

**CITY OF GLENCOE, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2014**



**CITY OF GLENCOE, MINNESOTA  
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DECEMBER 31, 2014**

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## **INTRODUCTORY SECTION**





**CITY OF GLENCOE, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2014**

**Elected Officials**

**Term Expires**

Mayor	12/31/2016	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	12/31/2016	Kevin W. Dietz
Council Member	12/31/2016	Daniel F. Perschau

**Appointed Officials**

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

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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, 2014, 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City'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 City'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.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota, as of December 31, 2014, 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.

**Report on Summarized Comparative Information**

We have previously audited the City of Glencoe, State of Minnesota's 2013 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 19, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions 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, Supplementary Information and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Fund Statements, Supplementary Information and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015, on our consideration of the City of Glencoe, State of Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Glencoe, State of Minnesota's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 14, 2015

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,407,776	\$ 423,769	\$ 2,831,545	\$ 160,432
Taxes Receivable	51,234	6,864	58,098	-
Accounts Receivable	80,780	1,137,830	1,218,610	640,578
Special Assessments Receivable	209,922	13,802	223,724	-
Note Receivable	25,913	-	25,913	-
Lease Receivable	-	-	-	46,204
Other Receivables	-	-	-	496,216
Prepaid Expenses	-	-	-	87,639
Inventory	-	134,224	134,224	113,561
Land Held for Resale	432,115	-	432,115	-
Due from Component Unit	-	214,250	214,250	-
Restricted Assets	-	-	-	5,671,975
Capital Assets:				
Land	1,351,661	535,062	1,886,723	-
Construction in Progress	5,203	-	5,203	-
Other Capital Assets, Net of Depreciation	9,502,234	13,811,459	23,313,693	16,707,022
<b>Total Assets</b>	<b>14,066,838</b>	<b>16,277,260</b>	<b>30,344,098</b>	<b>23,923,627</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Bond Refunding	1,740	11,700	13,440	57,796
<b>LIABILITIES</b>				
Accounts Payable	222,040	252,841	474,881	359,520
Retainages Payable	1,750	54,649	56,399	-
Accrued Interest Payable	73,386	75,146	148,532	-
Accrued Expenses	44,084	173,368	217,452	122,110
Customer Deposits Payable	-	-	-	93,250
Contracts Payable	-	-	-	64,526
Other Deposits Payable	-	-	-	3
Due to the Primary Government	-	-	-	214,250
Non-Current Liabilities:				
Due Within One Year	977,661	312,334	1,289,995	596,843
Due in More Than One Year	6,171,517	4,629,002	10,800,519	6,197,776
<b>Total Liabilities</b>	<b>7,490,438</b>	<b>5,497,340</b>	<b>12,987,778</b>	<b>7,648,278</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on Bond Refunding	1,116	934	2,050	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,686,742	10,415,147	16,101,889	10,232,636
Restricted for:				
Park Improvement	373,525	-	373,525	-
Street Improvement Projects	36,639	-	36,639	-
Debt Service	224,702	-	224,702	912,145
Capital Projects	549,205	-	549,205	-
Unrestricted	(293,789)	375,539	81,750	5,188,364
<b>Total Net Position</b>	<b>\$ 6,577,024</b>	<b>\$ 10,790,686</b>	<b>\$ 17,367,710</b>	<b>\$ 16,333,145</b>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2014**

<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	\$ 1,046,692	\$ 257,909	\$ -	\$ -
Public Safety	1,479,626	83,920	249,666	67,115
Highways and Streets	1,487,281	51,280	-	602,139
Cemetery	16,164	-	-	-
Culture and Recreation	708,006	104,774	-	46,806
Economic Development	297,303	57,305	-	-
Interest on Long-Term Debt	188,986	-	-	-
Total Governmental Activities	<u>5,224,058</u>	<u>555,188</u>	<u>249,666</u>	<u>716,060</u>
Business-Type Activities:				
Water Fund	800,055	1,118,783	5,696	584
Wastewater Treatment Plant Fund	1,004,131	1,188,918	23,232	2,268
Sanitation Fund	23,271	23,756	-	-
City Center Fund	431,244	96,655	-	9,881
Municipal Liquor Fund	1,339,265	1,470,175	-	-
Airport Fund	183,729	42,010	15,154	1,253,590
Storm Water Management Fund	299,108	156,322	82,492	-
Total Business-Type Activities	<u>4,080,803</u>	<u>4,096,619</u>	<u>126,574</u>	<u>1,266,323</u>
Total Primary Government	<u>\$ 9,304,861</u>	<u>\$ 4,651,807</u>	<u>\$ 376,240</u>	<u>\$ 1,982,383</u>
Total Component Unit	<u>\$ 7,829,854</u>	<u>\$ 8,302,233</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:  
 Taxes  
 Franchise Fees  
 Grants and Contributions Not  
 Restricted to Certain Purposes  
 Unrestricted Investment Earnings  
 Gain on Disposal of Capital Assets  
 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**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit Light and Power Commission</b>
\$ (788,783)	\$ -	\$ (788,783)	\$ -
(1,078,925)	-	(1,078,925)	-
(833,862)	-	(833,862)	-
(16,164)	-	(16,164)	-
(556,426)	-	(556,426)	-
(239,998)	-	(239,998)	-
(188,986)	-	(188,986)	-
<u>(3,703,144)</u>	<u>-</u>	<u>(3,703,144)</u>	<u>-</u>
-	325,008	325,008	-
-	210,287	210,287	-
-	485	485	-
-	(324,708)	(324,708)	-
-	130,910	130,910	-
-	1,127,025	1,127,025	-
-	<u>(60,294)</u>	<u>(60,294)</u>	<u>-</u>
<u>-</u>	<u>1,408,713</u>	<u>1,408,713</u>	<u>-</u>
(3,703,144)	1,408,713	(2,294,431)	-
			472,379
2,295,944	271,356	2,567,300	-
27,946	-	27,946	-
1,298,618	-	1,298,618	-
2,643	31,259	33,902	62,767
20,694	56	20,750	-
42,397	3,731	46,128	-
15,845	<u>(15,845)</u>	<u>-</u>	<u>-</u>
<u>3,704,087</u>	<u>290,557</u>	<u>3,994,644</u>	<u>62,767</u>
943	1,699,270	1,700,213	535,146
<u>6,576,081</u>	<u>9,091,416</u>	<u>15,667,497</u>	<u>15,797,999</u>
<u>\$ 6,577,024</u>	<u>\$ 10,790,686</u>	<u>\$ 17,367,710</u>	<u>\$ 16,333,145</u>

**CITY OF GLENCOE, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

	2014		
	General	2007 Tax Increment Bond	2014 Street Improvement
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,941,398	\$ -	\$ 2,364
Cash and Investments with Escrow Agent	-	-	-
Accounts Receivable	73,585	-	-
Interest Receivable	-	-	-
Note Receivable	-	-	-
Taxes Receivable			
Current	18,280	-	-
Delinquent	17,640	-	-
Special Assessments Receivable			
Current	270	-	-
Noncurrent	9,316	-	-
Due from Other Funds	375,984	-	-
Land Held for Resale	76,837	-	-
Total Assets	<u>\$ 2,513,310</u>	<u>\$ -</u>	<u>\$ 2,364</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 106,735	\$ -	\$ 1,839
Retainages Payable	1,750	-	-
Accrued Expenses	44,084	-	-
Due to Other Funds	-	478	-
Total Liabilities	<u>152,569</u>	<u>478</u>	<u>1,839</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>26,956</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	76,837	-	-
Restricted for:			
Park Improvement	373,525	-	-
Street Improvement Projects	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	525
Committed for:			
Aquatic Center	-	-	-
Cable TV	-	-	-
Assigned for:			
Park Improvement	48,327	-	-
Charitable Gambling	839	-	-
Cemetery	77,320	-	-
Unassigned	1,756,937	(478)	-
Total Fund Balances	<u>2,333,785</u>	<u>(478)</u>	<u>525</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,513,310</u>	<u>\$ -</u>	<u>\$ 2,364</u>

See accompanying Notes to Financial Statements

2014		2013
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 464,014	\$ 2,407,776	\$ 2,431,968
-	-	771,283
7,195	80,780	51,846
-	-	1,606
25,913	25,913	37,881
8,035	26,315	8,228
7,279	24,919	22,733
-	270	216
200,336	209,652	27,615
-	375,984	212,326
355,278	432,115	261,455
<u>\$ 1,068,050</u>	<u>\$ 3,583,724</u>	<u>\$ 3,827,157</u>
\$ 113,466	\$ 222,040	\$ 126,025
-	1,750	-
-	44,084	35,522
375,506	375,984	212,326
488,972	643,858	373,873
233,528	260,484	88,229
355,278	432,115	261,455
-	373,525	432,967
36,639	36,639	156,590
165,893	165,893	812,939
193,402	193,927	77,133
1,927	1,927	2,054
3,055	3,055	11,364
-	48,327	44,463
-	839	838
-	77,320	80,138
(410,644)	1,345,815	1,485,114
345,550	2,679,382	3,365,055
<u>\$ 1,068,050</u>	<u>\$ 3,583,724</u>	<u>\$ 3,827,157</u>

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**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

Total Fund Balances for Governmental Funds \$ 2,679,382

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	\$ 1,351,661	
Construction in Progress	5,203	
Buildings, Net of Accumulated Depreciation	3,444,085	
Office Equipment and Furniture, Net of Accumulated Depreciation	19,149	
Vehicles, Net of Accumulated Depreciation	406,657	
Machinery and Shop Equipment, Net of Accumulated Depreciation	385,237	
Improvements Other than Buildings, Net of Accumulated Depreciation	1,976,091	
Infrastructure, Net of Accumulated Depreciation	3,271,015	10,859,098

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 unavailable revenue in the governmental funds. 260,484

Loss on Refunding is reported as a deferred outflow of resources in the Statement of Net Position 1,740

Gain on Refunding is reported as a deferred inflow of resources in the Statement of Net Position (1,116)

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (73,386)

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	(6,745,172)	
Other Postemployment Benefits Payable	(134,622)	
Compensated Absences Payable	(269,384)	(7,149,178)
Total Net Position of Governmental Activities		\$ 6,577,024

**CITY OF GLENCOE, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	2014		
	General	2007 Tax Increment Bond	2014 Street Improvement
<b>REVENUES</b>			
Taxes	\$ 1,409,807	\$ -	\$ -
Licenses and Permits	77,094	-	-
Intergovernmental	1,552,674	-	-
Charges for Services	134,908	-	-
Fines and Forfeits	31,599	-	-
Assessments	5,726	-	-
Interest Income	2,004	(916)	646
Contributions and Donations	103,421	-	-
Payment in Lieu of Taxes	82,500	-	-
Franchise Fees	8,964	-	-
Miscellaneous	125,695	-	-
Total Revenues	3,534,392	(916)	646
<b>EXPENDITURES</b>			
Current:			
General Government	772,296	-	-
Public Safety	1,316,961	-	-
Highways and Streets	401,804	-	151,118
Cemetery	16,164	-	-
Culture-Recreation	444,892	-	-
Economic Development	4,599	-	-
Miscellaneous	211,749	-	-
Capital Outlay:			
General Government	23,118	-	-
Public Safety	47,935	-	-
Highways and Streets	146,776	-	1,831,338
Culture-Recreation	69,191	-	-
Economic Development	-	-	-
Debt Service:			
Principal	217,785	110,000	-
Interest	33,713	36,773	-
Fiscal Charges	-	247	43,861
Total Expenditures	3,706,983	147,020	2,026,317
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,591)	(147,936)	(2,025,671)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	188,660	139,000	173,000
Transfers Out	(28,500)	-	(64,810)
Lease Proceeds	28,695	-	-
Bond Proceeds	-	-	1,878,934
Bond Premium	-	-	39,072
General Obligation Equipment Certificate Proceeds	-	-	-
Proceeds from the Sale of Capital Assets	34,017	-	-
Insurance Proceeds	14,896	-	-
Payments to Bond Escrow Agent	-	(765,000)	-
Total Other Financing Sources (Uses)	237,768	(626,000)	2,026,196
Net Change in Fund Balances	65,177	(773,936)	525
Fund Balances - Beginning	2,268,608	773,458	-
Fund Balances - Ending	\$ 2,333,785	\$ (478)	\$ 525

