209
Printing and Binding	3,400	3,400	2,388	1,012	3,199
Repairs and Maintenance	11,200	11,200	4,721	6,479	10,706
Professional Services	30,000	30,000	73,344	(43,344)	84,815
Auditing and Accounting	36,000	36,000	34,045	1,955	32,110
Legal Fees	16,000	16,000	32,316	(16,316)	13,415
Chamber	32,000	32,000	33,818	(1,818)	32,856
Computer Software	2,000	2,000	1,281	719	2,036
Telephone	7,000	7,000	3,462	3,538	1,909
Postage	3,600	3,600	3,499	101	3,866
Advertising	2,000	2,000	2,700	(700)	3,466
Travel	2,500	2,500	2,713	(213)	3,163
Training	1,500	1,500	645	855	981
Insurance	17,000	17,000	20,728	(3,728)	19,196
Utilities	102,000	102,000	76,477	25,523	78,521
Subscriptions	200	200	399	(199)	300
Continuing Education and Dues	1,000	1,000	768	232	943
League of Minnesota Cities	11,000	11,000	13,454	(2,454)	13,276
Capital Lease Principal	51,208	51,208	51,208	-	27,843
Capital Lease Interest	24,687	24,687	24,687	-	16,050
Capital Outlay	2,000	2,000	19,143	(17,143)	5,894
Miscellaneous	3,600	3,600	4,268	(668)	6,319
Total Administration	606,350	606,350	634,941	(28,591)	594,777
Finance:					
Salaries	117,042	117,042	118,084	(1,042)	115,331
Employee Benefits	46,183	46,183	41,971	4,212	42,204
Payroll Taxes	7,257	7,257	6,538	719	6,367
Office Supplies	2,000	2,000	1,031	969	898
Printing and Binding	500	500	532	(32)	530
Repairs and Maintenance	500	500	172	328	-
Computer Software	3,800	3,800	3,818	(18)	3,766
Postage	-	-	6	(6)	6
Travel	500	500	680	(180)	110
Continuing Education & Dues	200	200	35	165	70
Subscriptions	50	50	-	50	-
Capital Outlay	2,000	2,000	-	2,000	-
Training	500	500	295	205	100
Miscellaneous	400	400	218	182	186
Total Finance	180,932	180,932	173,380	7,552	169,568

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Expenditures: - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 26,100	\$ 26,100	\$ 26,100	\$ -	\$ 29,775
Employee Benefits	1,305	1,305	1,305	-	1,532
Payroll Taxes	378	378	379	(1)	432
Workers' Compensation	-	-	49	(49)	57
Insurance	700	700	-	700	626
Office Supplies	500	500	-	500	221
Travel	1,200	1,200	-	1,200	1,176
Training	2,000	2,000	2,182	(182)	1,067
Dues and Subscriptions	-	-	180	(180)	2,500
Miscellaneous	12,660	12,660	12,071	589	3,300
Total City Council	<u>44,843</u>	<u>44,843</u>	<u>42,266</u>	<u>2,577</u>	<u>40,686</u>
Total General Government	832,125	832,125	850,587	(18,462)	805,031
Public Safety -					
Police Department:					
Salaries	563,062	563,062	573,854	(10,792)	546,823
Employee Benefits	251,363	251,363	236,666	14,697	235,625
Payroll Taxes	3,974	3,974	4,150	(176)	3,811
Workers' Compensation	19,000	19,000	16,383	2,617	17,586
Supplies	10,200	10,200	8,350	1,850	9,378
Motor Fuels	17,000	17,000	13,218	3,782	17,067
Repairs and Maintenance	29,500	29,500	29,418	82	26,362
Training	13,500	13,500	11,527	1,973	10,031
Continuing Education and Dues	1,000	1,000	225	775	490
Investigation	3,500	3,500	3,364	136	2,724
Vaccinations	500	500	230	270	-
Telephone	12,000	12,000	10,698	1,302	12,118
Printing and Binding	500	500	64	436	-
Insurance	12,223	12,223	11,568	655	11,015
Legal Fees	22,000	22,000	22,570	(570)	20,509
Uniforms	7,000	7,000	5,930	1,070	7,357
Animal Control	2,000	2,000	3,155	(1,155)	2,926
Operating Leases	55,500	55,500	47,126	8,374	48,253
Capital Outlay	11,000	11,000	11,335	(335)	23,376
Utilities	15,800	15,800	22,602	(6,802)	21,547
Miscellaneous	4,400	4,400	1,995	2,405	2,551
Total Police Department	<u>1,055,022</u>	<u>1,055,022</u>	<u>1,034,428</u>	<u>20,594</u>	<u>1,019,549</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Expenditures: - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 16,748	\$ 16,748	\$ 16,748	\$ -	\$ 17,832
Employee Benefits	823	823	823	-	823
Unemployment Insurance	600	600	-	600	-
State Fire Aid	31,000	31,000	27,087	3,913	30,371
Municipal Fire Aid Contribution	62,000	62,000	68,789	(6,789)	68,795
Payroll Taxes	1,281	1,281	1,281	-	1,364
Workers' Compensation	6,000	6,000	6,567	(567)	7,046
Office Supplies	500	500	4,366	(3,866)	2,145
Motor Fuels	4,000	5,000	3,762	1,238	5,327
Repairs and Maintenance	14,500	15,500	13,326	2,174	14,839
Training	9,000	9,000	9,134	(134)	7,265
Telephone	1,700	1,700	829	871	936
Travel	1,000	1,000	1,157	(157)	1,089
Advertising	600	600	916	(316)	631
Insurance	11,000	11,000	8,981	2,019	8,807
Utilities	7,000	7,000	6,002	998	6,231
Continuing Education and Dues	4,500	5,000	6,275	(1,275)	3,175
Capital Lease Principal	40,961	40,961	40,961	-	39,126
Capital Lease Interest	6,038	6,038	6,038	-	7,873
Capital Outlay	11,000	21,600	28,343	(6,743)	27,092
Miscellaneous	3,100	4,100	3,364	736	2,935
Total Fire Department	<u>233,351</u>	<u>247,451</u>	<u>254,749</u>	<u>(7,298)</u>	<u>253,702</u>
Code Enforcement:					
Office Supplies	100	100	510	(410)	394
Building Inspector	15,000	15,000	46,322	(31,322)	26,073
Total Code Enforcement	<u>15,100</u>	<u>15,100</u>	<u>46,832</u>	<u>(31,732)</u>	<u>26,467</u>
Total Public Safety	1,303,473	1,317,573	1,336,009	(18,436)	1,299,718
Streets and Highways -					
Salaries	169,822	169,822	171,069	(1,247)	162,859
Employee Benefits	59,448	59,448	51,948	7,500	55,284
Payroll Taxes	10,529	10,529	10,053	476	9,578
Workers' Compensation	11,000	11,000	10,153	847	10,521
Supplies	500	500	1,659	(1,159)	1,107
Motor Fuels	18,000	18,000	27,877	(9,877)	29,304
Repairs and Maintenance	32,300	38,298	44,770	(6,472)	37,457
Professional Services	-	-	2,753	(2,753)	20,220
Street Maintenance	13,000	13,896	38,031	(24,135)	18,995
Street Overlay and Seal Coat	2,500	2,500	250	2,250	-
Landscaping	1,000	1,000	2,304	(1,304)	871
Telephone	1,000	1,000	1,100	(100)	1,317

