

**CITY OF GLENCOE, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**



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## INTRODUCTORY SECTION



**CITY OF GLENCOE, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2015**

**Elected Officials**

**Term Expires**

Mayor	12/31/2016	Randal Wilson
Council Member	12/31/2018	John Schrupp
Council Member	12/31/2018	Allen Robeck
Council Member	12/31/2018	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, 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, Minnesota, as of and for the year ended December 31, 2015, 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.

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

Honorable Mayor and  
Members of the City Council  
City of Glencoe

### ***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, Minnesota, as of December 31, 2015, 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.

### ***Emphasis-of-Matter Regarding Change in Accounting Principle***

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of and for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

### ***Report on Summarized Comparative Information***

We have previously audited the City of Glencoe, Minnesota's 2014 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 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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, Schedule of Funding Progress for Postemployment Benefit Plan, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions as listed in the table of contents, 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.



Honorable Mayor and  
Members of the City Council  
City of Glencoe

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glencoe, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 13, 2016, on our consideration of the City of Glencoe, 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, Minnesota's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 13, 2016

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,895,258	\$ 1,744,293	\$ 5,639,551	\$ 1,167,644
Interest Receivable	95	-	95	-
Taxes Receivable	49,488	4,353	53,841	-
Accounts Receivable	32,116	1,409,230	1,441,346	584,999
Special Assessments Receivable	206,667	13,483	220,150	-
Note Receivable	15,000	-	15,000	-
Lease Receivable	-	-	-	36,831
Other Receivables	-	-	-	272,229
Prepaid Expenses	-	-	-	47,211
Inventory	-	147,297	147,297	206,970
Land Held for Resale	424,000	-	424,000	-
Due from Component Unit	-	246,241	246,241	-
Restricted Assets	-	-	-	6,054,832
Net Pension Asset	187,986	-	187,986	-
Capital Assets:				
Land	1,351,661	545,937	1,897,598	-
Construction in Progress	-	1,900,005	1,900,005	-
Other Capital Assets, Net of Depreciation	12,519,632	16,457,673	28,977,305	16,273,293
Total Assets	18,681,903	22,468,512	41,150,415	24,644,009
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on Bond Refunding	-	9,863	9,863	48,163
Pension Related	316,109	76,054	392,163	119,868
Total Deferred Outflows of Resources	316,109	85,917	402,026	168,031
<b>LIABILITIES</b>				
Accounts Payable	273,917	1,451,464	1,725,381	381,566
Retainages Payable	272,839	77,365	350,204	-
Accrued Interest Payable	165,717	61,684	227,401	-
Accrued Expenses	51,880	184,144	236,024	134,558
Customer Deposits Payable	-	-	-	100,850
Due to the Primary Government	-	-	-	246,241
Non-Current Liabilities:				
Due Within One Year	1,646,617	318,000	1,964,617	609,975
Due in More Than One Year	13,230,291	4,877,802	18,108,093	6,450,870
Total Liabilities	15,641,261	6,970,459	22,611,720	7,924,060
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on Bond Refunding	1,031	862	1,893	-
Pension Related	157,673	55,157	212,830	95,437
Total Deferred Inflows of Resources	158,704	56,019	214,723	95,437
<b>NET POSITION</b>				
Net Investment in Capital Assets	5,608,512	15,198,166	20,806,678	10,409,351
Restricted for:				
Park Improvement	206,646	-	206,646	-
Street Improvement Projects	133,916	-	133,916	-
Debt Service	498,882	-	498,882	912,213
Capital Projects	548,098	-	548,098	-
Unrestricted	(3,798,007)	329,785	(3,468,222)	5,470,979
Total Net Position	\$ 3,198,047	\$ 15,527,951	\$ 18,725,998	\$ 16,792,543

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 972,995	\$ 313,464	\$ -	\$ 4,017
Public Safety	1,483,852	88,046	115,711	3,200
Highways and Streets	836,411	58,277	-	315,467
Cemetery	24,093	-	-	-
Culture and Recreation	739,928	138,142	-	30,415
Economic Development	147,382	15,089	-	-
Interest on Long-Term Debt	311,856	-	-	-
Total Governmental Activities	4,516,517	613,018	115,711	353,099
Business-Type Activities:				
Water Fund	855,205	1,193,647	-	3,556
Wastewater Treatment Plant Fund	949,946	1,194,918	-	4,286
Sanitation Fund	34,095	31,860	-	-
City Center Fund	416,781	93,397	-	15,244
Municipal Liquor Fund	1,466,435	1,632,685	-	-
Airport Fund	230,295	46,888	-	1,871,619
Storm Water Management Fund	158,386	164,337	3,523	-
Total Business-Type Activities	4,111,143	4,357,732	3,523	1,894,705
Total Primary Government	<u>\$ 8,627,660</u>	<u>\$ 4,970,750</u>	<u>\$ 119,234</u>	<u>\$ 2,247,804</u>
Total Component Unit	<u>\$ 7,811,238</u>	<u>\$ 8,988,623</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 - As Previously Stated  
Restatement  
Net Position - As Restated  
Net Position - Ending

See accompanying Notes to Financial Statements

**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>
\$ (655,514)	\$ -	\$ (655,514)	\$ -
(1,276,895)	-	(1,276,895)	-
(462,667)	-	(462,667)	-
(24,093)	-	(24,093)	-
(571,371)	-	(571,371)	-
(132,293)	-	(132,293)	-
(311,856)	-	(311,856)	-
(3,434,689)	-	(3,434,689)	-
-	341,998	341,998	-
-	249,258	249,258	-
-	(2,235)	(2,235)	-
-	(308,140)	(308,140)	-
-	166,250	166,250	-
-	1,688,212	1,688,212	-
-	9,474	9,474	-
-	2,144,817	2,144,817	-
(3,434,689)	2,144,817	(1,289,872)	-
			1,177,385
2,378,836	180,257	2,559,093	-
28,656	-	28,656	-
1,335,372	-	1,335,372	-
5,562	31,787	37,349	65,648
-	-	-	16,100
44,002	833	44,835	-
(2,892,427)	2,892,427	-	-
900,001	3,105,304	4,005,305	81,748
(2,534,688)	5,250,121	2,715,433	1,259,133
6,577,024	10,790,686	17,367,710	16,333,145
(844,289)	(512,856)	(1,357,145)	(799,735)
5,732,735	10,277,830	16,010,565	15,533,410
\$ 3,198,047	\$ 15,527,951	\$ 18,725,998	\$ 16,792,543