See accompanying Notes to Financial Statements

2014		2013	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 873,409	\$ 2,283,216	\$ 2,527,543	
-	77,094	44,627	
146,604	1,699,278	1,401,590	
67,626	202,534	207,707	
-	31,599	30,670	
167,271	172,997	22,993	
912	2,646	5,982	
-	103,421	43,845	
-	82,500	80,000	
27,946	36,910	35,871	
72,922	198,617	163,534	
<u>1,356,690</u>	<u>4,890,812</u>	<u>4,564,362</u>	
-	772,296	763,024	
-	1,316,961	1,259,204	
407,112	960,034	419,490	
-	16,164	16,648	
104,963	549,855	529,879	
291,098	295,697	201,333	
-	211,749	151,758	
-	23,118	9,139	
-	47,935	278,587	
-	1,978,114	65,659	
5,749	74,940	55,554	
1,606	1,606	-	
610,000	937,785	1,029,938	
85,918	156,404	204,554	
248	44,356	496	
<u>1,506,694</u>	<u>7,387,014</u>	<u>4,985,263</u>	
(150,004)	(2,496,202)	(420,901)	
93,812	594,472	381,327	
(347,313)	(440,623)	(341,827)	
-	28,695	46,200	
426,066	2,305,000	-	
-	39,072	-	
-	-	245,000	
-	34,017	5,157	
-	14,896	14,786	
-	(765,000)	(390,000)	
<u>172,565</u>	<u>1,810,529</u>	<u>(39,357)</u>	
22,561	(685,673)	(460,258)	
<u>322,989</u>	<u>3,365,055</u>	<u>3,825,313</u>	
<u>\$ 345,550</u>	<u>\$ 2,679,382</u>	<u>\$ 3,365,055</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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ (685,673)

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	\$ 1,729,913	
Contributed Capital Assets	110,500	
Capital Assets Transferred to Proprietary Funds	(30,207)	
Proceeds from the Sale of Capital Assets	(34,017)	
Gain on Sale of Capital Assets	20,694	
Depreciation Expense	<u>(538,786)</u>	1,258,097

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.

Bond Premium	(39,072)	
Bond Proceeds	(2,305,000)	
Lease Proceeds	(28,695)	
Repayment of Bond, Equipment Certificates and Lease Principal	1,702,785	
Change in Accrued Interest	(18,050)	
Amortization of Bond Premiums	2,494	
Amortization of Bond Discounts	(279)	
Amortization of Loss on Bond Refunding	(3,485)	
Amortization of Gain on Bond Refunding	<u>78</u>	(689,224)

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 unavailable in the governmental funds.

Unavailable Revenue - December 31, 2013	88,228	
Unavailable Revenue - December 31, 2014	<u>260,484</u>	172,256

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).

(54,513)

Change in Net Position of Governmental Activities \$ 943

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 281,378	\$ 23,630
Cash and Investments with Escrow Agent	-	-	-
Interest Receivable	-	-	-
Accounts Receivable	6,516	33,501	54
Pledges Receivable	-	-	-
Taxes Receivable	-	-	-
Special Assessments Receivable	6,721	7,081	-
Inventory	-	-	-
Due from Other Funds	901,513	149,157	-
Due from Component Unit	94,832	101,214	2,378
Total Current Assets	<u>1,009,582</u>	<u>572,331</u>	<u>26,062</u>
<b>NON-CURRENT ASSETS</b>			
Capital Assets			
Land	41,628	312,678	-
Construction in Progress	-	-	-
Other Capital Assets (Net of Accumulated Depreciation)	2,594,649	4,252,645	-
Total Capital Assets	<u>2,636,277</u>	<u>4,565,323</u>	<u>-</u>
Total Non-Current Assets	<u>2,636,277</u>	<u>4,565,323</u>	<u>-</u>
Total Assets	3,645,859	5,137,654	26,062
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Bond Refunding	<u>8,054</u>	<u>3,646</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	77,526	43,526	5,449
Retainages Payable	-	-	-
Accrued Interest Payable	1,576	4,008	-
Compensated Absences Payable	62,633	60,629	-
Accrued Expenses	8,344	7,704	-
Due to Other Funds	-	-	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	50,000	55,000	-
Total Current Liabilities	<u>200,079</u>	<u>170,867</u>	<u>5,449</u>
<b>NON-CURRENT LIABILITIES</b>			
Other Postemployment Benefits Payable	21,951	32,716	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	280,000	414,400	-
Total Noncurrent Liabilities	<u>301,951</u>	<u>447,116</u>	<u>-</u>
Total Liabilities	502,030	617,983	5,449
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on Bond Refunding	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,314,331	4,099,569	-
Restricted for Debt Service	-	-	-
Unrestricted	837,552	423,748	20,613
Total Net Position	<u>\$ 3,151,883</u>	<u>\$ 4,523,317</u>	<u>\$ 20,613</u>

See accompanying Notes to Financial Statements

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2014 Total Proprietary Funds	2013 Total Proprietary Funds
\$ 1,000	\$ 117,761	\$ -	\$ -	\$ 423,769	\$ 1,128,897
-	-	-	-	-	1,139,622
-	-	-	-	-	2,373
2,324	84	1,011,396	83,955	1,137,830	30,902
-	-	-	-	-	1,200
2,502	-	4,362	-	6,864	1,098
-	-	-	-	13,802	18,121
-	134,224	-	-	134,224	112,755
-	-	-	-	1,050,670	40,548
-	-	-	15,826	214,250	204,681
<u>5,826</u>	<u>252,069</u>	<u>1,015,758</u>	<u>99,781</u>	<u>2,981,409</u>	<u>2,680,197</u>
-	30,207	150,549	-	535,062	504,855
-	-	-	-	-	42,837
<u>3,012,295</u>	<u>747,454</u>	<u>1,372,864</u>	<u>1,831,552</u>	<u>13,811,459</u>	<u>12,429,626</u>
<u>3,012,295</u>	<u>777,661</u>	<u>1,523,413</u>	<u>1,831,552</u>	<u>14,346,521</u>	<u>12,977,318</u>
<u>3,012,295</u>	<u>777,661</u>	<u>1,523,413</u>	<u>1,831,552</u>	<u>14,346,521</u>	<u>12,977,318</u>
3,018,121	1,029,730	2,539,171	1,931,333	17,327,930	15,657,515
-	-	-	-	11,700	13,535
5,643	89,331	26,250	5,116	252,841	235,114
-	-	54,649	-	54,649	445
48,575	12,001	-	8,986	75,146	81,427
17,199	10,579	-	-	151,040	143,034
3,051	3,229	-	-	22,328	19,048
54,437	-	866,031	130,202	1,050,670	40,548
334	-	-	-	334	802
<u>114,000</u>	<u>18,000</u>	<u>-</u>	<u>75,000</u>	<u>312,000</u>	<u>1,645,000</u>
<u>243,239</u>	<u>133,140</u>	<u>946,930</u>	<u>219,304</u>	<u>1,919,008</u>	<u>2,165,418</u>
10,724	4,679	-	-	70,070	59,137
-	-	-	-	-	334
<u>2,247,000</u>	<u>499,000</u>	<u>-</u>	<u>1,118,532</u>	<u>4,558,932</u>	<u>4,354,745</u>
<u>2,257,724</u>	<u>503,679</u>	<u>-</u>	<u>1,118,532</u>	<u>4,629,002</u>	<u>4,414,216</u>
<u>2,500,963</u>	<u>636,819</u>	<u>946,930</u>	<u>1,337,836</u>	<u>6,548,010</u>	<u>6,579,634</u>
-	-	-	934	934	-
650,961	260,661	1,468,764	1,620,861	10,415,147	9,041,932
-	-	-	-	-	11,995
<u>(133,803)</u>	<u>132,250</u>	<u>123,477</u>	<u>(1,028,298)</u>	<u>375,539</u>	<u>37,489</u>
<u>\$ 517,158</u>	<u>\$ 392,911</u>	<u>\$ 1,592,241</u>	<u>\$ 592,563</u>	<u>\$ 10,790,686</u>	<u>\$ 9,091,416</u>

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
 YEAR ENDED DECEMBER 31, 2014  
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,114,835	\$ 1,178,971	\$ -
Other Operating Revenues	3,948	9,947	23,756
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>1,118,783</u>	<u>1,188,918</u>	<u>23,756</u>
<b>OPERATING EXPENSES</b>			
Personal Services	311,493	335,909	6,913
Materials and Supplies	69,824	44,141	242
Repairs and Maintenance	18,993	165,020	-
Management Fees	53,323	1,807	487
Professional Services	40,949	49,564	7,204
Insurance	13,537	24,484	5,032
Utilities	61,815	127,635	600
Depreciation	87,500	222,467	-
Other	136,879	12,484	2,793
Total Operating Expenses	<u>794,313</u>	<u>983,511</u>	<u>23,271</u>
Operating Income (Loss)	324,470	205,407	485
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Special Assessments	584	2,268	-
Taxes	-	-	-
Federal Aid and Grants	4,272	17,424	-
State Aid and Grants	1,424	5,808	-
Donations	-	-	-
Insurance Proceeds	-	3,731	-
Interest on Investments	990	584	53
Interest Expense and Fiscal Charges	(5,742)	(20,620)	-
Bad Debt Expense	-	-	-
Gain on Sale of Capital Assets	-	56	-
Total Nonoperating Revenues (Expenses)	<u>1,528</u>	<u>9,251</u>	<u>53</u>
Net Income (Loss) Before Contributions and Transfers	325,998	214,658	538
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	(71,500)	(71,500)	(20,850)
Total Contributions and Transfers	<u>(71,500)</u>	<u>(71,500)</u>	<u>(20,850)</u>
Change in Net Position	254,498	143,158	(20,312)
Net Position - As Previously Stated	2,897,385	4,380,159	40,925
Restatement	-	-	-
Net Position - As Restated	<u>2,897,385</u>	<u>4,380,159</u>	<u>40,925</u>
Net Position - Ending	<u>\$ 3,151,883</u>	<u>\$ 4,523,317</u>	<u>\$ 20,613</u>

See accompanying Notes to Financial Statements.