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Expenditures: - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 2,500	\$ 2,500	\$ 2,193	\$ 307	\$ 1,182
Insurance	8,000	8,000	10,516	(2,516)	28,423
Utilities	8,100	8,100	8,516	(416)	9,492
Capital Lease Principal	53,608	53,608	53,652	(44)	50,960
Capital Lease Interest	3,060	3,060	3,015	45	5,707
Maintenance Facility Principal	50,000	50,000	50,000	-	45,000
Maintenance Facility Interest	9,290	9,290	9,290	-	17,621
Fiscal Agent Fees	-	-	-	-	944
Capital Outlay	4,000	4,000	3,030	970	4,141
Miscellaneous	17,400	17,400	6,656	10,744	14,913
Total Street and Highways	475,057	481,951	508,835	(26,884)	525,896
Cemetery					
Current Expenditures	18,116	18,116	19,414	(1,298)	20,322
Total Cemetery	18,116	18,116	19,414	(1,298)	20,322
Culture and Recreation -					
Parks and Recreation:					
Salaries	130,581	130,581	137,424	(6,843)	126,323
Employee Benefits	52,102	52,102	46,859	5,243	49,206
Payroll Taxes	8,096	8,096	8,061	35	7,648
Workers' Compensation	4,800	4,800	4,173	627	4,429
Supplies	11,650	11,650	10,598	1,052	13,932
Motor Fuels	10,000	10,000	10,357	(357)	9,510
Repairs and Maintenance	21,900	21,900	21,234	666	19,928
Telephone	1,400	1,400	1,259	141	1,724
Insurance	15,525	15,525	17,569	(2,044)	16,075
Utilities	8,300	8,300	5,234	3,066	5,587
Capital Lease Principal	8,155	8,155	12,206	(4,051)	10,466
Capital Lease Interest	459	459	411	48	935
Capital Outlay	37,000	37,000	125,264	(88,264)	30,823
Miscellaneous	5,100	5,100	7,254	(2,154)	5,338
Total Park and Recreation	315,068	315,068	407,903	(92,835)	301,924
Library and Community Center:					
Supplies	2,500	2,500	4,049	(1,549)	4,797
Repairs and Maintenance	1,000	1,000	980	20	1,107
Management Fees	80,000	80,000	83,888	(3,888)	80,000
Janitorial	2,000	2,000	-	2,000	631
Telephone	1,600	1,600	1,061	539	1,537
Insurance	1,900	1,900	3,350	(1,450)	3,047
Utilities	22,000	22,000	18,855	3,145	21,140
Capital Outlay	-	-	53,981	(53,981)	3,553
Continuing Education and Dues	250	250	110	140	85
Miscellaneous	-	-	-	-	70
Total Library and Community Center	111,250	111,250	166,274	(55,024)	115,967
Total Culture and Recreation	426,318	426,318	574,177	(147,859)	417,891