**CITY OF GLENCOE, MINNESOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**  
**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

		2015	
		General	2015 Street Improvement
<b>ASSETS</b>			
Cash and Cash Equivalents		\$ 2,148,219	\$ 897,280
Accounts Receivable		24,250	-
Interest Receivable		-	-
Note Receivable		-	-
Taxes Receivable			
Current		17,335	-
Delinquent		16,668	-
Special Assessments Receivable			
Current		309	-
Noncurrent		9,180	-
Due from Other Funds		325,595	-
Land Held for Resale		65,270	-
Total Assets		<u>\$ 2,606,826</u>	<u>\$ 897,280</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable		\$ 91,427	\$ 42,168
Retainages Payable		-	272,839
Accrued Expenses		51,880	-
Due to Other Funds		-	-
Total Liabilities		<u>143,307</u>	<u>315,007</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue		<u>25,848</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable		65,270	-
Restricted for:			
Park Improvement		206,646	-
Street Improvement Projects		-	-
Debt Service		-	-
Capital Projects		-	-
Committed for:			
Aquatic Center		-	-
Cable TV		-	-
Assigned for:			
Park Improvement		65,945	-
Charitable Gambling		-	-
Cemetery		67,645	-
Unassigned		2,032,165	582,273
Total Fund Balances		<u>2,437,671</u>	<u>582,273</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances		<u>\$ 2,606,826</u>	<u>\$ 897,280</u>

See accompanying Notes to Financial Statements



2015		2014	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	
\$ 849,759	\$ 3,895,258	\$ 2,407,776	
7,866	32,116	80,780	
95	95	-	
15,000	15,000	25,913	
8,031	25,366	26,315	
7,454	24,122	24,919	
639	948	270	
196,539	205,719	209,652	
-	325,595	375,984	
358,730	424,000	432,115	
<u>\$ 1,444,113</u>	<u>\$ 4,948,219</u>	<u>\$ 3,583,724</u>	
\$ 140,324	\$ 273,919	\$ 222,040	
-	272,839	1,750	
-	51,880	44,084	
325,595	325,595	375,984	
<u>465,919</u>	<u>924,233</u>	<u>643,858</u>	
<u>203,993</u>	<u>229,841</u>	<u>260,484</u>	
373,730	439,000	432,115	
-	206,646	373,525	
133,916	133,916	36,639	
497,334	497,334	234,799	
174,368	174,368	193,927	
2,017	2,017	1,927	
30,513	30,513	3,055	
-	65,945	48,327	
-	-	839	
-	67,645	77,320	
(437,677)	2,176,761	1,276,909	
<u>774,201</u>	<u>3,794,145</u>	<u>2,679,382</u>	
<u>\$ 1,444,113</u>	<u>\$ 4,948,219</u>	<u>\$ 3,583,724</u>	

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**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

**Total Fund Balance for Governmental Funds** **\$ 3,794,145**

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	
Buildings, Net of Accumulated Depreciation	3,476,100	
Office Equipment and Furniture, Net of Accumulated Depreciation	15,668	
Vehicles, Net of Accumulated Depreciation	508,011	
Machinery and Shop Equipment, Net of Accumulated Depreciation	380,369	
Improvements Other than Buildings, Net of Accumulated Depreciation	1,869,136	
Infrastructure, Net of Accumulated Depreciation	<u>6,270,348</u>	13,871,293

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.

229,843

Gain on Refunding is reported as a Deferred Inflow of Resources in the Statement of Net Position

(1,031)

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

(165,717)

The City's Net Pension Asset, Net Pension Liability and related Deferred Outflows and Inflows of Resources are recorded only on the State of Net Position. Balances at year-end are:

Net Pension Asset	187,986	
Net Pension Liability	(1,193,488)	
Deferred Outflows of Resources - Pension Related	316,109	
Deferred Inflows of Resources - Pension Related	<u>(157,673)</u>	(847,066)

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	(13,237,649)	
Other Postemployment Benefits Payable	(160,830)	
Compensated Absences Payable	<u>(284,941)</u>	<u>(13,683,420)</u>

**Total Net Position of Governmental Activities** **\$ 3,198,047**

**CITY OF GLENCOE, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	2015	
	General	2015 Street Improvement
<b>REVENUES</b>		
Taxes	\$ 1,440,921	\$ -
Licenses and Permits	114,400	-
Intergovernmental	1,457,754	-
Charges for Services	149,422	-
Fines and Forfeits	32,077	-
Assessments	6,508	-
Interest Income	2,088	2,718
Contributions and Donations	37,132	-
Payment in Lieu of Taxes	85,000	-
Franchise Fees	10,746	-
Miscellaneous	150,146	-
Total Revenues	3,486,194	2,718
<b>EXPENDITURES</b>		
Current:		
General Government	781,173	-
Public Safety	1,360,608	-
Highways and Streets	414,802	656,547
Cemetery	18,218	-
Culture-Recreation	426,766	-
Economic Development	9,645	-
Miscellaneous	140,718	-
Capital Outlay:		
General Government	3,856	-
Public Safety	40,196	-
Highways and Streets	207,974	5,234,830
Cemetery	5,600	-
Culture-Recreation	177,241	-
Economic Development	-	-
Debt Service:		
Principal	208,940	-
Interest	30,965	-
Fiscal Charges	-	128,991
Total Expenditures	3,826,702	6,020,368
Excess (Deficiency) of Revenues Over (Under) Expenditures	(340,508)	(6,017,650)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	180,000	35,760
Transfers Out	(23,000)	(100,000)
Lease Proceeds	185,705	-
Loan Proceeds	82,927	-
Bond Proceeds	-	6,735,000
Bond Discount	-	-
Bond Premium	-	250,465
Proceeds from the Sale of Capital Assets	3,913	-
Proceeds from Land Held for Resale	-	-
Insurance Proceeds	14,849	-
Payments to Bond Escrow Agent	-	-
Total Other Financing Sources (Uses)	444,394	6,921,225
Net Change in Fund Balances	103,886	903,575
Fund Balances - Beginning	2,333,785	(321,302)
Fund Balances - Ending	\$ 2,437,671	\$ 582,273