City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2014	2013
				Total Proprietary Funds	Total Proprietary Funds
\$ 59,519	\$ -	\$ 40,595	\$ 153,790	\$ 2,547,710	\$ 2,346,042
37,136	-	1,415	2,532	78,734	77,580
-	1,470,175	-	-	1,470,175	1,404,897
-	(1,090,383)	-	-	(1,090,383)	(1,052,150)
<u>96,655</u>	<u>379,792</u>	<u>42,010</u>	<u>156,322</u>	<u>3,006,236</u>	<u>2,776,369</u>
127,215	99,020	-	-	880,550	856,148
17,855	26,861	24,964	-	183,887	172,722
11,258	3,162	5,083	86,013	289,529	230,106
-	-	727	-	56,344	59,539
5,861	4,949	42,266	98,565	249,358	146,135
10,908	11,485	18,614	60	84,120	71,181
20,015	16,611	4,293	-	230,969	191,810
70,907	27,074	84,374	86,757	579,079	515,745
47,489	47,719	3,408	-	250,772	218,889
<u>311,508</u>	<u>236,881</u>	<u>183,729</u>	<u>271,395</u>	<u>2,804,608</u>	<u>2,462,275</u>
(214,853)	142,911	(141,719)	(115,073)	201,628	314,094
-	-	-	-	2,852	8,341
100,286	-	171,070	-	271,356	75,006
-	-	1,144,796	61,869	1,228,361	38,935
-	-	123,948	20,623	151,803	26,709
5,085	-	-	-	5,085	5,679
-	-	-	-	3,731	57,848
30,727	118	(29)	(1,184)	31,259	38,172
(118,736)	(12,001)	-	(27,713)	(184,812)	(235,122)
(1,000)	-	-	-	(1,000)	(30,000)
-	-	-	-	56	795
<u>16,362</u>	<u>(11,883)</u>	<u>1,439,785</u>	<u>53,595</u>	<u>1,508,691</u>	<u>(13,637)</u>
(198,491)	131,028	1,298,066	(61,478)	1,710,319	300,457
4,796	-	-	-	4,796	5,000
233,129	124,876	-	-	358,005	180,500
-	(200,000)	(10,000)	-	(373,850)	(220,000)
<u>237,925</u>	<u>(75,124)</u>	<u>(10,000)</u>	<u>-</u>	<u>(11,049)</u>	<u>(34,500)</u>
39,434	55,904	1,288,066	(61,478)	1,699,270	265,957
477,724	337,007	304,175	654,041	9,091,416	8,940,330
-	-	-	-	-	(114,871)
<u>477,724</u>	<u>337,007</u>	<u>304,175</u>	<u>654,041</u>	<u>9,091,416</u>	<u>8,825,459</u>
<u>\$ 517,158</u>	<u>\$ 392,911</u>	<u>\$ 1,592,241</u>	<u>\$ 592,563</u>	<u>\$ 10,790,686</u>	<u>\$ 9,091,416</u>

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2014**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 1,108,514	\$ 1,013,425	\$ 31,038
Cash Paid to Suppliers	(335,630)	(455,966)	(15,441)
Cash Paid to Employees	(359,161)	(326,353)	(6,913)
Net Cash Provided (Used) by Operating Activities	413,723	231,106	8,684
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal Grants Received	4,272	17,424	-
State Grants Received	1,424	5,808	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(71,500)	(71,500)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(65,804)	(48,268)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interfund Cash Borrowed	(859,406)	-	-
Transfer to Other Funds	-	-	(20,850)
Proceeds from the Sale of Bonds	-	-	-
Proceeds from Sale of Capital Assets	-	56	-
Principal Paid on Bonds	(40,000)	(295,000)	-
Principal Paid on Capital Leases	-	-	-
Collection of Special Assessments	2,623	4,548	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(4,421)	(20,646)	-
Acquisition of Capital Assets	(52,989)	-	-
Capital Contributions Received	-	-	-
Insurance Proceeds	-	3,731	-
Proceeds from Investments Sold	-	-	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(954,193)	(307,311)	(20,850)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	990	584	53
Net Increase (Decrease) in Cash and Cash Equivalents	(605,284)	(123,889)	(12,113)
Cash and Cash Equivalents - January 1	605,284	405,267	35,743
Cash and Cash Equivalents - December 31	\$ -	\$ 281,378	\$ 23,630
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 324,470	\$ 205,407	\$ 485
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	87,500	222,467	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(3,701)	(26,686)	7,324
(Increase) Decrease in Due from Other Funds	(1,559)	(149,157)	-
(Increase) Decrease in Due from Component Unit	(5,009)	350	(42)
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	6,367	(32,638)	917
Increase (Decrease) in Retainages Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	2,293	4,080	-
Increase in Due to Other Funds	-	-	-
Increase in OPEB Payable	2,344	6,081	-
Increase (Decrease) in Accrued Expenses	1,018	1,202	-
Net Cash Provided (Used) by Operating Activities	\$ 413,723	\$ 231,106	\$ 8,684
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Amortization of Loss on Bond Refunding	\$ 1,380	\$ 455	\$ -
Amortization of Gain on Bond Refunding	-	-	-
Amortization of Bond Discount	-	75	-
Transfer of Capital Assets	-	-	-
Capital Contributions	-	-	-

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2014	2013
				Total Proprietary Funds	Total Proprietary Funds
\$ 98,018	\$ 1,470,199	\$ 42,010	\$ 67,520	\$ 3,830,724	\$ 3,763,291
(88,140)	(1,209,924)	(73,763)	(54,113)	(2,232,977)	(2,030,464)
(121,857)	(99,177)	(727)	-	(914,188)	(868,144)
<u>(111,979)</u>	<u>161,098</u>	<u>(32,480)</u>	<u>13,407</u>	<u>683,559</u>	<u>864,683</u>
-	-	-	61,869	83,565	38,935
-	-	15,154	20,623	43,009	26,709
220,000	-	-	-	220,000	180,500
-	(200,000)	(10,000)	-	(353,000)	(220,000)
<u>220,000</u>	<u>(200,000)</u>	<u>5,154</u>	<u>82,492</u>	<u>(6,426)</u>	<u>26,144</u>
-	-	859,406	-	-	-
-	-	-	-	(20,850)	-
-	517,000	-	-	517,000	626,000
-	-	-	-	56	5,795
(120,000)	-	-	(1,190,000)	(1,645,000)	(1,185,000)
(802)	-	-	-	(802)	(2,394)
-	-	-	-	7,171	6,448
98,882	-	166,708	-	265,590	76,059
(117,360)	-	-	(46,710)	(189,137)	(230,222)
(4,839)	(441,772)	(1,251,231)	-	(1,750,831)	(201,041)
5,085	-	-	-	5,085	11,929
-	-	-	-	3,731	57,848
-	-	-	1,139,622	1,139,622	22,500
31,030	-	-	-	31,030	32,673
-	-	230,100	-	230,100	-
-	-	22,372	-	22,372	-
<u>(108,004)</u>	<u>75,228</u>	<u>27,355</u>	<u>(97,088)</u>	<u>(1,384,863)</u>	<u>(779,405)</u>
(303)	118	(29)	1,189	2,602	3,997
(286)	36,444	-	-	(705,128)	115,419
1,286	81,317	-	-	1,128,897	1,013,478
<u>\$ 1,000</u>	<u>\$ 117,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,769</u>	<u>\$ 1,128,897</u>
\$ (214,853)	\$ 142,911	\$ (141,719)	\$ (115,073)	\$ 201,628	\$ 314,094
70,907	27,074	84,374	86,757	579,079	515,745
1,363	24	-	(83,934)	(105,610)	1,335
-	-	-	-	(150,716)	(37,151)
-	-	-	(4,868)	(9,569)	(29,412)
-	(21,469)	-	-	(21,469)	(9,022)
890	13,160	24,865	4,166	17,727	32,661
-	(445)	-	-	(445)	445
3,489	(1,856)	-	-	8,006	19,720
24,357	-	-	126,359	150,716	37,151
1,591	917	-	-	10,933	14,413
277	782	-	-	3,279	4,704
<u>\$ (111,979)</u>	<u>\$ 161,098</u>	<u>\$ (32,480)</u>	<u>\$ 13,407</u>	<u>\$ 683,559</u>	<u>\$ 864,683</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,835	\$ -
-	-	-	(65)	(65)	-
-	-	-	111	186	-
(13,129)	(124,876)	-	-	(138,005)	-
4,796	-	-	-	4,796	5,000

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**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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. The entity is excluded from the financial statement presentation as it is not fiscally dependent on the City, the economic resources of the Relief are not held for the direct benefit of the City and the City is not entitled to nor does it have the ability to access the Relief's economic resources.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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, 2014**

**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 the 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.

2014 Street Improvement Fund – This capital project fund is 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, specifically the 2014 Street Improvement Project.

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 wastewater treatment plant service charges, which are used to finance the wastewater 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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

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

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

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

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

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)**

**Taxes and Special Assessments**

Current taxes and special assessments receivable at December 31, 2014, 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 2014 and prior years and are offset by unavailable revenues in the governmental fund financial statements.

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

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as unavailable revenue at the time of the levy. Unavailable 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.

**Noncurrent Special Assessments**

In the governmental fund financial statements, noncurrent 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, 2014**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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.

**Unavailable Revenue**

Unavailable revenue is revenue where asset recognition criteria have been met but for which revenue recognition criteria have not been met. Unavailable revenue has been reported, in the governmental funds for noncurrent and delinquent special assessments, delinquent taxes and a note 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, 2014**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 are deferred and amortized over the life of the bonds using the straight-line method.

Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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, 2014**

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 unavailable revenue because it is not available to finance current expenditures. Unavailable revenue in governmental activities is susceptible to full accrual on the government-wide statements.

**Net Position**

Net position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources 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. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2013, from which the summarized comparative information was derived. Certain amounts in the prior year financial statements have been reclassified for comparative purposes with the presentation in the current year financial statements.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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 2014.

**B. Deficit Fund Balances**

Certain funds had deficit fund balances at December 31, 2014, as follows:

Debt Service Funds	
2007 Tax Increment Bond	\$ (478)
City Sinking	(10,574)
County State Aid Hwy #3 Bond	(48,231)
2004 N. Country/Glenknoll Area	(23,313)
2004 Street Improvement Bond	(68,906)
Capital Project Funds	
Tax Increment #17-Miller Mfg.	(7,224)
2015 Street Improvement	(321,302)

The deficits in the Debt Service Funds will be reduced as taxes, intergovernmental revenue and assessments are collected. The deficits in the Capital Project Funds will be reduced as tax increment financing revenues are collected and through future bonds issued.

**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, 2014.

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.”

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

**Deposits (Continued)**

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, 2014 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, 2014 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.
- 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, 2014, the City had no investments.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

**Investments (Continued)**

At December 31, 2014, the Light and Power Commission had no investments.

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

Deposits	\$ 2,831,545
Total Cash and Cash Equivalents	\$ 2,831,545
These amounts are reported are presented on the statement of net position as follows:	
Cash and Cash Equivalents - Governmental Activities	\$ 2,407,776
Cash and Cash Equivalents - Business-Type Activities	423,769
	\$ 2,831,545

**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.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated					
Land	\$ 1,293,768	\$ 100,500	\$ (12,400)	\$ (30,207)	\$ 1,351,661
Construction in Progress	64,810	5,203	(64,810)	-	5,203
Total Capital Assets, Not Being Depreciated	1,358,578	105,703	(77,210)	(30,207)	1,356,864
Capital Assets, Being Depreciated:					
Buildings	4,487,531	48,849	-	-	4,536,380
Improvements Other than Buildings	3,493,573	64,850	-	-	3,558,423
Office Equipment and Furniture	68,784	-	(23,570)	-	45,214
Vehicles	1,873,530	26,611	(258,249)	-	1,641,892
Machinery and Shop Equipment	876,595	133,404	(81,922)	-	928,077
Infrastructure	8,431,964	1,525,806	(544,042)	-	9,413,728
Total Capital Assets, Being Depreciated	19,231,977	1,799,520	(907,783)	-	20,123,714
Accumulated Depreciation:					
Buildings	(996,738)	(95,557)	-	-	(1,092,295)
Improvements Other than Buildings	(1,438,040)	(144,292)	-	-	(1,582,332)
Office Equipment and Furniture	(45,114)	(4,521)	23,570	-	(26,065)
Vehicles	(1,426,409)	(67,075)	258,249	-	(1,235,235)
Machinery and Shop Equipment	(561,106)	(62,733)	80,999	-	(542,840)
Infrastructure	(6,522,147)	(164,608)	544,042	-	(6,142,713)
Total Accumulated Depreciation	(10,989,554)	(538,786)	906,860	-	(10,621,480)
Total Capital Assets, Being Depreciated, Net	8,242,423	1,260,734	(923)	-	9,502,234
Governmental Activities Capital Assets, Net	\$ 9,601,001	\$ 1,366,437	\$ (78,133)	\$ (30,207)	\$ 10,859,098

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>		
General Government		\$ 29,419
Public Safety		97,629
Public Works		233,832
Culture and Recreation		177,906
Total Depreciation Expense, Governmental Activities		<u>\$ 538,786</u>