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Original Budget	Final Budget	2012 Actual	Variance with Final Budget Positive (Negative)	2011 Actual
Expenditures: - (Cont'd.)					
Economic Development	\$ 5,000	\$ 5,000	\$ 4,040	\$ 960	\$ 12,713
Miscellaneous -					
Sales Tax	2,200	2,200	1,299	901	3,755
State Surcharge	1,500	1,500	3,924	(2,424)	1,992
Vehicle Towing	8,500	8,500	7,289	1,211	5,440
Refunds and Reimbursements	21,000	21,000	55,657	(34,657)	56,587
Other	-	-	500	(500)	22,822
Total Miscellaneous	<u>33,200</u>	<u>33,200</u>	<u>68,669</u>	<u>(35,469)</u>	<u>90,596</u>
Total Expenditures	<u>3,093,289</u>	<u>3,114,283</u>	<u>3,361,731</u>	<u>(247,448)</u>	<u>3,172,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,104)	(126,098)	(172,875)	(46,777)	450,990
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	245,000	245,000	245,000	-	261,300
Operating Transfers Out	(160,000)	(160,000)	(219,100)	(59,100)	(116,419)
Lease Proceeds	-	-	10,674	10,674	-
Bond Proceeds	-	-	-	-	500,000
Bond Discount	-	-	-	-	(1,118)
Proceeds from the Sale of Capital Assets	2,500	2,500	2,000	(500)	-
Insurance Proceeds	-	-	14,735	14,735	908
Payments to Bond Escrow Agent	-	-	-	-	(470,000)
Total Other Financing Sources (Uses)	<u>87,500</u>	<u>87,500</u>	<u>53,309</u>	<u>(34,191)</u>	<u>174,671</u>
Net Change in Fund Balance	(17,604)	(38,598)	(119,566)	(80,968)	625,661
Fund Balance - Beginning	<u>2,425,816</u>	<u>2,425,816</u>	<u>2,425,816</u>	<u>-</u>	<u>1,800,155</u>
Fund Balance - Ending	<u>\$ 2,408,212</u>	<u>\$ 2,387,218</u>	<u>\$ 2,306,250</u>	<u>\$ (80,968)</u>	<u>\$ 2,425,816</u>

**CITY OF GLENCOE, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
 DECEMBER 31, 2012**

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

NOTE 1 BUDGETARY INFORMATION

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

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2012.

NOTE 2 EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,114,283	\$ 3,361,731

COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Other Governmental Funds		
	2012		
	Special Revenue	Debt Service	Capital Projects
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 52,089	\$ 36,851	\$ 155,910
Investments	-	-	-
Accounts Receivable	101,193	-	127,791
Interest Receivable	-	-	-
Note Receivable	-	-	49,553
Taxes Receivable			
Current	-	10,415	-
Delinquent	-	10,302	-
Special Assessments Receivable			
Current	-	230	-
Deferred	-	45,783	-
Land Held for Resale	-	-	247,063
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 153,282</u>	<u>\$ 103,581</u>	<u>\$ 580,317</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 10,606	\$ 300	\$ -
Retainages Payable	-	-	-
Due to Other Funds	-	318,070	64,034
Deferred Revenue	-	56,085	49,553
Total Liabilities	<u>10,606</u>	<u>374,455</u>	<u>113,587</u>
FUND BALANCES			
Nonspendable	-	-	247,063
Restricted for:			
Street Improvement Projects	122,251	-	-
Debt Service	-	42,911	-
Capital Projects	-	-	219,667
Committed for:			
Aquatic Center	1,637	-	-
Cable TV	18,788	-	-
Unassigned	-	(313,785)	-
Total Fund Balances	<u>142,676</u>	<u>(270,874)</u>	<u>466,730</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 153,282</u>	<u>\$ 103,581</u>	<u>\$ 580,317</u>

<u>2012</u>	<u>2011</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 244,850	\$ 569,737
-	-
228,984	13,332
-	-
49,553	-
10,415	4,486
10,302	8,195
230	855
45,783	85,086
247,063	247,063
<u>\$ 837,180</u>	<u>\$ 928,754</u>
\$ 10,906	\$ 39,762
-	8,765
382,104	364,785
105,638	93,279
<u>498,648</u>	<u>506,591</u>
247,063	247,063
122,251	93,933
42,911	5,847
219,667	429,638
1,637	1,799
18,788	3,873
(313,785)	(359,990)
<u>338,532</u>	<u>422,163</u>
<u>\$ 837,180</u>	<u>\$ 928,754</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Other Governmental Funds		
	2012		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 5,200	\$ 751,719	\$ 297,248
Intergovernmental	465,623	-	127,791
Charges for Services	77,385	-	-
Assessments	-	45,064	-
Interest Income	122	(485)	1,683
Franchise Taxes	24,890	-	-
Miscellaneous	6,104	1,503	10,447
Total Revenues	<u>579,324</u>	<u>797,801</u>	<u>437,169</u>
EXPENDITURES			
Current:			
General Government	-	10,979	-
Highways and Streets	53,650	-	-
Culture-Recreation	121,563	-	-
Economic Development	-	-	151,491
Capital Outlay:			
Highways and Streets	288,123	-	-
Economic Development	-	-	223,149
Debt Service:			
Principal	79,141	750,000	-
Interest	7,476	115,722	-
Fiscal Charges	-	731	-
Total Expenditures	<u>549,953</u>	<u>877,432</u>	<u>374,640</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	29,371	(79,631)	62,529
OTHER FINANCING SOURCES (USES)			
Transfers In	34,000	147,900	-
Transfers Out	(20,300)	-	(272,500)
Bond Proceeds	-	315,000	-
Bond Discount	-	-	-
Payments to Bond Escrow Agent	-	(300,000)	-
Total Other Financing Sources (Uses)	<u>13,700</u>	<u>162,900</u>	<u>(272,500)</u>
Net Change in Fund Balances	43,071	83,269	(209,971)
Fund Balances - Beginning	<u>99,605</u>	<u>(354,143)</u>	<u>676,701</u>
Fund Balances - Ending	<u>\$ 142,676</u>	<u>\$ (270,874)</u>	<u>\$ 466,730</u>