See accompanying Notes to Financial Statements

2015		2014	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	
\$ 926,244	\$ 2,367,165	\$ 2,283,216	
-	114,400	77,094	
150,192	1,607,946	1,699,278	
82,181	231,603	202,534	
-	32,077	31,599	
162,700	169,208	172,997	
761	5,567	2,646	
-	37,132	103,421	
-	85,000	82,500	
28,656	39,402	36,910	
50,402	200,548	198,617	
1,401,136	4,890,048	4,890,812	
-	781,173	772,296	
-	1,360,608	1,316,961	
288,606	1,359,955	960,034	
-	18,218	16,164	
117,120	543,886	549,855	
137,737	147,382	295,697	
-	140,718	211,749	
-	3,856	23,118	
-	40,196	47,935	
31,596	5,474,400	1,978,114	
-	5,600	-	
-	177,241	74,940	
-	-	1,606	
540,000	748,940	937,785	
162,123	193,088	156,404	
1,486	130,477	44,356	
1,278,668	11,125,738	7,387,014	
122,468	(6,235,690)	(2,496,202)	
282,792	498,552	594,472	
(297,958)	(420,958)	(440,623)	
-	185,705	28,695	
-	82,927	-	
-	6,735,000	2,305,000	
-	-	-	
-	250,465	39,072	
-	3,913	34,017	
-	-	-	
-	14,849	14,896	
-	-	(765,000)	
(15,166)	7,350,453	1,810,529	
107,302	1,114,763	(685,673)	
666,899	2,679,382	3,365,055	
\$ 774,201	\$ 3,794,145	\$ 2,679,382	

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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, 2015**

**Net Change in Fund Balance - Total Governmental Funds** **\$ 1,114,763**

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	\$ 3,602,487	
Proceeds from Sales of Capital Assets	(3,913)	
Loss on Disposal of Capital Assets	(6,277)	
Depreciation Expense	<u>(580,102)</u>	3,012,195

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 premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due.

Loan Proceeds	(82,927)	
Bond Premium	(250,465)	
Bond Proceeds	(6,735,000)	
Lease Proceeds	(185,705)	
Repayment of Bond, Equipment Certificates and Lease Principal	748,940	
Change in Accrued Interest	(92,331)	
Amortization of Bond Premiums	12,959	
Amortization of Bond Discounts	(279)	
Amortization of Loss on Bond Refunding	(1,740)	
Amortization of Gain on Bond Refunding	<u>85</u>	(6,586,463)

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, 2014	260,484	
Unavailable Revenue - December 31, 2015	<u>229,843</u>	(30,641)

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses in the Statement of Activities are measured by the change in the Net Pension Asset, Net Pension Liability and the related Deferred Outflows and Inflows of Resources.

(2,777)

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).

(41,765)

**Change in Net Position of Governmental Activities**

**\$ (2,534,688)**

**CITY OF GLENCOE, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,043,794	\$ 595,789	\$ 10,614
Accounts Receivable	1,853	7,710	4,273
Taxes Receivable	-	-	-
Special Assessments Receivable	6,725	6,758	-
Inventory	-	-	-
Due from Other Funds	224,055	-	-
Due from Component Unit	110,916	114,336	3,558
Total Current Assets	<u>1,387,343</u>	<u>724,593</u>	<u>18,445</u>
<b>NON-CURRENT ASSETS</b>			
Capital Assets			
Land	41,628	312,678	-
Construction in Progress	-	-	-
Other Capital Assets (Net of Accumulated Depreciation)	3,641,094	5,281,970	-
Total Capital Assets	<u>3,682,722</u>	<u>5,594,648</u>	<u>-</u>
Total Non-Current Assets	<u>3,682,722</u>	<u>5,594,648</u>	<u>-</u>
Total Assets	5,070,065	6,319,241	18,445
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Bond Refunding	6,673	3,190	-
Pension Related	30,105	26,275	-
Total Deferred Outflows of Resources	<u>36,778</u>	<u>29,465</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	125,814	100,424	50
Retainages Payable	-	-	-
Accrued Interest Payable	1,462	3,552	-
Compensated Absences Payable	66,046	65,538	-
Accrued Expenses	11,249	8,949	-
Due to Other Funds	-	-	-
Capital Leases Payable	-	-	-
Revenue Bonds Payable	45,000	55,000	-
Total Current Liabilities	<u>249,571</u>	<u>233,463</u>	<u>50</u>
<b>NON-CURRENT LIABILITIES</b>			
Other Postemployment Benefits Payable	28,388	40,463	-
Net Pension Liability	217,656	189,969	-
Revenue Bonds Payable	235,000	359,475	-
Total Noncurrent Liabilities	<u>481,044</u>	<u>589,907</u>	<u>-</u>
Total Liabilities	<u>730,615</u>	<u>823,370</u>	<u>50</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on Bond Refunding	-	-	-
Pension Related	21,833	19,056	-
Total Deferred Inflows of Resources	<u>21,833</u>	<u>19,056</u>	<u>-</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,409,395	5,183,363	-
Unrestricted	945,000	322,917	18,395
Total Net Position	<u>\$ 4,354,395</u>	<u>\$ 5,506,280</u>	<u>\$ 18,395</u>