Capital asset activity for business-type activities for the year ended December 31, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<b>Business-Type Activities:</b>					
Capital Assets, Not Being Depreciated					
Land	\$ 504,855	\$ -	\$ -	\$ 30,207	\$ 535,062
Construction in Progress	42,837	-	(42,837)	-	-
Total Capital Assets, Not Being Depreciated	547,692	-	(42,837)	30,207	535,062
Capital Assets, Being Depreciated:					
Buildings	10,266,813	493,466	-	-	10,760,279
Improvements Other than Buildings	1,013,611	1,400,551	(643,169)	-	1,770,993
Vehicles	211,888	-	(47,476)	-	164,412
Office Equipment and Furniture	76,430	13,906	(16,549)	-	73,787
Machinery and Shop Equipment	1,380,747	31,975	(46,665)	-	1,366,057
Infrastructure	9,563,307	21,014	(887)	-	9,583,434
Total Capital Assets, Being Depreciated	22,512,796	1,960,912	(754,746)	-	23,718,962
Accumulated Depreciation:					
Buildings	(4,180,445)	(223,296)	-	-	(4,403,741)
Improvements Other than Buildings	(770,043)	(85,759)	643,169	-	(212,633)
Vehicles	(163,725)	(10,425)	47,476	-	(126,674)
Office Equipment and Furniture	(37,934)	(4,222)	16,549	-	(25,607)
Machinery and Shop Equipment	(1,097,444)	(55,303)	46,665	-	(1,106,082)
Infrastructure	(3,833,579)	(200,074)	887	-	(4,032,766)
Total Accumulated Depreciation	(10,083,170)	(579,079)	754,746	-	(9,907,503)
Total Capital Assets, Being Depreciated, Net	12,429,626	1,381,833	-	-	13,811,459
Business-Type Capital Assets, Net	<u>\$ 12,977,318</u>	<u>\$ 1,381,833</u>	<u>\$ (42,837)</u>	<u>\$ 30,207</u>	<u>\$ 14,346,521</u>

**NOTE 6 INTERFUND RECEIVABLES AND PAYABLES**

The balances at December 31, 2014 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 375,984	\$ -
2007 Tax Increment Bond	-	478
Nonmajor Governmental Funds	-	375,506
Water Fund	901,513	-
Wastewater Treatment Plant Fund	149,157	-
City Center Fund	-	54,437
Airport Fund	-	866,031
Storm Water Management Fund	-	130,202
Total	<u>\$ 1,426,654</u>	<u>\$ 1,426,654</u>



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 7 LONG-TERM LIABILITIES**

Long-term liabilities consist of the following at December 31, 2014:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities -</b>							
<u>General Obligation Bonds</u>							
\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion	2.75% - 4.00%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	\$ 420,000	\$ -	\$ (60,000)	\$ 360,000	\$ 65,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/17	310,000	-	(75,000)	235,000	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 12/1 and principal due annually on 12/1 until 12/1/19	350,000	-	(50,000)	300,000	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 8/1 and principal due annually on 2/1 until 2/1/19	210,000	-	(60,000)	150,000	30,000
\$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	-	(60,000)	350,000	70,000
\$380,000 Taxable G.O. Tax Increment Bonds - Series 2014C	3.25% - 4.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/29	-	380,000	-	380,000	-
<b>Total General Obligation Bonds</b>			<b>1,700,000</b>	<b>380,000</b>	<b>(305,000)</b>	<b>1,775,000</b>	<b>295,000</b>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>General Obligation Equipment</u>							
<u>Certificates of Indebtedness</u>							
\$245,000 G.O. Equipment Certificate of Indebtedness Series 2013	3.00%	Interest and principal due annually on 2/20, until 2/20/18	\$ 245,000	\$ -	\$ (51,713)	\$ 193,287	\$ 46,332
Total General Obligation Equipment Certificates of Indebtedness			245,000	-	(51,713)	193,287	46,332
<u>Special Assessment Bonds</u>							
\$2,365,000 G.O. Sewer and Improvement Bonds - Series 2007A \$1,015,000 Portion These Bonds were Paid Off in 2014	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	815,000	-	(815,000)	-	-
\$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	1,130,000	-	(85,000)	1,045,000	85,000
\$945,000 G.O. Refunding Bonds - Series 2008B \$215,000 Portion This Portion of These Bonds were Paid Off in 2014	2.75% - 4.00%	Interest due semi- annually on 12/1 and 6/1 and principal due annually on 12/1 until 12/1/14	35,000	-	(35,000)	-	-
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 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	420,000	-	(100,000)	320,000	100,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>Special Assessment Bonds (Continued)</u>							
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 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	\$ 290,000	\$ -	\$ (55,000)	\$ 235,000	\$ 55,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$275,000 Portion This Portion of These Bonds were Paid Off in 2014	.55% - 3.45%	Interest due semi- annually on 6/1 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 \$230,000 Portion This Portion of These Bonds were Paid Off in 2014	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	65,000	-	(65,000)	-	-
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	810,000	-	-	810,000	60,000
\$1,925,000 G.O. Improvement Bonds - Series 2014A	2.00% - 2.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/25	-	1,925,000	-	1,925,000	-
Total Special Assessment Bonds			3,640,000	1,925,000	(1,230,000)	4,335,000	300,000
Total Bonds Payable			5,585,000	2,305,000	(1,586,713)	6,303,287	641,332

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
Capital Leases Payable							
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	\$ 405,406	\$ -	\$ (46,752)	\$ 358,654	\$ 48,822
Heritage Series Tanker/Pumper	4.69%	Lease payments of \$46,999 due annually on 11/5 until 11/5/14	44,893	-	(44,893)	-	-
This Capital Lease was Paid Off in 2014							
Phone System	16.25%	Lease payments of \$991 due monthly until 8/1/14	7,466	-	(7,466)	-	-
This Capital Lease was Paid Off in 2014							
2012 John Deere Mower	0.00%	Lease payments of \$445 due monthly until 3/19/14	1,334	-	(1,334)	-	-
This Capital Lease was Paid Off in 2014							
2013 Bobcat Skid Steer Loader	6.31%	Lease payments of \$10,404 due annually until 3/20/18	35,796	-	(8,145)	27,651	8,659
2014 Kubota Tractor	5.75%	Lease payments of \$870 due monthly until 2/3/17	-	28,695	(7,482)	21,213	9,464
Total Capital Leases Payable			494,895	28,695	(116,072)	407,518	66,945
Unamortized Bond Discount			(2,493)	-	279	(2,214)	-
Unamortized Bond Premium			1,197	39,072	(3,688)	36,581	-
Compensated Absences Payable			238,535	269,384	(238,535)	269,384	269,384
Other Postemployment Benefits Payable			110,958	32,121	(8,457)	134,622	-
Total Governmental Activities Long-Term Liabilities			<u>\$ 6,428,092</u>	<u>\$ 2,674,272</u>	<u>\$ (1,953,186)</u>	<u>\$ 7,149,178</u>	<u>\$ 977,661</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities</b>							
\$2,365,000 G.O. Sewer and Improvement Bonds of 2007 - Series 2007A \$1,350,000 Portion These Bonds were Paid Off in 2014	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	\$ 1,190,000	\$ -	\$ (1,190,000)	\$ -	\$ -
\$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	1,855,000	-	(80,000)	1,775,000	80,000
\$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	230,000	-	(25,000)	205,000	25,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$975,000 Portion This Portion of These Bonds were Paid Off in 2014	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	245,000	-	(245,000)	-	-
\$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	290,000	-	(25,000)	265,000	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	370,000	-	(40,000)	330,000	50,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities - (Continued)</b>							
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	\$ 1,195,000	\$ -	\$ -	\$ 1,195,000	\$ 75,000
\$626,000 Gross Revenue Event Facility Refunding Bonds - Series 2013A	2.50% - 4.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	626,000	-	(40,000)	586,000	34,000
\$517,000 Liquor Store Revenue Bonds - Series 2014	2.30% - 4.25%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/29	-	517,000	-	517,000	18,000
Total Bonds Payable			6,001,000	517,000	(1,645,000)	4,873,000	312,000
Capital Lease Payable Dishwasher	0.00%	Lease payments of \$67 due monthly until 5/1/15	1,137	-	(803)	334	334
Total Capital Lease Payable			1,137	-	(803)	334	334
Other Postemployment Benefits Payable			59,136	19,390	(8,456)	70,070	-
Unamortized Bond Premium			999	-	(999)	-	-
Unamortized Bond Discount			(2,254)	-	186	(2,068)	-
Total Business-Type Long-Term Liabilities			<u>\$ 6,060,018</u>	<u>\$ 536,390</u>	<u>\$ (1,655,072)</u>	<u>\$ 4,941,336</u>	<u>\$ 312,334</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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
2015	\$ 641,332	\$ 175,289	\$ 312,000	\$ 184,788	\$ 953,332	\$ 360,077
2016	867,741	146,360	318,000	167,894	1,185,741	314,254
2017	879,185	126,144	325,000	160,467	1,204,185	286,611
2018	710,029	104,518	342,000	152,227	1,052,029	256,745
2019	615,000	85,523	353,000	142,718	968,000	228,241
2020 - 2024	1,975,000	242,473	1,564,000	543,016	3,539,000	785,489
2025 - 2029	615,000	37,930	1,379,000	245,058	1,994,000	282,988
2030 - 2031	-	-	280,000	17,888	280,000	17,888
Total	<u>\$ 6,303,287</u>	<u>\$ 918,237</u>	<u>\$ 4,873,000</u>	<u>\$ 1,614,056</u>	<u>\$ 11,176,287</u>	<u>\$ 2,532,293</u>

On April 3, 2014, the City of Glencoe issued \$1,925,000 of General Obligation Improvement Bonds, Series 2014A. The proceeds of the issue were used to pay the costs associated with the 2014 Street Improvement Project. Assets of the City, together with scheduled ad valorem taxes and special assessments, are dedicated to retire these bonds.

On May 1, 2014, the City of Glencoe issued \$517,000 of Liquor Store Revenue Bonds, Series 2014. The proceeds of the issue were used to pay the costs associated with the expansion and remodeling of the City's Municipal Liquor Store. Assets and revenues of the Municipal Liquor Fund are dedicated to retire these bonds.

On December 1, 2014, the City of Glencoe issued \$380,000 of Taxable General Obligation Tax Increment Bonds, Series 2014C. The proceeds of the issue were used to finance the acquisition of land and other costs associated with the formation of Tax Increment Financing District #18 for a future industrial park. Assets of the City, together with future land sales and tax increment financing revenues, are dedicated to retire these bonds.

In 2014 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 \$385,508 and \$129,392 of accumulated depreciation at December 31, 2014.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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, 2014 are as follows:

Year Ending December 31	Capital Leases Payable
2015	\$ 85,177
2016	84,841
2017	76,145
2018	64,003
2019	64,003
2020 - 2021	96,004
Total Minimum Lease Payments	470,173
Less Amount Representing Interest	62,321
Present Value of Minimum Lease Payments	\$ 407,852

**Conduit Debt**

On August 1, 2005, the City issued Health Care 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. On February 1, 2013, the City issued Health Care Facilities Revenue Refunding Bonds, Series 2013 in the amount of \$22,190,000. 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 2005. 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, 2014, the principal amount outstanding was \$21,245,000.

**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, 2014 was \$133,144.

**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,	
2015	\$ 41,178
2016	28,797
2017	6,025
	\$ 76,000

The City had \$38,659 of expenditures for these leases in 2014.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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, 2014**

**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 five 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](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, MN, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS - STATEWIDE (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 2014. PEPFF members were required to contribute 10.20% of their annual covered salary in 2014. In 2014, 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 15.30% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$92,050, \$87,729, and \$85,502, respectively. The City's contributions to Public Employees Police & Fire Fund for the years ending December 31, 2014, 2013, and 2012, were \$73,860, \$68,591, and \$70,038, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50% for members and 7.50% for employers) and the Police and Fire Fund (10.80% for members and 16.20% for employers).