<u>2012</u>		<u>2011</u>	
Total Other Governmental Funds		Total Other Governmental Funds	
\$	1,054,167	\$	884,261
	593,414		394,876
	77,385		88,044
	45,064		48,093
	1,320		2,239
	24,890		23,068
	18,054		8,688
	<u>1,814,294</u>		<u>1,449,269</u>
	10,979		46,190
	53,650		72,434
	121,563		132,891
	151,491		41,905
	288,123		175,310
	223,149		-
	829,141		1,084,738
	123,198		176,883
	731		3,351
	<u>1,802,025</u>		<u>1,733,702</u>
	12,269		(284,433)
	181,900		157,900
	(292,800)		(315,400)
	315,000		2,665,000
	-		(1,024)
	<u>(300,000)</u>		<u>(2,605,000)</u>
	<u>(95,900)</u>		<u>(98,524)</u>
	(83,631)		(382,957)
	422,163		805,120
\$	<u>338,532</u>	\$	<u>422,163</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

		Special Revenue Funds	
		2012	
		Aquatic Center	Cable TV
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 1,612	\$ 12,467
Accounts Receivable		416	6,421
Total Assets		\$ 2,028	\$ 18,888
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable		\$ 391	\$ 100
Retainages Payable		-	-
Due to Other Funds		-	-
Total Liabilities		391	100
 FUND BALANCES			
Restricted		-	-
Committed		1,637	18,788
Total Fund Balances		1,637	18,788
Total Liabilities and Fund Balances		\$ 2,028	\$ 18,888

Special Revenue Funds		
2012		2011
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ 38,010	\$ 52,089	\$ 134,797
94,356	101,193	13,332
<u>\$ 132,366</u>	<u>\$ 153,282</u>	<u>\$ 148,129</u>
\$ 10,115	\$ 10,606	\$ 37,872
-	-	8,765
-	-	1,887
<u>10,115</u>	<u>10,606</u>	<u>48,524</u>
122,251	122,251	93,933
-	20,425	5,672
<u>122,251</u>	<u>142,676</u>	<u>99,605</u>
<u>\$ 132,366</u>	<u>\$ 153,282</u>	<u>\$ 148,129</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES – SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Special Revenue Funds	
	2012	
	Aquatic Center	Cable TV
REVENUES		
Taxes	\$ 5,200	\$ -
Intergovernmental	-	-
Charges for Services	77,385	-
Interest Income	(10)	9
Franchise Fees	-	24,890
Miscellaneous	3,109	995
Total Revenues	<u>85,684</u>	<u>25,894</u>
EXPENDITURES		
Current:		
Highways and Streets	-	-
Culture-Recreation	119,846	1,717
Capital Outlay:		
Highways and Streets	-	-
Debt Service:		
Principal	-	4,141
Interest	-	121
Fiscal Charges	-	-
Total Expenditures	<u>119,846</u>	<u>5,979</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(34,162)	19,915
OTHER FINANCING SOURCES (USES)		
Transfers In	34,000	-
Transfers Out	-	(5,000)
Bond Proceeds	-	-
Bond Discount	-	-
Payments to Bond Escrow Agent	-	-
Total Other Financing Sources (Uses)	<u>34,000</u>	<u>(5,000)</u>
Net Change in Fund Balances	(162)	14,915
Fund Balances - Beginning	1,799	3,873
Fund Balances - Ending	<u>\$ 1,637</u>	<u>\$ 18,788</u>

Special Revenue Funds		
2012		2011
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ -	\$ 5,200	\$ 6,025
465,623	465,623	368,292
-	77,385	88,044
123	122	576
-	24,890	23,068
2,000	6,104	3,815
<u>467,746</u>	<u>579,324</u>	<u>489,820</u>
53,650	53,650	72,434
-	121,563	132,891
288,123	288,123	175,310
75,000	79,141	99,738
7,355	7,476	11,574
-	-	365
<u>424,128</u>	<u>549,953</u>	<u>492,312</u>
43,618	29,371	(2,492)
-	34,000	31,000
(15,300)	(20,300)	(15,000)
-	-	540,000
-	-	(269)
-	-	(526,000)
<u>(15,300)</u>	<u>13,700</u>	<u>29,731</u>
28,318	43,071	27,239
93,933	99,605	72,366
<u>\$ 122,251</u>	<u>\$ 142,676</u>	<u>\$ 99,605</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Debt Service Funds		
	2012		
	City Sinking	1997 McLeod/N.C. Pond Bond	1997 N. Country III/ Morningside
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ -	\$ 11,355	\$ 3,236
Taxes Receivable			
Current	-	2,050	579
Delinquent	-	2,025	572
Special Assessments Receivable			
Current	-	-	-
Deferred	-	-	37
	<u>-</u>	<u>-</u>	<u>37</u>
Total Assets	<u>\$ -</u>	<u>\$ 15,430</u>	<u>\$ 4,424</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	23,116	-	-
Deferred Revenue	-	2,025	609
Total Liabilities	<u>23,116</u>	<u>2,025</u>	<u>609</u>
FUND BALANCES			
Restricted	-	13,405	3,815
Unassigned	<u>(23,116)</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(23,116)</u>	<u>13,405</u>	<u>3,815</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 15,430</u>	<u>\$ 4,424</u>