See accompanying Notes to Financial Statements



City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2015 Total Proprietary Funds	2014 Total Proprietary Funds
\$ 1,000	\$ 93,096	\$ -	\$ -	\$ 1,744,293	\$ 423,769
3,085	100	1,389,898	2,311	1,409,230	1,137,830
3,558	-	795	-	4,353	6,864
-	-	-	-	13,483	13,802
-	147,297	-	-	147,297	134,224
-	-	-	-	224,055	1,050,670
-	-	-	17,431	246,241	214,250
7,643	240,493	1,390,693	19,742	3,788,952	2,981,409
-	30,207	161,424	-	545,937	535,062
-	-	1,900,005	-	1,900,005	-
2,940,819	704,464	1,232,602	2,656,724	16,457,673	13,811,459
2,940,819	734,671	3,294,031	2,656,724	18,903,615	14,346,521
2,940,819	734,671	3,294,031	2,656,724	18,903,615	14,346,521
2,948,462	975,164	4,684,724	2,676,466	22,692,567	17,327,930
-	-	-	-	9,863	11,700
10,419	9,255	-	-	76,054	-
10,419	9,255	-	-	85,917	11,700
6,634	54,316	1,143,107	21,119	1,451,464	252,841
-	-	77,365	-	77,365	54,649
47,133	722	-	8,815	61,684	75,146
14,619	10,767	-	-	156,970	151,040
3,659	3,317	-	-	27,174	22,328
65,054	-	154,777	4,224	224,055	1,050,670
-	-	-	-	-	334
114,000	29,000	-	75,000	318,000	312,000
251,099	98,122	1,375,249	109,158	2,316,712	1,919,008
12,175	5,790	-	-	86,816	70,070
75,330	66,912	-	-	549,867	-
2,133,000	470,000	-	1,043,644	4,241,119	4,558,932
2,220,505	542,702	-	1,043,644	4,877,802	4,629,002
2,471,604	640,824	1,375,249	1,152,802	7,194,514	6,548,010
-	-	-	862	862	934
7,556	6,712	-	-	55,157	-
7,556	6,712	-	862	56,019	934
693,819	235,671	3,216,666	2,459,252	15,198,166	10,415,147
(214,098)	101,212	92,809	(936,450)	329,785	375,539
\$ 479,721	\$ 336,883	\$ 3,309,475	\$ 1,522,802	\$ 15,527,951	\$ 10,790,686

**CITY OF GLENCOE, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2015**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,190,302	\$ 1,190,916	\$ 8,336
Other Operating Revenues	3,345	4,002	23,524
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>1,193,647</u>	<u>1,194,918</u>	<u>31,860</u>
<b>OPERATING EXPENSES</b>			
Personal Services	361,468	360,376	11,717
Materials and Supplies	69,853	39,371	-
Repairs and Maintenance	11,235	164,726	-
Management Fees	60,509	3,965	4,728
Professional Services	45,049	41,550	15,832
Insurance	12,100	22,523	31
Utilities	62,120	87,368	600
Depreciation	88,339	187,734	-
Other	139,587	13,279	1,187
Total Operating Expenses	<u>850,260</u>	<u>920,892</u>	<u>34,095</u>
Operating Income (Loss)	343,387	274,026	(2,235)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Special Assessments	3,556	4,286	-
Taxes	-	-	-
Federal Aid and Grants	-	-	-
State Aid and Grants	-	-	-
Donations	-	-	-
Insurance Proceeds	-	833	-
Interest on Investments	1,316	706	17
Interest Expense and Fiscal Charges	(4,945)	(15,804)	-
Bad Debt Expense	-	-	-
Gain (Loss) on Sale of Capital Assets	-	(13,250)	-
Total Nonoperating Revenues (Expenses)	<u>(73)</u>	<u>(23,229)</u>	<u>17</u>
Net Income (Loss) Before Contributions and Transfers	343,314	250,797	(2,218)
<b>CONTRIBUTIONS AND TRANSFERS</b>			
Capital Contributions	-	-	-
Transfers In	1,102,204	949,348	-
Transfers Out	(40,000)	(40,000)	-
Total Contributions and Transfers	<u>1,062,204</u>	<u>909,348</u>	<u>-</u>
Change in Net Position	1,405,518	1,160,145	(2,218)
Net Position - As Previously Stated	3,151,883	4,523,317	20,613
Restatement	(203,006)	(177,182)	-
Net Position - As Restated	<u>2,948,877</u>	<u>4,346,135</u>	<u>20,613</u>
Net Position - Ending	<u>\$ 4,354,395</u>	<u>\$ 5,506,280</u>	<u>\$ 18,395</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2015 Total Proprietary Funds	2014 Total Proprietary Funds
\$ 60,628	\$ -	\$ 38,750	\$ 162,935	\$ 2,651,867	\$ 2,547,710
32,769	-	8,138	1,402	73,180	78,734
-	1,632,685	-	-	1,632,685	1,470,175
-	(1,211,902)	-	-	(1,211,902)	(1,090,383)
<u>93,397</u>	<u>420,783</u>	<u>46,888</u>	<u>164,337</u>	<u>3,145,830</u>	<u>3,006,236</u>
135,407	113,420	-	-	982,388	880,550
11,586	30,274	16,969	122	168,175	183,887
9,110	4,543	2,089	20,834	212,537	289,529
-	-	827	-	70,029	56,344
5,175	5,683	19,349	22,490	155,128	249,358
19,208	5,517	15,820	224	75,423	84,120
16,403	15,358	4,413	-	186,262	230,969
71,476	42,990	145,411	86,757	622,707	579,079
34,000	19,560	25,417	-	233,030	250,772
<u>302,365</u>	<u>237,345</u>	<u>230,295</u>	<u>130,427</u>	<u>2,705,679</u>	<u>2,804,608</u>
(208,968)	183,438	(183,407)	33,910	440,151	201,628
-	-	-	-	7,842	2,852
151,038	-	29,219	-	180,257	271,356
-	-	1,749,891	2,642	1,752,533	1,228,361
-	-	121,728	881	122,609	151,803
15,244	-	-	-	15,244	5,085
-	-	-	-	833	3,731
29,925	130	(197)	(110)	31,787	31,259
(114,416)	(17,188)	-	(21,418)	(173,771)	(184,812)
-	-	-	-	-	(1,000)
-	-	-	(6,541)	(19,791)	56
<u>81,791</u>	<u>(17,058)</u>	<u>1,900,641</u>	<u>(24,546)</u>	<u>1,917,543</u>	<u>1,508,691</u>
(127,177)	166,380	1,717,234	9,364	2,357,694	1,710,319
-	-	-	-	-	4,796
160,000	-	-	920,875	3,132,427	358,005
-	(160,000)	-	-	(240,000)	(373,850)
<u>160,000</u>	<u>(160,000)</u>	<u>-</u>	<u>920,875</u>	<u>2,892,427</u>	<u>(11,049)</u>
32,823	6,380	1,717,234	930,239	5,250,121	1,699,270
517,158	392,911	1,592,241	592,563	10,790,686	9,091,416
(70,260)	(62,408)	-	-	(512,856)	-
<u>446,898</u>	<u>330,503</u>	<u>1,592,241</u>	<u>592,563</u>	<u>10,277,830</u>	<u>9,091,416</u>
<u>\$ 479,721</u>	<u>\$ 336,883</u>	<u>\$ 3,309,475</u>	<u>\$ 1,522,802</u>	<u>\$ 15,527,951</u>	<u>\$ 10,790,686</u>