**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, 2014, 2013, and 2012 were \$68,774, \$68,795, and \$68,789, 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, 2014**

**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 2014, the City contributed \$16,913 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	6,805
Adjustment to Annual Required Contribution	<u>(7,954)</u>
Annual OPEB Cost (Expense)	51,511
Contributions Made	<u>16,913</u>
Increase in Net OPEB Obligation	34,598
Net OPEB Obligation - Beginning of Year	170,094
Net OPEB Obligation - End of Year	<u><u>\$ 204,692</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 2014 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 51,511	32.83%	\$ 204,692
12/31/2013	50,793	32.62%	170,094
12/31/2012	51,129	2.22%	135,871

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**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, 2014**

**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, 2014, 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, at no cost to the City, street lights and street light maintenance in the amount of \$40,106 for 2014.

**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.

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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**NOTE 18 RECONCILIATION OF OPERATING TRANSFERS**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund Types		
General Fund	\$ 188,660	\$ (71,835)
2007 Tax Increment Bond Fund	139,000	-
2014 Street Improvement Fund	173,000	(159,479)
Nonmajor Governmental Funds	93,812	(347,313)
Total Governmental Funds	<u>594,472</u>	<u>(578,627)</u>
Proprietary Fund Types		
Water Fund	-	(71,500)
Wastewater Treatment Plant Fund	-	(71,500)
Sanitation Fund	-	(20,850)
City Center Fund	233,129	-
Municipal Liquor Fund	124,876	(200,000)
Airport	-	(10,000)
Total Proprietary Funds	<u>358,005</u>	<u>(373,850)</u>
Total Operating Transfers	<u>\$ 952,477</u>	<u>\$ (952,477)</u>

Throughout the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. Other transfers were made between funds for deficit reduction, funding debt payments, closing out funds and paying for management services provided by City Administrative staff. \$43,335 of the transfers out from the General Fund was for the transfer of land and contribution of capital assets to other funds. \$94,669 of the transfers out from the 2014 Street Improvement Fund was for the contribution of capital assets to other funds. Accordingly, these are recorded as transfers in of \$13,128 in the City Center Fund and \$124,876 in the Municipal Liquor Fund, respectively.

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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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Original Budget	Final Budget	2014 Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<b>REVENUES</b>					
Taxes -					
General Property Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,409,807	\$ 9,807	\$ 1,490,327
Special Assessments	6,678	6,678	5,726	(952)	4,592
Franchise Taxes	11,000	11,000	8,964	(2,036)	9,319
Total Taxes	<u>1,417,678</u>	<u>1,417,678</u>	<u>1,424,497</u>	<u>6,819</u>	<u>1,504,238</u>
Licenses and Permits	40,500	40,500	77,094	36,594	44,627
Intergovernmental -					
Local Government Aid	1,294,117	1,294,117	1,294,117	-	1,063,153
Market Value Credit Aid	-	-	10	10	118
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,491
Police State Aid	60,000	60,000	60,293	293	61,527
Fire State Aid	29,000	29,000	40,108	11,108	40,257
Miscellaneous State Aid	2,000	2,000	94,685	92,685	18,279
Miscellaneous Federal Aid	-	-	58,970	58,970	46,173
Total Intergovernmental	<u>1,389,617</u>	<u>1,389,617</u>	<u>1,552,674</u>	<u>163,057</u>	<u>1,233,998</u>
Charges for Services -					
Special Services, Police	15,000	15,000	11,438	(3,562)	11,922
Special Services, Fire	36,000	36,000	42,160	6,160	37,668
Miscellaneous Charges	32,900	32,900	81,310	48,410	88,515
Total Charges for Services	<u>83,900</u>	<u>83,900</u>	<u>134,908</u>	<u>51,008</u>	<u>138,105</u>
Fines and Forfeits	24,000	24,000	31,599	7,599	30,670
Interest	2,080	2,080	2,004	(76)	2,090
Contributions and Donations	11,000	11,000	103,421	92,421	43,845
Payments in Lieu of Taxes	82,500	82,500	82,500	-	80,000
Miscellaneous -					
Park Fees	12,000	12,000	14,277	2,277	13,774
Reimbursements, Refunds and Miscellaneous	54,500	54,500	111,418	56,918	134,051
Total Miscellaneous	<u>66,500</u>	<u>66,500</u>	<u>125,695</u>	<u>59,195</u>	<u>147,825</u>
Total Revenues	<u>3,117,775</u>	<u>3,117,775</u>	<u>3,534,392</u>	<u>416,617</u>	<u>3,225,398</u>

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Original Budget	Final Budget	2014 Actual	Variance with Final Budget Positive (Negative)	2013 Actual
<b>EXPENDITURES</b>					
General Government -					
Administration:					
Salaries	\$ 183,670	\$ 183,670	\$ 185,302	\$ (1,632)	\$ 177,019
Employee Benefits	64,763	64,763	63,019	1,744	58,486
Payroll Taxes	11,388	11,388	10,974	414	10,331
Workers' Compensation	2,000	2,000	1,385	615	1,309
Office Supplies	6,000	6,000	5,829	171	6,051
Printing and Binding	3,500	3,500	6,586	(3,086)	2,226
Repairs and Maintenance	13,000	13,000	8,483	4,517	11,883
Professional Services	34,000	34,000	56,674	(22,674)	64,774
Auditing and Accounting	37,000	37,000	32,240	4,760	33,050
Legal Fees	20,000	20,000	15,626	4,374	13,954
Chamber	34,000	34,000	33,294	706	33,185
Computer Software	2,500	2,500	1,071	1,429	1,337
Telephone	4,000	4,000	3,441	559	5,819
Postage	3,500	3,500	3,444	56	2,964
Advertising	3,000	3,000	848	2,152	1,317
Travel	2,800	2,800	2,896	(96)	2,848
Training	2,000	2,000	458	1,542	795
Insurance	21,000	21,000	26,213	(5,213)	31,885
Utilities	77,500	77,500	73,264	4,236	75,122
Subscriptions	400	400	347	53	980
Continuing Education and Dues	1,000	1,000	1,690	(690)	768
League of Minnesota Cities	13,500	13,500	14,379	(879)	13,418
Capital Lease Principal	54,596	54,596	54,218	378	54,566
Capital Lease Interest	17,736	17,736	17,712	24	21,329
Capital Outlay	5,500	5,500	20,511	(15,011)	9,139
Miscellaneous	2,600	2,600	851	1,749	1,390
Total Administration	620,953	620,953	640,755	(19,802)	635,945
Finance:					
Salaries	121,764	121,764	123,141	(1,377)	119,712
Employee Benefits	50,594	50,594	43,512	7,082	41,921
Payroll Taxes	7,550	7,550	7,056	494	6,732
Office Supplies	2,000	2,000	1,111	889	881
Printing and Binding	500	500	504	(4)	905
Repairs and Maintenance	500	500	-	500	82
Computer Software	4,200	4,200	4,209	(9)	4,135
Postage	-	-	6	(6)	10
Travel	500	500	25	475	116
Continuing Education & Dues	200	200	35	165	35
Capital Outlay	1,000	1,000	2,607	(1,607)	-
Training	500	500	-	500	110
Miscellaneous	400	400	263	137	473
Total Finance	189,708	189,708	182,469	7,239	175,112

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Original Budget	Final Budget	2014 Actual	Variance with Final Budget Positive (Negative)	2013 Actual
Expenditures: - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 26,100	\$ 26,100	\$ 26,100	\$ -	\$ 26,275
Employee Benefits	1,356	1,356	1,355	1	1,364
Payroll Taxes	379	379	379	-	381
Workers' Compensation	60	60	57	3	56
Office Supplies	500	500	384	116	70
Travel	2,000	2,000	580	1,420	1,122
Training	2,500	2,500	1,671	829	1,141
Dues and Subscriptions	500	500	30	470	1,616
Miscellaneous	14,150	14,150	13,564	586	4,930
Total City Council	<u>47,545</u>	<u>47,545</u>	<u>44,120</u>	<u>3,425</u>	<u>36,955</u>
Total General Government	858,206	858,206	867,344	(9,138)	848,012
Public Safety -					
Police Department:					
Salaries	556,449	556,449	573,092	(16,643)	583,552
Employee Benefits	262,110	262,110	233,694	28,416	219,032
Payroll Taxes	4,086	4,086	4,431	(345)	4,447
Unemployment Insurance	-	-	2	(2)	49
Workers' Compensation	17,000	17,000	13,580	3,420	12,944
Supplies	9,700	9,700	6,145	3,555	7,028
Motor Fuels	20,000	20,000	25,090	(5,090)	20,987
Repairs and Maintenance	20,500	20,500	31,039	(10,539)	35,719
Training	12,000	12,000	11,636	364	6,218
Continuing Education and Dues	750	750	465	285	715
Investigation	3,500	3,500	1,663	1,837	6,805
Vaccinations	1,000	1,000	-	1,000	356
Telephone	6,000	6,000	8,850	(2,850)	12,547
Insurance	11,500	11,500	19,967	(8,467)	18,646
Legal Fees	22,000	22,000	29,519	(7,519)	31,890
Uniforms	6,500	6,500	6,219	281	6,645
Animal Control	2,500	2,500	1,903	597	3,127
Operating Leases	46,500	46,500	42,022	4,478	41,223
Capital Outlay	7,000	7,000	12,541	(5,541)	5,682
Utilities	20,000	20,000	19,045	955	21,632
Miscellaneous	3,600	3,600	11,401	(7,801)	3,909
Total Police Department	<u>1,032,695</u>	<u>1,032,695</u>	<u>1,052,304</u>	<u>(19,609)</u>	<u>1,043,153</u>

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Original Budget	Final Budget	2014 Actual	Variance with Final Budget Positive (Negative)	2013 Actual
Expenditures: - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 16,749	\$ 16,749	\$ 16,748	\$ 1	\$ 16,748
Employee Benefits	823	823	823	-	823
State Fire Aid	29,000	29,000	40,108	(11,108)	40,257
Municipal Fire Aid Contribution	69,000	69,000	68,774	226	68,795
Payroll Taxes	1,282	1,282	1,281	1	1,281
Workers' Compensation	6,800	6,800	7,902	(1,102)	7,511
Office Supplies	2,500	2,500	3,418	(918)	4,035
Motor Fuels	4,500	5,016	6,492	(1,476)	4,369
Repairs and Maintenance	17,000	19,400	29,842	(10,442)	13,094
Training	9,000	9,000	5,562	3,438	4,357
Telephone	750	750	964	(214)	1,055
Travel	750	750	-	750	4,912
Advertising	600	600	1,085	(485)	1,404
Insurance	9,000	9,000	7,196	1,804	6,065
Utilities	5,600	5,600	8,126	(2,526)	5,429
Continuing Education and Dues	6,000	6,000	4,643	1,357	2,861
Capital Lease Principal	44,894	44,894	96,606	(51,712)	42,882
Capital Lease Interest	2,106	2,106	4,392	(2,286)	4,117
Capital Outlay	14,500	24,820	35,394	(10,574)	272,905
Miscellaneous	3,500	3,500	3,622	(122)	5,504
Total Fire Department	<u>244,354</u>	<u>257,590</u>	<u>342,978</u>	<u>(85,388)</u>	<u>508,404</u>
Code Enforcement:					
Office Supplies	100	100	213	(113)	470
Building Inspector	15,000	15,000	70,399	(55,399)	32,763
Total Code Enforcement	<u>15,100</u>	<u>15,100</u>	<u>70,612</u>	<u>(55,512)</u>	<u>33,233</u>
Total Public Safety	1,292,149	1,305,385	1,465,894	(160,509)	1,584,790
Streets and Highways -					
Salaries	146,453	146,453	154,710	(8,257)	147,271
Employee Benefits	59,380	59,380	50,823	8,557	47,094
Payroll Taxes	9,081	9,081	8,890	191	9,380
Workers' Compensation	10,000	10,000	8,149	1,851	7,819
Supplies	700	700	1,444	(744)	1,297
Motor Fuels	23,000	23,000	41,026	(18,026)	32,150
Repairs and Maintenance	36,600	36,600	76,009	(39,409)	60,171
Professional Services	-	-	163	(163)	5,630
Street Maintenance	15,000	15,000	19,507	(4,507)	55,027
Landscaping	1,000	1,000	154	846	12
Telephone	1,000	1,000	1,258	(258)	1,055