Debt Service Funds

2012

1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond
\$ 6,848	\$ 2,645	\$ -	\$ -	\$ 1,583	\$ 739	\$ -
1,102	477	577	917	281	-	877
1,089	470	570	908	279	-	865
-	-	-	-	-	-	230
-	-	-	-	-	-	7,212
<u>\$ 9,039</u>	<u>\$ 3,592</u>	<u>\$ 1,147</u>	<u>\$ 1,825</u>	<u>\$ 2,143</u>	<u>\$ 739</u>	<u>\$ 9,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300	\$ -
-	-	43,522	76,238	-	-	57,030
1,089	470	570	908	279	-	8,077
<u>1,089</u>	<u>470</u>	<u>44,092</u>	<u>77,146</u>	<u>279</u>	<u>300</u>	<u>65,107</u>
7,950	3,122	-	-	1,864	439	-
-	-	(42,945)	(75,321)	-	-	(55,923)
<u>7,950</u>	<u>3,122</u>	<u>(42,945)</u>	<u>(75,321)</u>	<u>1,864</u>	<u>439</u>	<u>(55,923)</u>
<u>\$ 9,039</u>	<u>\$ 3,592</u>	<u>\$ 1,147</u>	<u>\$ 1,825</u>	<u>\$ 2,143</u>	<u>\$ 739</u>	<u>\$ 9,184</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Debt Service Funds		
	2012		
	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2008 11th Street Morningside
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 10,445
Taxes Receivable			
Current	729	955	1,871
Delinquent	726	941	1,857
Special Assessments Receivable			
Current	-	-	-
Deferred	38,534	-	-
	<u>38,534</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 39,989</u>	<u>\$ 1,896</u>	<u>\$ 14,173</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	48,089	70,075	-
Deferred Revenue	39,260	941	1,857
Total Liabilities	<u>87,349</u>	<u>71,016</u>	<u>1,857</u>
FUND BALANCES			
Restricted	-	-	12,316
Unassigned	(47,360)	(69,120)	-
Total Fund Balances	<u>(47,360)</u>	<u>(69,120)</u>	<u>12,316</u>
	<u>\$ 39,989</u>	<u>\$ 1,896</u>	<u>\$ 14,173</u>

Debt Service Funds

2012	2011
Total Debt Service	Total Debt Service
\$ 36,851	\$ 5,302
10,415	4,486
10,302	8,195
230	855
45,783	85,086
\$ 103,581	\$ 103,924

\$ 300	\$ 1,890
318,070	362,898
56,085	93,279
374,455	458,067
42,911	5,847
(313,785)	(359,990)
(270,874)	(354,143)
\$ 103,581	\$ 103,924

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Debt Service Funds		
	2012		
	City Sinking	1997 McLeod/N.C. Pond Bond	1997 N. Country III/ Morningside
REVENUES			
Taxes	\$ 12,046	\$ 145,338	\$ 41,144
Intergovernmental	-	-	-
Assessments	6,668	-	42
Interest Income	(42)	15	5
Miscellaneous	-	-	-
Total Revenues	<u>18,672</u>	<u>145,353</u>	<u>41,191</u>
EXPENDITURES			
Current:			
General Government	539	-	-
Debt Service:			
Principal	-	135,000	40,000
Interest	-	10,123	835
Fiscal Charges	-	-	-
Total Expenditures	<u>539</u>	<u>145,123</u>	<u>40,835</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	18,133	230	356
OTHER FINANCING SOURCES (USES)			
Transfers In	-	13,100	3,400
Transfers Out	-	-	-
Bond Proceeds	-	-	-
Bond Discount	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,100</u>	<u>3,400</u>
Net Change in Fund Balances	18,133	13,330	3,756
Fund Balances - Beginning	<u>(41,249)</u>	<u>75</u>	<u>59</u>
Fund Balances - Ending	<u>\$ (23,116)</u>	<u>\$ 13,405</u>	<u>\$ 3,815</u>

Debt Service Funds

2012						
1999 Swimming Pool Bond	County State Aid #33 Bond	Willow Ridge 1st Addition	2001 N. Country V/Popelka	2002 Willow Ridge Estates 2nd Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond
\$ 78,210	\$ 33,768	\$ 40,940	\$ 65,102	\$ 20,120	\$ -	\$ 62,135
-	-	-	-	-	-	-
-	-	-	18,530	-	-	4,410
4	3	(46)	(87)	(18)	(22)	(66)
-	-	-	-	-	1,503	-
<u>78,214</u>	<u>33,771</u>	<u>40,894</u>	<u>83,545</u>	<u>20,102</u>	<u>1,481</u>	<u>66,479</u>
-	-	-	-	-	10,440	-
55,000	30,000	40,000	75,000	25,000	100,000	55,000
20,335	3,505	835	638	1,800	16,895	6,953
-	-	-	-	-	731	-
<u>75,335</u>	<u>33,505</u>	<u>40,835</u>	<u>75,638</u>	<u>26,800</u>	<u>128,066</u>	<u>61,953</u>
2,879	266	59	7,907	(6,698)	(126,585)	4,526
5,000	2,800	-	-	3,600	111,500	-
-	-	-	-	-	-	-
-	-	-	-	-	315,000	-
-	-	-	-	-	-	-
-	-	-	-	-	(300,000)	-
<u>5,000</u>	<u>2,800</u>	<u>-</u>	<u>-</u>	<u>3,600</u>	<u>126,500</u>	<u>-</u>
7,879	3,066	59	7,907	(3,098)	(85)	4,526
71	56	(43,004)	(83,228)	4,962	524	(60,449)
<u>\$ 7,950</u>	<u>\$ 3,122</u>	<u>\$ (42,945)</u>	<u>\$ (75,321)</u>	<u>\$ 1,864</u>	<u>\$ 439</u>	<u>\$ (55,923)</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