**CITY OF GLENCOE, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 1,148,430	\$ 1,356,744	\$ 26,461
Cash Paid to Suppliers	(291,657)	(311,919)	(27,777)
Cash Paid to Employees	(402,844)	(344,872)	(11,717)
Net Cash Provided (Used) by Operating Activities	453,929	699,953	(13,033)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(40,000)	(40,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(40,000)	(40,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interfund Cash Borrowed	711,254	-	-
Transfer to Other Funds	-	-	-
Proceeds from the Sale of Bonds	-	-	-
Proceeds from Sale of Capital Assets	-	-	-
Principal Paid on Bonds	(50,000)	(55,000)	-
Principal Paid on Capital Leases	-	-	-
Collection of Special Assessments	3,552	4,609	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(3,678)	(15,729)	-
Acquisition of Capital Assets	(32,579)	(280,961)	-
Capital Contributions Received	-	-	-
Insurance Proceeds	-	833	-
Proceeds from Investments Sold	-	-	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	628,549	(346,248)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	1,316	706	17
Net Increase (Decrease) in Cash and Cash Equivalents	1,043,794	314,411	(13,016)
Cash and Cash Equivalents - January 1	-	281,378	23,630
Cash and Cash Equivalents - December 31	<u>\$ 1,043,794</u>	<u>\$ 595,789</u>	<u>\$ 10,614</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 343,387	\$ 274,026	\$ (2,235)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	88,339	187,734	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	4,663	25,791	(4,219)
(Increase) Decrease in Due from Other Funds	(33,796)	149,157	-
(Increase) Decrease in Due from Component Unit	(16,084)	(13,122)	(1,180)
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	48,288	56,898	(5,399)
Increase (Decrease) in Retainages Payable	-	-	-
Increase (Decrease) in Compensated Absences Payable	3,413	4,909	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase in OPEB Payable	6,437	7,747	-
Increase in Accrued Expenses	2,905	1,245	-
Pension Related	6,377	5,568	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 453,929</u>	<u>\$ 699,953</u>	<u>\$ (13,033)</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Amortization of Loss on Bond Refunding	\$ 1,381	\$ 456	\$ -
Amortization of Gain on Bond Refunding	-	-	-
Amortization of Bond Discount	-	75	-
Transfer of Capital Assets	1,102,204	949,358	-
Capital Contributions	-	-	-

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2015 Total Proprietary Funds	2014 Total Proprietary Funds
\$ 92,636 (83,874) (133,721) (124,959)	\$ 1,632,669 (1,340,925) (110,072) 181,672	\$ 46,888 (84,057) (827) (37,996)	\$ 244,376 (153,645) - 90,731	\$ 4,548,204 (2,293,854) (1,004,053) 1,250,297	\$ 3,830,724 (2,232,977) (914,188) 683,559
- - 160,000 - 160,000	- - - (160,000) (160,000)	- - - -	2,642 881 2,406 - 5,929	2,642 881 162,406 (240,000) (74,071)	83,565 43,009 220,000 (353,000) (6,426)
- - - (114,000) (334) - 149,982 (115,858) - 15,244 - - 30,198 - -	- - - (18,000) - - - (28,467) - - - - - -	(711,254) - - - - 32,786 - (776,455) - - - - 1,348,854 144,262	- - - (75,000) - - (21,550) - - - - - -	- - - (312,000) (334) 8,161 182,768 (185,282) (1,089,995) 15,244 833 - 30,198 1,348,854 144,262	- (20,850) 517,000 56 (1,645,000) (802) 7,171 265,590 (189,137) (1,750,831) 5,085 3,731 1,139,622 31,030 230,100 22,372
(34,768)	(46,467)	38,193	(96,550)	142,709	(1,384,863)
(273)	130	(197)	(110)	1,589	2,602
-	(24,665)	-	-	1,320,524	(705,128)
1,000	117,761	-	-	423,769	1,128,897
\$ 1,000	\$ 93,096	\$ -	\$ -	\$ 1,744,293	\$ 423,769
\$ (208,968)	\$ 183,438	\$ (183,407)	\$ 33,910	\$ 440,151	\$ 201,628
71,476 (761) - - - 991 - (2,580) 10,617 1,451 608 2,207 (124,959)	42,990 (16) - - (13,073) (35,015) 188 - 1,111 88 1,961 181,672	145,411 - - - - - - - - - -	86,757 81,644 - (1,605) - 16,003 - - (125,978) - - 90,731	622,707 107,102 115,361 (31,991) (13,073) 81,766 - 5,930 (115,361) 16,746 4,846 16,113 1,250,297	579,079 (105,610) (150,716) (9,569) (21,469) 17,727 (445) 8,006 150,716 10,933 3,279 - 683,559
\$ - - - - -	\$ - - - - -	\$ - - - -	\$ - (72) 112 918,469 -	\$ 1,837 (72) 187 2,970,031 -	\$ 1,835 (65) 186 (138,005) 4,796