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Original Budget	Final Budget	2014 Actual	Variance with Final Budget Positive (Negative)	2013 Actual
Expenditures: - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 2,500	\$ 2,500	\$ 6,045	\$ (3,545)	\$ 3,310
Insurance	11,000	11,000	10,166	834	9,872
Utilities	8,700	8,700	12,892	(4,192)	9,072
Capital Lease Principal	-	-	7,482	(7,482)	16,749
Capital Lease Interest	-	-	1,215	(1,215)	278
Maintenance Facility Principal	50,000	50,000	50,000	-	55,000
Maintenance Facility Interest	8,135	8,135	8,135	-	8,740
Capital Outlay	2,019,500	2,019,500	146,776	1,872,724	105,348
Miscellaneous	19,950	19,950	10,568	9,382	7,977
Total Street and Highways	<u>2,421,999</u>	<u>2,421,999</u>	<u>615,412</u>	<u>1,806,587</u>	<u>583,252</u>
Cemetery					
Current Expenditures	17,671	17,671	16,164	1,507	16,648
Total Cemetery	<u>17,671</u>	<u>17,671</u>	<u>16,164</u>	<u>1,507</u>	<u>16,648</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	162,453	162,453	180,838	(18,385)	169,011
Employee Benefits	61,829	61,829	55,141	6,688	52,596
Payroll Taxes	10,073	10,073	12,505	(2,432)	10,409
Workers' Compensation	4,300	4,300	5,118	(818)	4,378
Supplies	9,200	9,200	9,170	30	10,881
Motor Fuels	9,800	9,800	17,504	(7,704)	13,056
Repairs and Maintenance	18,950	18,950	20,680	(1,730)	16,820
Telephone	1,500	1,500	1,744	(244)	2,400
Insurance	17,500	17,500	18,897	(1,397)	18,329
Utilities	6,000	6,000	5,328	672	4,789
Capital Lease Principal	9,480	9,480	9,479	1	15,741
Capital Lease Interest	2,259	2,259	2,259	-	-
Capital Outlay	74,500	74,500	65,045	9,455	55,554
Miscellaneous	5,600	5,600	8,452	(2,852)	5,897
Total Park and Recreation	<u>393,444</u>	<u>393,444</u>	<u>412,160</u>	<u>(18,716)</u>	<u>379,861</u>
Library and Community Center:					
Supplies	2,500	2,500	3,315	(815)	2,213
Repairs and Maintenance	2,500	2,500	3,612	(1,112)	2,204
Management Fees	80,000	80,000	80,000	-	80,000
Telephone	1,200	1,200	968	232	1,435
Insurance	3,500	3,500	1,605	1,895	1,632
Utilities	19,500	19,500	20,015	(515)	17,595
Capital Outlay	5,000	5,000	4,146	854	-
Total Library and Community Center	<u>114,200</u>	<u>114,200</u>	<u>113,661</u>	<u>539</u>	<u>105,079</u>
Total Culture and Recreation	<u>507,644</u>	<u>507,644</u>	<u>525,821</u>	<u>(18,177)</u>	<u>484,940</u>

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Original Budget	Final Budget	2014 Actual	Variance with Final Budget Positive (Negative)	2013 Actual
Expenditures: - (Cont'd.)					
Economic Development	\$ 5,000	\$ 5,000	\$ 4,599	\$ 401	\$ 8,902
Miscellaneous -					
Sales Tax	2,000	2,000	1,643	357	1,357
State Surcharge	2,500	2,500	4,275	(1,775)	2,474
Vehicle Towing	4,500	4,500	5,766	(1,266)	6,358
Refunds and Reimbursements	21,000	21,000	192,641	(171,641)	71,950
Other	-	-	7,424	(7,424)	-
Total Miscellaneous	<u>30,000</u>	<u>30,000</u>	<u>211,749</u>	<u>(181,749)</u>	<u>82,139</u>
Total Expenditures	<u>5,132,669</u>	<u>5,145,905</u>	<u>3,706,983</u>	<u>1,438,922</u>	<u>3,608,683</u>
Deficiency of Revenues Under Expenditures	(2,014,894)	(2,028,130)	(172,591)	1,855,539	(383,285)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	90,000	90,000	188,660	98,660	75,000
Operating Transfers Out	-	-	(28,500)	(28,500)	(40,500)
Lease Proceeds	-	-	28,695	28,695	46,200
General Obligation Certificate Proceeds	-	-	-	-	245,000
Bond Proceeds	1,900,000	1,900,000	-	(1,900,000)	-
Proceeds from the Sale of Capital Assets	1,000	1,000	34,017	33,017	5,157
Insurance Proceeds	10,000	10,000	14,896	4,896	14,786
Total Other Financing Sources (Uses)	<u>2,001,000</u>	<u>2,001,000</u>	<u>237,768</u>	<u>(1,763,232)</u>	<u>345,643</u>
Net Change in Fund Balance	(13,894)	(27,130)	65,177	92,307	(37,642)
Fund Balance - Beginning	<u>2,268,608</u>	<u>2,268,608</u>	<u>2,268,608</u>	-	<u>2,306,250</u>
Fund Balance - Ending	<u>\$ 2,254,714</u>	<u>\$ 2,241,478</u>	<u>\$ 2,333,785</u>	<u>\$ 92,307</u>	<u>\$ 2,268,608</u>



**CITY OF GLENCOE, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN  
 DECEMBER 31, 2014**

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  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2014**

**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 2014.

## **COMBINING FUND STATEMENTS**

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

		Other Governmental Funds		
		2014		
		Special Revenue	Debt Service	Capital Projects
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$	39,355	\$ 231,072	\$ 193,587
Accounts Receivable		7,195	-	-
Note Receivable		-	-	25,913
Taxes Receivable				
Current		-	7,175	860
Delinquent		-	7,279	-
Special Assessments Receivable				
Current		-	-	-
Noncurrent		-	200,336	-
Land Held for Resale		-	-	355,278
		-	-	-
Total Assets	\$	<u>46,550</u>	<u>\$ 445,862</u>	<u>\$ 575,638</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$	1,113	\$ -	\$ 112,353
Due to Other Funds		3,816	154,472	217,218
Total Liabilities		<u>4,929</u>	<u>154,472</u>	<u>329,571</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue		-	207,615	25,913
<b>FUND BALANCES</b>				
Nonspendable		-	-	355,278
Restricted for:				
Street Improvement Projects		36,639	-	-
Debt Service		-	165,893	-
Capital Projects		-	-	193,402
Committed for:				
Aquatic Center		1,927	-	-
Cable TV		3,055	-	-
Unassigned		-	(82,118)	(328,526)
Total Fund Balances		<u>41,621</u>	<u>83,775</u>	<u>220,154</u>
		-	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$	<u>46,550</u>	<u>\$ 445,862</u>	<u>\$ 575,638</u>

<u>2014</u>	<u>2013</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 464,014	\$ 261,864
7,195	30,956
25,913	37,881
8,035	2,566
7,279	7,550
-	216
200,336	13,487
<u>355,278</u>	<u>247,063</u>
<u>\$ 1,068,050</u>	<u>\$ 601,583</u>

\$ 113,466	\$ 7,350
<u>375,506</u>	<u>212,326</u>
<u>488,972</u>	<u>219,676</u>
<u>233,528</u>	<u>58,918</u>
355,278	247,063
36,639	156,590
165,893	39,481
193,402	77,133
1,927	2,054
3,055	11,364
<u>(410,644)</u>	<u>(210,696)</u>
<u>345,550</u>	<u>322,989</u>
<u>\$ 1,068,050</u>	<u>\$ 601,583</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2014**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Other Governmental Funds		
	2014		
	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>			
Taxes	\$ 4,507	\$ 578,556	\$ 290,346
Intergovernmental	146,604	-	-
Charges for Services	67,626	-	-
Assessments	-	167,271	-
Interest Income	234	(18)	696
Franchise Taxes	27,946	-	-
Miscellaneous	3,679	-	69,243
Total Revenues	<u>250,596</u>	<u>745,809</u>	<u>360,285</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	-
Highways and Streets	85,879	-	321,233
Culture-Recreation	104,963	-	-
Economic Development	-	-	291,098
Capital Outlay:			
Highways and Streets	-	-	-
Culture-Recreation	5,749	-	-
Economic Development	-	-	1,606
Debt Service:			
Principal	75,000	535,000	-
Interest	5,892	80,026	-
Fiscal Charges	-	248	-
Total Expenditures	<u>277,483</u>	<u>615,274</u>	<u>613,937</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(26,887)	130,535	(253,652)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	28,500	65,312	-
Transfers Out	(130,000)	(2,313)	(215,000)
Bond Proceeds	-	61,456	364,610
Total Other Financing Sources (Uses)	<u>(101,500)</u>	<u>124,455</u>	<u>149,610</u>
Net Change in Fund Balances	(128,387)	254,990	(104,042)
Fund Balances - Beginning	170,008	(171,215)	324,196
Fund Balances - Ending	<u>\$ 41,621</u>	<u>\$ 83,775</u>	<u>\$ 220,154</u>

<u>2014</u>		<u>2013</u>	
Total Other Governmental Funds		Total Other Governmental Funds	
\$	873,409	\$	1,037,216
	146,604		167,592
	67,626		69,602
	167,271		18,401
	912		1,071
	27,946		26,552
	72,922		15,709
	<u>1,356,690</u>		<u>1,336,143</u>
	-		46
	407,112		22,353
	104,963		116,234
	291,098		192,431
	-		29,930
	5,749		-
	1,606		-
	610,000		745,000
	85,918		98,444
	248		248
	<u>1,506,694</u>		<u>1,204,686</u>
	(150,004)		131,457
	93,812		154,327
	(347,313)		(301,327)
	426,066		-
	<u>172,565</u>		<u>(147,000)</u>
	22,561		(15,543)
	322,989		338,532
\$	<u>345,550</u>	\$	<u>322,989</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS  
DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

		Special Revenue Funds	
		2014	
		Aquatic Center	Cable TV
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		\$ 2,007	\$ -
Accounts Receivable		224	6,971
Total Assets		\$ 2,231	\$ 6,971
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable		\$ 304	\$ 100
Due to Other Funds		-	3,816
Total Liabilities		304	3,916
<b>FUND BALANCES</b>			
Restricted		-	-
Committed		1,927	3,055
Total Fund Balances		1,927	3,055
Total Liabilities and Fund Balances		\$ 2,231	\$ 6,971



Special Revenue Funds		
2014		2013
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ 37,348	\$ 39,355	\$ 146,402
-	7,195	30,956
<u>\$ 37,348</u>	<u>\$ 46,550</u>	<u>\$ 177,358</u>
\$ 709	\$ 1,113	\$ 7,350
-	3,816	-
<u>709</u>	<u>4,929</u>	<u>7,350</u>
36,639	36,639	156,590
-	4,982	13,418
<u>36,639</u>	<u>41,621</u>	<u>170,008</u>
<u>\$ 37,348</u>	<u>\$ 46,550</u>	<u>\$ 177,358</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, 2014**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Special Revenue Funds	
	2014	
	Aquatic Center	Cable TV
<b>REVENUES</b>		
Taxes	\$ 4,507	\$ -
Intergovernmental	-	-
Charges for Services	67,626	-
Interest Income	(7)	25
Franchise Fees	-	27,946
Miscellaneous	3,649	30
Total Revenues	<u>75,775</u>	<u>28,001</u>
<b>EXPENDITURES</b>		
Current:		
Highways and Streets	-	-
Culture-Recreation	103,653	1,310
Capital Outlay:		
Highways and Streets	-	-
Culture-Recreation	749	5,000
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>104,402</u>	<u>6,310</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(28,627)	21,691
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	28,500	-
Transfers Out	-	(30,000)
Total Other Financing Sources (Uses)	<u>28,500</u>	<u>(30,000)</u>
Net Change in Fund Balances	(127)	(8,309)
Fund Balances - Beginning	<u>2,054</u>	<u>11,364</u>
Fund Balances - Ending	<u>\$ 1,927</u>	<u>\$ 3,055</u>