	Debt Service Funds		
	2012		
	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2008 11th Street Morningside
REVENUES			
Taxes	\$ 52,087	\$ 67,658	\$ 133,171
Intergovernmental	-	-	-
Assessments	15,414	-	-
Interest Income	(66)	(75)	(90)
Miscellaneous	-	-	-
Total Revenues	<u>67,435</u>	<u>67,583</u>	<u>133,081</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Debt Service:			
Principal	50,000	65,000	80,000
Interest	2,028	2,410	49,365
Fiscal Charges	-	-	-
Total Expenditures	<u>52,028</u>	<u>67,410</u>	<u>129,365</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	15,407	173	3,716
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	8,500
Transfers Out	-	-	-
Bond Proceeds	-	-	-
Bond Discount	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,500</u>
Net Change in Fund Balances	15,407	173	12,216
Fund Balances - Beginning	<u>(62,767)</u>	<u>(69,293)</u>	<u>100</u>
Fund Balances - Ending	<u>\$ (47,360)</u>	<u>\$ (69,120)</u>	<u>\$ 12,316</u>

Debt Service Funds	
2012	2011
Total Debt Service	Total Debt Service
\$ 751,719	\$ 643,436
-	26,584
45,064	48,093
(485)	737
1,503	4,873
<u>797,801</u>	<u>723,723</u>
10,979	46,190
750,000	985,000
115,722	165,309
731	2,986
<u>877,432</u>	<u>1,199,485</u>
(79,631)	(475,762)
147,900	126,900
-	(27,900)
315,000	2,125,000
-	(755)
<u>(300,000)</u>	<u>(2,079,000)</u>
<u>162,900</u>	<u>144,245</u>
83,269	(331,517)
<u>(354,143)</u>	<u>(22,626)</u>
<u>\$ (270,874)</u>	<u>\$ (354,143)</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2012
(WITH COMPARATIVE DATA AS OF DECEMBER 31, 2011)**

		Capital Project Funds		
		2012		
		Tax Increment #4- Industrial Park	Tax Increment #13- Kestrel Properties	Tax Increment #14- Downtown Redevelopment
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents		\$ 2,628	\$ -	\$ 1,226
Accounts Receivable		-	-	-
Note Receivable		-	-	-
Land Held for Resale		-	-	-
	Total Assets	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 1,226</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Funds		\$ -	\$ -	\$ -
Deferred Revenue		-	-	-
	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable		-	-	-
Restricted		2,628	-	1,226
	Total Fund Balances	<u>2,628</u>	<u>-</u>	<u>1,226</u>
	Total Liabilities and Fund Balances	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 1,226</u>

Capital Project Funds

2012			2011
Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows	Total Capital Projects	Total Capital Projects
\$ -	\$ 152,056	\$ 155,910	\$ 429,638
127,791	-	127,791	-
49,553	-	49,553	-
<u>247,063</u>	<u>-</u>	<u>247,063</u>	<u>247,063</u>
<u>\$ 424,407</u>	<u>\$ 152,056</u>	<u>\$ 580,317</u>	<u>\$ 676,701</u>
\$ 64,034	\$ -	\$ 64,034	\$ -
49,553	-	49,553	-
<u>113,587</u>	<u>-</u>	<u>113,587</u>	<u>-</u>
247,063	-	247,063	247,063
63,757	152,056	219,667	429,638
<u>310,820</u>	<u>152,056</u>	<u>466,730</u>	<u>676,701</u>
<u>\$ 424,407</u>	<u>\$ 152,056</u>	<u>\$ 580,317</u>	<u>\$ 676,701</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES – CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2011)**

	Capital Project Funds		
	2012		
	Tax Increment #4- Industrial Park	Tax Increment #13- Kestrel Properties	Tax Increment #14- Downtown Redevelopment
REVENUES			
Taxes	\$ 129,559	\$ -	\$ 13,172
Intergovernmental	-	-	-
Interest Income	99	-	81
Miscellaneous	-	-	-
Total Revenues	<u>129,658</u>	<u>-</u>	<u>13,253</u>
EXPENDITURES			
Current:			
Economic Development	-	9,643	-
Capital Outlay:			
Economic Development	-	-	-
Total Expenditures	<u>-</u>	<u>9,643</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	129,658	(9,643)	13,253
OTHER FINANCING USES			
Transfers Out	(176,500)	-	(78,000)
Total Other Financing Uses	<u>(176,500)</u>	<u>-</u>	<u>(78,000)</u>
Net Change in Fund Balances	(46,842)	(9,643)	(64,747)
Fund Balances - Beginning	49,470	9,643	65,973
Fund Balances - Ending	<u>\$ 2,628</u>	<u>\$ -</u>	<u>\$ 1,226</u>