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**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, 2015**

**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, 2015**

**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.

2015 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 2015 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, 2015**

**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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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**

**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.

**Taxes and Special Assessments**

Current taxes and special assessments receivable at December 31, 2015, 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 2015 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, 2015**

**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.

**Deferred Outflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until that time. The City has two types of items. The first type of deferred outflows of resources is the loss on bond refunding and is being amortized over the life of the bonds. The second type, *pension related*, is reported in the statement of net position. These amounts are deferred and will be recognized as an outflow of resources in the period that the amounts become available.

**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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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)**

**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.

**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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's requirement to contribute to the Glencoe Fire Department Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Glencoe Fire Department Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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)**

**Deferred Inflows of Resources**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items. The first type of deferred inflows of resources is the gain on bond refunding and is being amortized over the life of the bonds. The second type, *pension related*, is reported in the statement of net position. The third type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year-end) under the modified accrual basis of accounting. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

**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 and a note receivable. 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".

**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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 (Continued)**

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. Restatement Due to a Change in Accounting Principle**

During the year ended December 31, 2015, the City adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These pronouncements require the restatement of the December 31, 2014 net position as follows:

	Governmental Activities	Proprietary Activities	Total
Net Position, December 31, 2014, as Previously Stated	\$ 6,577,024	\$ 10,790,686	\$ 17,367,710
Cumulative Affect of Application of GASB 68, Net Pension Liability and Related Beginning Deferred Outflows and Inflows of Resources	(974,274)	(534,987)	(1,509,261)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for City Contributions Made to the Plan After the Measurement Period (7/1/14 - 12/31/14)	129,985	22,131	152,116
Net Position, December 31, 2014, as Restated	<u>\$ 5,732,735</u>	<u>\$ 10,277,830</u>	<u>\$ 16,010,565</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**G. 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, 2014, 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.

**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 2015.

**B. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,384,235	\$ 3,826,702

**C. Deficit Fund Balances**

Certain funds had deficit fund balances at December 31, 2015, as follows:

Debt Service Fund	
County State Aid Hwy #3 Bond	\$ (46,968)
Capital Project Funds	
Tax Increment #17-Miller Mfg.	(6,990)
2016 Street Improvement	(383,719)

The deficit in the Debt Service Fund 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.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, 2015.

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

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

The City's deposits in the depository banks at December 31, 2015 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, 2015 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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**Investments (Continued)**

- 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, 2015, the City had no investments.

At December 31, 2015, the Light and Power Commission had no investments.

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

Deposits	\$ 5,639,551
Total Cash and Cash Equivalents	<u>\$ 5,639,551</u>
These amounts are reported are presented on the Statement of Net Position as follows:	
Cash and Cash Equivalents - Governmental Activities	\$ 3,895,258
Cash and Cash Equivalents - Business-Type Activities	<u>1,744,293</u>
	<u>\$ 5,639,551</u>

**NOTE 4 NOTE RECEIVABLE**

The City issued a promissory note to David and Terry Theis. The original note, dated December 29, 2011, was for \$60,000. Interest accrues at 2.50% annually until the note is paid in full. Interest and principal payments of \$1,065 are payable monthly through January 19, 2017. Payments are applied to interest first with the remainder applied to the principal balance. The note is secured by equipment and personal guarantees. This note was paid off in 2015.

On October 1, 2015, the City issued a promissory note to McLeod Soil and Water Conservation District in the amount of \$15,000. Interest accrues at 2.50% annually until the note is paid in full. Interest and principal payments of \$3,229 are payable annually through October 1, 2020. Payments are applied to interest first with the remainder applied to the principal balance. The note is secured by property and improvements.

**CITY OF GLENCOE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,351,661	\$ -	\$ -	\$ 1,351,661
Construction in Progress	5,203	-	(5,203)	-
Total Capital Assets, Not Being Depreciated	1,356,864	-	(5,203)	1,351,661
Capital Assets, Being Depreciated:				
Buildings	4,536,380	129,512	-	4,665,892
Improvements Other than Buildings	3,558,423	34,877	-	3,593,300
Office Equipment and Furniture	45,214	-	-	45,214
Vehicles	1,641,892	173,105	(50,492)	1,764,505
Machinery and Shop Equipment	928,077	68,110	(46,828)	949,359
Infrastructure	9,413,728	3,202,086	(541,252)	12,074,562
Total Capital Assets, Being Depreciated	20,123,714	3,607,690	(638,572)	23,092,832
Accumulated Depreciation:				
Buildings	(1,092,295)	(97,497)	-	(1,189,792)
Improvements Other than Buildings	(1,582,332)	(141,832)	-	(1,724,164)
Office Equipment and Furniture	(26,065)	(3,481)	-	(29,546)
Vehicles	(1,235,235)	(71,751)	50,492	(1,256,494)
Machinery and Shop Equipment	(542,840)	(62,788)	36,638	(568,990)
Infrastructure	(6,142,713)	(202,753)	541,252	(5,804,214)
Total Accumulated Depreciation	(10,621,480)	(580,102)	628,382	(10,573,200)
Total Capital Assets, Being Depreciated, Net	9,502,234	3,027,588	(10,190)	12,519,632
Governmental Activities Capital Assets, Net	<u>\$ 10,859,098</u>	<u>\$ 3,027,588</u>	<u>\$ (15,393)</u>	<u>\$ 13,871,293</u>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 28,380
Public Safety	96,160
Public Works	276,784
Culture and Recreation	178,778
Total Depreciation Expense, Governmental Activities	<u>\$ 580,102</u>