Special Revenue Funds		
2014		2013
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ -	\$ 4,507	\$ 4,620
146,604	146,604	167,592
-	67,626	69,602
216	234	164
-	27,946	26,552
-	3,679	4,037
<u>146,820</u>	<u>250,596</u>	<u>272,567</u>
85,879	85,879	22,353
-	104,963	116,234
-	-	29,930
-	5,749	-
75,000	75,000	75,000
5,892	5,892	6,718
<u>166,771</u>	<u>277,483</u>	<u>250,235</u>
(19,951)	(26,887)	22,332
-	28,500	38,000
<u>(100,000)</u>	<u>(130,000)</u>	<u>(33,000)</u>
<u>(100,000)</u>	<u>(101,500)</u>	<u>5,000</u>
(119,951)	(128,387)	27,332
156,590	170,008	142,676
<u>\$ 36,639</u>	<u>\$ 41,621</u>	<u>\$ 170,008</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS  
DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

	Debt Service Funds			
	2014			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	County State Aid #33 Bond
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 6,365	\$ 4,719	\$ -
Taxes Receivable				
Current	987	1,242	932	-
Delinquent	1,002	1,260	945	-
Special Assessments Receivable				
Current	-	-	-	-
Noncurrent	-	-	-	-
Total Assets	<u>\$ 1,989</u>	<u>\$ 8,867</u>	<u>\$ 6,596</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ 11,561	\$ -	\$ -	\$ -
Total Liabilities	<u>11,561</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	<u>1,002</u>	<u>1,260</u>	<u>945</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	7,607	5,651	-
Unassigned	<u>(10,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(10,574)</u>	<u>7,607</u>	<u>5,651</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,989</u>	<u>\$ 8,867</u>	<u>\$ 6,596</u>	<u>\$ -</u>

Debt Service Funds

2014						
Willow Ridge 1st Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2008 11th Street Morningside	2014 Tax Increment Bond
\$ -	\$ 282	\$ -	\$ -	\$ -	\$ 8,449	\$ 15,390
-	-	758	758	945	1,553	-
-	-	769	769	959	1,575	-
-	-	-	-	-	-	-
-	-	586	-	-	-	-
<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 2,113</u>	<u>\$ 1,527</u>	<u>\$ 1,904</u>	<u>\$ 11,577</u>	<u>\$ 15,390</u>
\$ -	\$ -	\$ 48,989	\$ 24,071	\$ 69,851	\$ -	\$ -
-	-	48,989	24,071	69,851	-	-
-	-	1,355	769	959	1,575	-
-	282	-	-	(68,906)	10,002	15,390
-	-	(48,231)	(23,313)	-	-	-
-	282	(48,231)	(23,313)	(68,906)	10,002	15,390
<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 2,113</u>	<u>\$ 1,527</u>	<u>\$ 1,904</u>	<u>\$ 11,577</u>	<u>\$ 15,390</u>

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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)  
DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

	Debt Service Funds		
	2014		2013
	2014 Street Improvement Bond	Total Debt Service	Total Debt Service
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 195,867	\$ 231,072	\$ 38,329
Taxes Receivable			
Current	-	7,175	2,566
Delinquent	-	7,279	7,550
Special Assessments Receivable			
Current	-	-	216
Noncurrent	199,750	200,336	13,487
Total Assets	<u>\$ 395,617</u>	<u>\$ 445,862</u>	<u>\$ 62,148</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Other Funds	\$ -	\$ 154,472	\$ 212,326
Total Liabilities	<u>-</u>	<u>154,472</u>	<u>212,326</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>199,750</u>	<u>207,615</u>	<u>21,037</u>
<b>FUND BALANCES</b>			
Restricted	195,867	165,893	39,481
Unassigned	-	(82,118)	(210,696)
Total Fund Balances	<u>195,867</u>	<u>83,775</u>	<u>(171,215)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 395,617</u>	<u>\$ 445,862</u>	<u>\$ 62,148</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS  
YEAR ENDED DECEMBER 31, 2014**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Debt Service Funds			
	2014			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	County State Aid #33 Bond
<b>REVENUES</b>				
Taxes	\$ 1,844	\$ 100,089	\$ 75,030	\$ 34,581
Assessments	-	-	-	-
Interest Income	(19)	27	14	8
Total Revenues	<u>1,825</u>	<u>100,116</u>	<u>75,044</u>	<u>34,589</u>
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Debt Service:				
Principal	-	100,000	60,000	35,000
Interest	-	7,985	16,425	1,295
Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>107,985</u>	<u>76,425</u>	<u>36,295</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,825	(7,869)	(1,381)	(1,706)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,312	-	-	-
Transfers Out	-	-	-	(1,155)
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,312</u>	<u>-</u>	<u>-</u>	<u>(1,155)</u>
Net Change in Fund Balances	4,137	(7,869)	(1,381)	(2,861)
Fund Balances - Beginning	<u>(14,711)</u>	<u>15,476</u>	<u>7,032</u>	<u>2,861</u>
Fund Balances - Ending	<u>\$ (10,574)</u>	<u>\$ 7,607</u>	<u>\$ 5,651</u>	<u>\$ -</u>



Debt Service Funds

Willow Ridge 1st Addition	2003 Tax Increment Bond	County State Aid Hwy #3 Bond	2014				2014 Tax Increment Bond
			2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2008 11th Street Morningside		
\$ 43,950	\$ -	\$ 61,025	\$ 60,980	\$ 76,079	\$ 124,978	\$ -	
-	-	3,646	14,129	-	-	-	
(39)	(71)	(59)	(29)	(78)	(77)	-	
<u>43,911</u>	<u>(71)</u>	<u>64,612</u>	<u>75,080</u>	<u>76,001</u>	<u>124,901</u>	<u>-</u>	
-	-	-	-	-	-	-	
-	60,000	55,000	65,000	75,000	85,000	-	
-	2,475	5,880	943	1,088	43,935	-	
-	248	-	-	-	-	-	
<u>-</u>	<u>62,723</u>	<u>60,880</u>	<u>65,943</u>	<u>76,088</u>	<u>128,935</u>	<u>-</u>	
43,911	(62,794)	3,732	9,137	(87)	(4,034)	-	
-	63,000	-	-	-	-	-	
(1,158)	-	-	-	-	-	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,390</u>	
<u>(1,158)</u>	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,390</u>	
42,753	206	3,732	9,137	(87)	(4,034)	15,390	
<u>(42,753)</u>	<u>76</u>	<u>(51,963)</u>	<u>(32,450)</u>	<u>(68,819)</u>	<u>14,036</u>	<u>-</u>	
<u>\$ -</u>	<u>\$ 282</u>	<u>\$ (48,231)</u>	<u>\$ (23,313)</u>	<u>\$ (68,906)</u>	<u>\$ 10,002</u>	<u>\$ 15,390</u>	

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**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, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Debt Service Funds		
	2014		2013
	2014 Street Improvement Bond	Total Debt Service	Total Debt Service
<b>REVENUES</b>			
Taxes	\$ -	\$ 578,556	\$ 735,219
Assessments	149,496	167,271	18,401
Interest Income	305	(18)	(441)
Total Revenues	<u>149,801</u>	<u>745,809</u>	<u>753,179</u>
<b>EXPENDITURES</b>			
Current:			
General Government	-	-	46
Debt Service:			
Principal	-	535,000	670,000
Interest	-	80,026	91,726
Fiscal Charges	-	248	248
Total Expenditures	<u>-</u>	<u>615,274</u>	<u>762,020</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	149,801	130,535	(8,841)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	65,312	116,327
Transfers Out	-	(2,313)	(7,827)
Bond Proceeds	46,066	61,456	-
Total Other Financing Sources (Uses)	<u>46,066</u>	<u>124,455</u>	<u>108,500</u>
Net Change in Fund Balances	195,867	254,990	99,659
Fund Balances - Beginning	<u>-</u>	<u>(171,215)</u>	<u>(270,874)</u>
Fund Balances - Ending	<u>\$ 195,867</u>	<u>\$ 83,775</u>	<u>\$ (171,215)</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS  
DECEMBER 31, 2014  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2013)**

		Capital Project Funds							
		2014							
		Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows				
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
Cash and Cash Equivalents	\$	303	\$	214	\$	97,650	\$	51,644	
Note Receivable				-		25,913		-	
Taxes Receivable									
Current		-	860			-		-	
Land Held for Resale		-	-	187,044		-		-	
		-	-	-		-		-	
Total Assets		<u>\$</u>	<u>303</u>	<u>\$</u>	<u>1,074</u>	<u>\$</u>	<u>310,607</u>	<u>\$</u>	<u>51,644</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
<b>LIABILITIES</b>									
Accounts Payable	\$	-	\$	-	\$	-	\$	-	
Due to Other Funds		-		-		-		-	
Total Liabilities		-		-		-		-	
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable Revenue		-		-		25,913		-	
<b>FUND BALANCES</b>									
Nonspendable		-		-		187,044		-	
Restricted		303		1,074		97,650		51,644	
Unassigned		-		-		-		-	
Total Fund Balances		<u>303</u>		<u>1,074</u>		<u>284,694</u>		<u>51,644</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances		<u>\$</u>	<u>303</u>	<u>\$</u>	<u>1,074</u>	<u>\$</u>	<u>310,607</u>	<u>\$</u>	<u>51,644</u>

Capital Project Funds

Capital Project Funds				
2014				2013
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2015 Street Improvement	Total Capital Projects	Total Capital Projects
\$ -	\$ 43,776	\$ -	\$ 193,587	\$ 77,133
-		-	25,913	37,881
-	-	-	860	-
-	168,234	-	355,278	247,063
<u>\$ -</u>	<u>\$ 212,010</u>	<u>\$ -</u>	<u>\$ 575,638</u>	<u>\$ 362,077</u>
\$ -	\$ 1,045	\$ 111,308	\$ 112,353	\$ -
7,224	-	209,994	217,218	-
7,224	1,045	321,302	329,571	-
-	-	-	25,913	37,881
-	168,234	-	355,278	247,063
-	42,731	-	193,402	77,133
(7,224)	-	(321,302)	(328,526)	-
(7,224)	210,965	(321,302)	220,154	324,196
<u>\$ -</u>	<u>\$ 212,010</u>	<u>\$ -</u>	<u>\$ 575,638</u>	<u>\$ 362,077</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, 2014**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Capital Project Funds			
	2014			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows
<b>REVENUES</b>				
Taxes	\$ 142,558	\$ 13,671	\$ 30,720	\$ 103,397
Interest Income	46	6	938	25
Miscellaneous	-	-	68,413	-
Total Revenues	<u>142,604</u>	<u>13,677</u>	<u>100,071</u>	<u>103,422</u>
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	-	-	-	-
Economic Development	-	-	1,968	127,681
Capital Outlay:				
Economic Development	-	-	1,606	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,574</u>	<u>127,681</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	142,604	13,677	96,497	(24,259)
<b>OTHER FINANCING USES</b>				
Transfers In	-	-	-	-
Transfers Out	(143,000)	(13,000)	(59,000)	-
Bond Proceeds	-	-	-	-
Total Other Financing Uses	<u>(143,000)</u>	<u>(13,000)</u>	<u>(59,000)</u>	<u>-</u>
Net Change in Fund Balances	(396)	677	37,497	(24,259)
Fund Balances - Beginning	699	397	247,197	75,903
Fund Balances - Ending	<u>\$ 303</u>	<u>\$ 1,074</u>	<u>\$ 284,694</u>	<u>\$ 51,644</u>