Capital Project Funds

			2011
Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows	Total Capital Projects	Total Capital Projects
\$ 34,462	\$ 120,055	\$ 297,248	\$ 234,800
127,791	-	127,791	-
1,409	94	1,683	926
10,447	-	10,447	-
<u>174,109</u>	<u>120,149</u>	<u>437,169</u>	<u>235,726</u>
93,426	48,422	151,491	41,905
223,149	-	223,149	-
<u>316,575</u>	<u>48,422</u>	<u>374,640</u>	<u>41,905</u>
(142,466)	71,727	62,529	193,821
<u>(18,000)</u>	<u>-</u>	<u>(272,500)</u>	<u>(272,500)</u>
<u>(18,000)</u>	<u>-</u>	<u>(272,500)</u>	<u>(272,500)</u>
(160,466)	71,727	(209,971)	(78,679)
471,286	80,329	676,701	755,380
<u>\$ 310,820</u>	<u>\$ 152,056</u>	<u>\$ 466,730</u>	<u>\$ 676,701</u>

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SUPPLEMENTARY INFORMATION

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012

	\$610,000 G.O. Taxable Tax Increment Bonds - Series 2007B		\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion	
	Principal	Interest	Principal	Interest
2013	\$ 440,000	\$ 25,089	\$ 60,000	\$ 18,465
2014	-	-	60,000	16,425
2015	-	-	65,000	14,205
2016	-	-	70,000	11,800
2017	-	-	70,000	9,000
2018	-	-	75,000	6,200
2019	-	-	80,000	3,200
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 440,000</u>	<u>\$ 25,089</u>	<u>\$ 480,000</u>	<u>\$ 79,295</u>

\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion		\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B		\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B - \$315,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 75,000	\$ 6,718	\$ 55,000	\$ 8,740	\$ 105,000	\$ 3,500
75,000	5,892	50,000	8,135	60,000	2,475
75,000	4,805	55,000	7,285	30,000	2,100
75,000	3,493	55,000	6,350	30,000	1,770
85,000	1,955	60,000	5,085	30,000	1,373
-	-	60,000	3,705	30,000	892
-	-	70,000	1,995	30,000	315
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 385,000</u>	<u>\$ 22,863</u>	<u>\$ 405,000</u>	<u>\$ 41,295</u>	<u>\$ 315,000</u>	<u>\$ 12,425</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012

	\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B - \$410,000 Portion		\$153,000 G.O. Equipment Certificates of Indebtedness Series 2008	
	Principal	Interest	Principal	Interest
2013	\$ -	\$ 6,650	\$ 16,749	\$ 450
2014	60,000	5,475	-	-
2015	70,000	4,900	-	-
2016	70,000	4,130	-	-
2017	70,000	3,203	-	-
2018	70,000	2,082	-	-
2019	70,000	735	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 410,000</u>	<u>\$ 27,175</u>	<u>\$ 16,749</u>	<u>\$ 450</u>

\$215,000 G.O. Improvement Bonds of 2002		\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A - \$1,015,000 Portion		\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 25,000	\$ 600	\$ 50,000	\$ 35,080	\$ 80,000	\$ 46,765
-	-	815,000	33,080	85,000	43,935
-	-	-	-	85,000	40,875
-	-	-	-	90,000	37,545
-	-	-	-	90,000	33,945
-	-	-	-	100,000	30,145
-	-	-	-	100,000	26,145
-	-	-	-	105,000	21,993
-	-	-	-	110,000	17,585
-	-	-	-	115,000	12,915
-	-	-	-	115,000	8,085
-	-	-	-	135,000	2,835
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 25,000</u>	<u>\$ 600</u>	<u>\$ 865,000</u>	<u>\$ 68,160</u>	<u>\$ 1,210,000</u>	<u>\$ 322,768</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012**

	\$945,000 G.O. Refunding Bonds - Series 2008B \$215,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$125,000 Portion	
	Principal	Interest	Principal	Interest
2013	\$ 35,000	\$ 2,485	\$ 45,000	\$ 495
2014	35,000	1,295	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 70,000</u>	<u>\$ 3,780</u>	<u>\$ 45,000</u>	<u>\$ 495</u>

\$4,020,000 G.O. Refunding Bonds - Series 2011A \$125,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 45,000	\$ 495	\$ 90,000	\$ 8,975	\$ 55,000	\$ 6,485
-	-	100,000	7,985	55,000	5,880
-	-	100,000	6,535	55,000	5,082
-	-	110,000	4,785	60,000	4,120
-	-	110,000	2,530	55,000	2,890
-	-	-	-	65,000	1,625
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 45,000</u>	<u>\$ 495</u>	<u>\$ 510,000</u>	<u>\$ 30,810</u>	<u>\$ 345,000</u>	<u>\$ 26,082</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012**

	\$4,020,000 G.O. Refunding Bonds - Series 2011A \$275,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$230,000 Portion	
	Principal	Interest	Principal	Interest
2013	\$ 70,000	\$ 1,858	\$ 60,000	\$ 1,602
2014	75,000	1,087	65,000	943
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 145,000</u>	<u>\$ 2,945</u>	<u>\$ 125,000</u>	<u>\$ 2,545</u>