**CITY OF GLENCOE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

Capital asset activity for business-type activities for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 535,062	\$ 10,875	\$ -	\$ 545,937
Construction in Progress	-	1,900,005	-	1,900,005
Total Capital Assets, Not Being Depreciated	535,062	1,910,880	-	2,445,942
Capital Assets, Being Depreciated:				
Buildings	10,760,279	5,148	-	10,765,427
Improvements Other than Buildings	1,770,993	12,140	-	1,783,133
Vehicles	164,412	-	-	164,412
Office Equipment and Furniture	73,787	-	-	73,787
Machinery and Shop Equipment	1,366,057	22,314	-	1,388,371
Infrastructure	9,583,434	3,249,110	(108,913)	12,723,631
Total Capital Assets, Being Depreciated	23,718,962	3,288,712	(108,913)	26,898,761
Accumulated Depreciation:				
Buildings	(4,403,741)	(218,383)	-	(4,622,124)
Improvements Other than Buildings	(212,633)	(154,512)	-	(367,145)
Vehicles	(126,674)	(8,386)	-	(135,060)
Office Equipment and Furniture	(25,607)	(5,215)	-	(30,822)
Machinery and Shop Equipment	(1,106,082)	(35,928)	-	(1,142,010)
Infrastructure	(4,032,766)	(200,283)	89,122	(4,143,927)
Total Accumulated Depreciation	(9,907,503)	(622,707)	89,122	(10,441,088)
Total Capital Assets, Being Depreciated, Net	13,811,459	2,666,005	(19,791)	16,457,673
Business-Type Capital Assets, Net	<u>\$ 14,346,521</u>	<u>\$ 4,576,885</u>	<u>\$ (19,791)</u>	<u>\$ 18,903,615</u>

**NOTE 6 INTERFUND RECEIVABLES AND PAYABLES**

The balances at December 31, 2015 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 325,595	\$ -
Nonmajor Governmental Funds	-	325,595
Water Fund	224,055	-
City Center Fund	-	65,054
Airport Fund	-	154,777
Storm Water Management Fund	-	4,224
Total	<u>\$ 549,650</u>	<u>\$ 549,650</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 7 LONG-TERM LIABILITIES**

Long-term liabilities consist of the following at December 31, 2015:

			Restated 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	\$ 360,000	\$ -	\$ (65,000)	\$ 295,000	\$ 70,000
\$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	235,000	-	(75,000)	160,000	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	300,000	-	(55,000)	245,000	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	150,000	-	(30,000)	120,000	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	350,000	-	(70,000)	280,000	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	20,000
Total General Obligation Bonds			1,775,000	-	(295,000)	1,480,000	320,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

			Restated 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	\$ 193,287	\$ -	\$ (46,430)	\$ 146,857	\$ 47,741
Total General Obligation Equipment Certificates of Indebtedness			193,287	-	(46,430)	146,857	47,741
<u>Special Assessment Bonds</u>							
\$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	1,045,000	-	(85,000)	960,000	90,000
\$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	320,000	-	(100,000)	220,000	110,000
\$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	235,000	-	(55,000)	180,000	60,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	810,000	-	(60,000)	750,000	60,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

			Restated Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>Special Assessment Bonds (Continued)</u>							
\$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	\$ 180,000
\$6,735,000 G.O. Improvement Bonds - Series 2015A	2.00% - 3.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/30	-	6,735,000	-	6,735,000	385,000
Total Special Assessment Bonds			4,335,000	6,735,000	(300,000)	10,770,000	885,000
Total Bonds Payable			6,303,287	6,735,000	(641,430)	12,396,857	1,252,741
<u>Loans</u>							
DEED Loan	2.00%	Interest due semi- annually on 2/15 and 8/15 and principal due annually on 2/15 until 2/15/30	-	82,927	-	82,927	-
Total Loans			-	82,927	-	82,927	-
<u>Capital Leases</u>							
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	358,654	-	(48,822)	309,832	50,984

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

			Restated Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>Capital Leases (Continued)</u>							
2013 Bobcat Skid Steer Loader	6.31%	Lease payments of \$10,404 due annually until 3/20/18	\$ 27,651	\$ -	\$ (8,659)	\$ 18,992	\$ 9,205
2014 Kubota Tractor	5.75%	Lease payments of \$870 due monthly until 2/3/17	21,213	-	(9,464)	11,749	10,022
2015 Freightliner Plow Truck	3.28%	Lease payments of \$36,890 due annually until 1/15/19	-	173,105	(36,890)	136,215	32,424
2015 Toro Mowers	0.00%	Lease payments of \$525 due monthly until 5/9/17	-	12,600	(3,675)	8,925	6,300
Total Capital Leases			<u>407,518</u>	<u>185,705</u>	<u>(107,510)</u>	<u>485,713</u>	<u>108,935</u>
Unamortized Bond Discount			(2,214)	-	279	(1,935)	-
Unamortized Bond Premium			36,581	250,465	(12,959)	274,087	-
Compensated Absences Payable			269,384	284,941	(269,384)	284,941	284,941
Other Postemployment Benefits Payable			134,622	34,275	(8,067)	160,830	-
Net Pension Liability			<u>1,108,869</u>	<u>1,022,570</u>	<u>(937,951)</u>	<u>1,193,488</u>	<u>-</u>
Total Governmental Activities Long-Term Liabilities			<u>\$ 8,258,047</u>	<u>\$ 8,595,883</u>	<u>\$ (1,977,022)</u>	<u>\$ 14,876,908</u>	<u>\$ 1,646,617</u>