Capital Project Funds

2014			2013	
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2015 Street Improvement	Total Capital Projects	Total Capital Projects
\$ -	\$ -	\$ -	\$ 290,346	\$ 297,377
(4)	(246)	(69)	696	1,348
-	830	-	69,243	11,672
(4)	584	(69)	360,285	310,397
-	-	321,233	321,233	-
7,220	154,229	-	291,098	192,431
-	-	-	1,606	-
7,220	154,229	321,233	613,937	192,431
(7,224)	(153,645)	(321,302)	(253,652)	117,966
-	-	-	-	-
-	-	-	(215,000)	(260,500)
-	364,610	-	364,610	-
-	364,610	-	149,610	(260,500)
(7,224)	210,965	(321,302)	(104,042)	(142,534)
-	-	-	324,196	466,730
\$ (7,224)	\$ 210,965	\$ (321,302)	\$ 220,154	\$ 324,196

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## **SUPPLEMENTARY INFORMATION**

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2014**

	\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	
	Principal	Interest	Principal	Interest
2015	\$ 65,000	\$ 14,205	\$ 75,000	\$ 4,805
2016	70,000	11,800	75,000	3,493
2017	70,000	9,000	85,000	1,955
2018	75,000	6,200	-	-
2019	80,000	3,200	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 360,000</u>	<u>\$ 44,405</u>	<u>\$ 235,000</u>	<u>\$ 10,253</u>



**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2014**

	\$380,000 Taxable G.O. Tax Increment Bonds - Series 2014C		\$245,000 G.O. Equipment Certificates of Indebvtedness Series 2013	
	Principal	Interest	Principal	Interest
2015	\$ -	\$ 15,390	\$ 46,332	\$ 5,881
2016	20,000	15,390	47,741	4,472
2017	20,000	14,740	49,185	3,028
2018	25,000	14,090	50,029	1,585
2019	25,000	13,277	-	-
2020	25,000	12,465	-	-
2021	25,000	11,653	-	-
2022	25,000	10,590	-	-
2023	25,000	9,527	-	-
2024	30,000	8,465	-	-
2025	30,000	7,190	-	-
2026	30,000	5,915	-	-
2027	30,000	4,550	-	-
2028	35,000	3,185	-	-
2029	35,000	1,593	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 380,000</u>	<u>\$ 148,020</u>	<u>\$ 193,287</u>	<u>\$ 14,966</u>

\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A		\$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
\$ 85,000	\$ 40,875	\$ 100,000	\$ 6,535	\$ 55,000	\$ 5,083
90,000	37,545	110,000	4,785	60,000	4,120
90,000	33,945	110,000	2,530	55,000	2,890
100,000	30,145	-	-	65,000	1,625
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>\$ 1,045,000</u>	<u>\$ 232,068</u>	<u>\$ 320,000</u>	<u>\$ 13,850</u>	<u>\$ 235,000</u>	<u>\$ 13,718</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2014**

	\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion		\$1,925,000 G.O. Improvement Bonds - Series 2014A	
	Principal	Interest	Principal	Interest
2015	\$ 60,000	\$ 14,093	\$ -	\$ 54,137
2016	60,000	13,702	180,000	38,803
2017	60,000	13,193	180,000	35,202
2018	55,000	12,591	180,000	31,603
2019	55,000	11,904	185,000	27,952
2020	55,000	11,106	190,000	24,203
2021	55,000	10,198	190,000	20,402
2022	60,000	9,118	195,000	16,504
2023	55,000	7,940	200,000	12,355
2024	55,000	6,744	210,000	7,790
2025	60,000	5,420	215,000	2,687
2026	60,000	3,980	-	-
2027	55,000	2,516	-	-
2028	65,000	894	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 810,000</u>	<u>\$ 123,399</u>	<u>\$ 1,925,000</u>	<u>\$ 271,638</u>



**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2014**

	\$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
2015	\$ 80,000	\$ 93,075	\$ 25,000	\$ 7,700
2016	80,000	90,255	25,000	6,700
2017	85,000	86,991	25,000	5,700
2018	85,000	83,336	25,000	4,700
2019	90,000	79,330	30,000	3,600
2020	90,000	75,010	35,000	2,300
2021	95,000	70,406	40,000	800
2022	100,000	65,408	-	-
2023	100,000	60,158	-	-
2024	105,000	54,646	-	-
2025	105,000	48,845	-	-
2026	115,000	42,628	-	-
2027	120,000	35,840	-	-
2028	120,000	28,730	-	-
2029	125,000	21,317	-	-
2030	135,000	13,320	-	-
2031	145,000	4,568	-	-
	<u>\$ 1,775,000</u>	<u>\$ 953,863</u>	<u>\$ 205,000</u>	<u>\$ 31,500</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	\$ 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>\$ 265,000</u>	<u>\$ 38,893</u>	<u>\$ 330,000</u>	<u>\$ 16,168</u>	<u>\$ 1,195,000</u>	<u>\$ 193,825</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2014**

	\$626,000 Gross Revenue Event Facility Refunding Bonds - Series 2013A		\$517,000 Liquor Store Revenue Bonds - Series 2014	
	Principal	Interest	Principal	Interest
	-----	-----	-----	-----
2015	\$ 34,000	\$ 22,783	\$ 18,000	\$ 28,468
2016	34,000	21,932	29,000	17,565
2017	35,000	21,070	30,000	16,899
2018	36,000	20,183	31,000	16,208
2019	37,000	18,992	31,000	15,496
2020	38,000	17,493	32,000	14,782
2021	40,000	15,932	33,000	13,663
2022	42,000	14,293	34,000	12,507
2023	43,000	12,592	35,000	11,318
2024	45,000	10,664	37,000	10,092
2025	47,000	8,479	38,000	8,798
2026	49,000	6,199	40,000	7,182
2027	52,000	3,800	41,000	5,483
2028	54,000	1,282	43,000	3,740
2029	-	-	45,000	1,912
2030	-	-	-	-
2031	-	-	-	-
	-----	-----	-----	-----
	<u>\$ 586,000</u>	<u>\$ 195,694</u>	<u>\$ 517,000</u>	<u>\$ 184,113</u>

Capital Lease Dishwasher		Total	
Principal	Interest	Principal	Interest
\$ 334	\$ -	\$ 1,020,611	\$ 377,975
-	-	1,255,952	328,884
-	-	1,268,939	298,002
-	-	1,107,629	265,148
-	-	1,026,061	234,183
-	-	785,632	205,009
-	-	779,315	180,336
-	-	696,000	157,322
-	-	663,000	134,788
-	-	707,000	112,091
-	-	590,000	90,145
-	-	384,000	72,411
-	-	393,000	56,335
-	-	422,000	39,275
-	-	205,000	24,822
-	-	135,000	13,320
-	-	145,000	4,568
<u>\$ 334</u>	<u>\$ -</u>	<u>\$ 11,584,139</u>	<u>\$ 2,594,614</u>

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**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

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**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2014**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Transportation			
Pass-Through Minnesota Department of Transportation			
Cash Assistance:			
Airport Improvement Program	20.106	****	<u>\$ 1,144,796</u>
Total U.S. Department of Transportation			\$ 1,144,796
U.S. Department of Homeland Security			
Pass-Through Minnesota Department of Public Safety			
Cash Assistance:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	****	<u>142,007</u>
Total U.S. Department of Homeland Security			142,007
U.S. Department of Justice			
Direct Program			
Cash Assistance			
Bulletproof Vest Partnership Program	16.607	****	<u>528</u>
Total U.S. Department of Justice			<u>528</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED			<u><u>\$ 1,287,331</u></u>

\*\*\*\* - Agency or Pass-Through Number Unavailable

**CITY OF GLENCOE, MINNESOTA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2014**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Glencoe. The reporting entity is defined in Note 1 to the City's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified and accrual basis of accounting, which is described in Note 1 of the City's financial statements.





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, State of Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Glencoe, State of Minnesota's basic financial statements, and have issued our report thereon dated May 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Glencoe, State of Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Glencoe, State of Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glencoe, State of Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs listed as items 2014-001 and 2014-002 to be material weaknesses.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the City of Glencoe, State of Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Glencoe, State of Minnesota's Responses to Findings**

The City of Glencoe, State of Minnesota's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Glencoe, State of Minnesota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 14, 2015



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Glencoe, State of Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Glencoe, State of Minnesota's major federal programs for the year ended December 31, 2014. The City of Glencoe, State of Minnesota's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Glencoe, State of Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Glencoe, State of Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Glencoe, State of Minnesota's compliance.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

**Opinion on Each Major Federal Program**

In our opinion, the City of Glencoe, State of Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

**Report on Internal Control Over Compliance**

Management of the City of Glencoe, State of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Glencoe, State of Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Glencoe, State of Minnesota's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 14, 2015

## 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, 2014, and the related notes to the financial statements and have issued our report thereon dated May 14, 2015.

The Minnesota Legal Compliance Audit Guide for Political Subdivisions promulgated by the State auditor pursuant to Minn. Stat. §6.65, 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. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Glencoe, 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 noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Glencoe, Minnesota's noncompliance with the above-referenced provisions.

The purpose of this report is 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**

Austin, Minnesota  
May 14, 2015

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**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2014**

**PART I: SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Glencoe, State of Minnesota.
2. Two material weaknesses in internal control over financial reporting were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the City of Glencoe, State of Minnesota were disclosed during the audit.
4. No deficiencies in internal control over major programs were disclosed during the audit of the major federal programs.
5. The auditors' report on compliance for the major federal award programs for the City of Glencoe, State of Minnesota expresses an unmodified opinion.
6. The audit did not disclose findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
7. The program tested as a major program was:  
    U.S. Department of Transportation  
    Passed Through Minnesota Department of Transportation  
    Airport Improvement Program CFDA #20.106
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Glencoe, State of Minnesota was not determined to be a low-risk auditee.

**PART II: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS**

**Finding: 2014-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

**Condition:** The City does have an internal control policy in place over annual financial reporting that would enable management to ensure its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

**Criteria:** Management is responsible for establishing and maintaining internal controls and the fair presentation of the financial statements including the related disclosures, in conformity with accounting principles generally accepted in the United States of America (GAAP).

**Questioned Costs:** None

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2014**

**PART II: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

**Finding: 2014-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)**

**Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

**Cause:** The City's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City's financial statements and related disclosures and to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

**Recommendation:** Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.

**Official Responsible for Ensuring CAP:**

The Governing Board is responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP is ongoing.

**Plan to Monitor Completion of CAP:**

The City Council will monitor this CAP.

**Finding: 2014-002 MATERIAL AUDIT ADJUSTMENTS**

**Condition:** The audit firm proposed, and the City posted to its general ledger accounts, certain journal entries to correct misstatements.

**Criteria:** The City should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.

**Questioned Costs:** None



**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2014**

**PART II: FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**

**Finding: 2014-002 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)**

**Effect:** The potential exists that the financial statements could be materially misstated prior to the posting of the correcting journal entries.

**Cause:** The City has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.

**Recommendation:** We recommend the City continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The City will review the prior year journal entries to determine training needs with the intent to perform all journal entries prior to the subsequent year's audit.

**Official Responsible for Ensuring CAP:**

Todd Trippel, Finance Director

**Planned Completion Date for CAP:**

December 31, 2015

**Plan to Monitor Completion of CAP:**

The City Council will monitor this CAP.

**PART III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No Findings Noted

**PART IV: FINDINGS AND QUESTIONED COSTS - MINNESOTA LEGAL COMPLIANCE**

No Findings Noted

**CITY OF GLENCOE, MINNESOTA  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
DECEMBER 31, 2014**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>It not Corrected, Provide Planned Corrective Action or Other Explanation</u>
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No Prior Year Federal Audit Findings