\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion		Capital Lease Johnson Controls Project		Capital Lease Heritage Series Tanker/Pumper	
Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ 16,634	\$ 44,770	\$ 19,233	\$ 42,882	\$ 4,117
-	14,257	46,752	17,250	44,893	2,105
60,000	14,092	48,822	15,180	-	-
60,000	13,703	50,984	13,018	-	-
60,000	13,193	53,241	10,761	-	-
55,000	12,591	55,599	8,403	-	-
55,000	11,904	58,061	5,942	-	-
55,000	11,106	60,632	3,371	-	-
55,000	10,199	31,315	686	-	-
60,000	9,117	-	-	-	-
55,000	7,940	-	-	-	-
55,000	6,744	-	-	-	-
60,000	5,420	-	-	-	-
60,000	3,980	-	-	-	-
55,000	2,516	-	-	-	-
65,000	894	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 810,000</u>	<u>\$ 154,290</u>	<u>\$ 450,176</u>	<u>\$ 93,844</u>	<u>\$ 87,775</u>	<u>\$ 6,222</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012**

	Capital Lease Phone System		Capital Lease 2012 John Deere Mower	
	Principal	Interest	Principal	Interest
2013	\$ 9,796	\$ 2,096	\$ 5,337	\$ -
2014	7,466	762	1,334	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 17,262</u>	<u>\$ 2,858</u>	<u>\$ 6,671</u>	<u>\$ -</u>

\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A - \$1,350,000 Portion		\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A		\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 55,000	\$ 51,010	\$ 75,000	\$ 97,556	\$ 20,000	\$ 9,600
1,190,000	48,710	80,000	95,535	25,000	8,700
-	-	80,000	93,075	25,000	7,700
-	-	80,000	90,255	25,000	6,700
-	-	85,000	86,991	25,000	5,700
-	-	85,000	83,336	25,000	4,700
-	-	90,000	79,330	30,000	3,600
-	-	90,000	75,010	35,000	2,300
-	-	95,000	70,406	40,000	800
-	-	100,000	65,408	-	-
-	-	100,000	60,158	-	-
-	-	105,000	54,646	-	-
-	-	105,000	48,845	-	-
-	-	115,000	42,628	-	-
-	-	120,000	35,840	-	-
-	-	120,000	28,730	-	-
-	-	125,000	21,317	-	-
-	-	135,000	13,320	-	-
-	-	145,000	4,568	-	-
<u>\$ 1,245,000</u>	<u>\$ 99,720</u>	<u>\$ 1,930,000</u>	<u>\$ 1,146,954</u>	<u>\$ 250,000</u>	<u>\$ 49,800</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012**

	\$710,000 Temporary Gross Revenue Event Facility Bonds - Series 2010C		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$975,000 Portion	
	Principal	Interest	Principal	Interest
2013	\$ 710,000	\$ 12,070	\$ 255,000	\$ 6,358
2014	-	-	245,000	3,552
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 710,000</u>	<u>\$ 12,070</u>	<u>\$ 500,000</u>	<u>\$ 9,910</u>

\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion		\$2,415,000 G.O. Refunding Bonds - Series 2012A \$410,000 Portion		\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 30,000	\$ 8,227	\$ 40,000	\$ 4,854	\$ -	\$ 25,381
25,000	7,898	40,000	3,925	-	21,755
30,000	7,535	50,000	3,678	75,000	21,549
30,000	7,010	45,000	3,371	75,000	21,061
30,000	6,395	40,000	3,012	80,000	20,400
35,000	5,705	50,000	2,535	80,000	19,560
35,000	4,830	50,000	1,910	80,000	18,560
35,000	3,623	45,000	1,224	75,000	17,439
30,000	2,415	50,000	438	80,000	16,158
40,000	1,380	-	-	85,000	14,607
-	-	-	-	90,000	12,813
-	-	-	-	90,000	10,855
-	-	-	-	95,000	8,726
-	-	-	-	90,000	6,507
-	-	-	-	95,000	4,146
-	-	-	-	105,000	1,444
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 320,000</u>	<u>\$ 55,018</u>	<u>\$ 410,000</u>	<u>\$ 24,947</u>	<u>\$ 1,195,000</u>	<u>\$ 240,961</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2012**

	Capital Lease Dishwasher		Capital Lease Hillyard Scrubber/Carpet	
	Principal	Interest	Principal	Interest
2013	\$ 802	\$ -	\$ 1,591	\$ 43
2014	802	-	-	-
2015	335	-	-	-
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 1,939</u>	<u>\$ -</u>	<u>\$ 1,591</u>	<u>\$ 43</u>

Total	
Principal	Interest
\$ 2,596,927	\$ 431,631
3,241,247	357,056
904,157	248,596
925,984	229,111
943,241	206,433
785,599	181,479
748,061	158,466
500,632	136,066
491,315	118,687
400,000	103,427
360,000	88,996
385,000	75,080
260,000	62,991
265,000	53,115
270,000	42,502
290,000	31,068
125,000	21,317
135,000	13,320
145,000	4,568
\$ 13,772,163	\$ 2,563,909

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OTHER REPORTS SECTION

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated May 10, 2013.

The Minnesota Legal Compliance Audit Guide for Political Subdivisions covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 10, 2013