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

			Restated Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities</b>							
\$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	\$ 1,775,000	\$ -	\$ (80,000)	\$ 1,695,000	\$ 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	205,000	-	(25,000)	180,000	25,000
\$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	265,000	-	(30,000)	235,000	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	330,000	-	(50,000)	280,000	45,000
\$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	-	(75,000)	1,120,000	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	586,000	-	(34,000)	552,000	34,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 LONG-TERM LIABILITIES (CONTINUED)**

			Restated Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities - (Continued)</b>							
\$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	\$ -	\$ (18,000)	\$ 499,000	\$ 29,000
Total Bonds Payable			4,873,000	-	(312,000)	4,561,000	318,000
Capital Lease Payable Dishwasher This Capital Lease was Paid Off in 2015	0.00%	Lease payments of \$67 due monthly until 5/1/15	334	-	(334)	-	-
Total Capital Lease Payable			334	-	(334)	-	-
Other Postemployment Benefits Payable			70,070	26,185	(9,439)	86,816	-
Unamortized Bond Discount			(2,068)	-	187	(1,881)	-
Net Pension Liability			-	549,867	-	549,867	-
Total Business-Type Long-Term Liabilities			<u>\$ 4,941,336</u>	<u>\$ 576,052</u>	<u>\$ (321,586)</u>	<u>\$ 5,195,802</u>	<u>\$ 318,000</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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
2016	\$ 1,252,741	\$ 355,066	\$ 318,000	\$ 167,894	\$ 1,570,741	\$ 522,960
2017	1,289,185	292,769	325,000	160,467	1,614,185	453,236
2018	1,124,931	263,041	342,000	152,227	1,466,931	415,268
2019	1,035,000	235,648	353,000	142,718	1,388,000	378,366
2020	800,000	211,492	350,000	131,871	1,150,000	343,363
2021 - 2025	4,130,000	749,100	1,499,000	485,993	5,629,000	1,235,093
2026 - 2030	2,765,000	271,828	1,229,000	183,530	3,994,000	455,358
2031	-	-	145,000	4,568	145,000	4,568
Total	<u>\$ 12,396,857</u>	<u>\$ 2,378,944</u>	<u>\$ 4,561,000</u>	<u>\$ 1,429,268</u>	<u>\$ 16,957,857</u>	<u>\$ 3,808,212</u>

On May 20, 2015, the City of Glencoe issued \$6,735,000 of General Obligation Improvement Bonds, Series 2015A. The proceeds of the issue were used to pay the costs associated with the 2015 Street Improvement Project. Assets of the City, together with scheduled ad valorem taxes and special assessments, are dedicated to retire these bonds.

On August 1, 2015, the City of Glencoe entered into a loan agreement with the Minnesota Department of Employment and Economic Development in the amount of \$82,927. The proceeds of the loan were used to pay the costs associated with the demolition of the former Economart Building for future economic development within the City. Assets of the City are dedicated to retire this loan. The minimum annual principal and interest payments required to retire this loan are as follows:

Year Ending December 31	DEED Loan	
	Principal	Interest
2016	\$ -	\$ -
2017	-	65
2018	6,379	1,595
2019	6,379	1,467
2020	6,379	1,340
2021 - 2025	31,895	4,784
2026 - 2030	31,895	1,594
	<u>\$ 82,927</u>	<u>\$ 10,845</u>

In 2015 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 \$579,365 and \$166,765 of accumulated depreciation at December 31, 2015.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2015 are as follows:

<u>Year Ending December 31</u>	Capital Leases Payable
2016	\$ 128,032
2017	115,660
2018	100,893
2019	100,893
2020	64,003
2021	32,001
Total Minimum Lease Payments	541,482
Less Amount Representing Interest	55,769
Present Value of Minimum Lease Payments	<u>\$ 485,713</u>

**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, 2015, the principal amount outstanding was \$20,290,000.

**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, 2015 was \$12,448.

**NOTE 8 OPERATING LEASES**

The City has entered into agreements to lease police cars and a floor scrubber. The lease terms are for periods of 2-7 years. The following is a schedule by years of future minimum rental payments required under the operating leases.

<u>Year Ending December 31,</u>	
2016	\$ 28,797
2017	6,025
	<u>\$ 34,822</u>

The City had \$40,539 of expenditures for these leases in 2015.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2015**

**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 Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

**General Employees Retirement Fund (GERF)**

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**Public Employees Police and Fire Fund (PEPFF)**

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the State Legislature.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**GERF Benefits**

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. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

**PEPFF Benefits**

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**GERF Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERF for the year ended December 31, 2015, were \$99,983. The City contributions were equal to the required contributions as set by state statute.

**PEPFF Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015, were \$81,649. The City contributions were equal to the required contributions as set by state statute.

**Pension Costs**

**GERF Pension Costs**

At December 31, 2015, the City reported a liability of \$1,129,789 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was .0218% which was a decrease of .0016% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$131,808 for its proportionate share of the GERF's pension expense.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

**GERF Pension Costs (Continued)**

At December 31, 2015, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 56,961
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	106,952	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	-	56,370
City Contributions Subsequent to the Measurement Date	49,313	-
Total	<u>\$ 156,265</u>	<u>\$ 113,331</u>

\$49,313 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December, 31</u>	<u>Pension Expense Amount</u>
2016	\$ (11,039)
2017	(11,039)
2018	(11,039)
2019	26,738

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

**PEPFF Pension Costs**

At December 31, 2015, the City reported a liability of \$613,566 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was .054% which was an increase of .002% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$109,332 for its proportionate share of the PEPFF's pension expense. The City also recognized \$4,860 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 99,500
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	106,904	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	18,001	-
City Contributions Subsequent to the Measurement Date	42,198	-
Total	<u>\$ 167,103</u>	<u>\$ 99,500</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Pension Costs (Continued)**

**PEPFF Pension Costs (Continued)**

\$42,198 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December, 31	Pension Expense Amount
2016	\$ 10,426
2017	10,426
2018	10,426
2019	10,426
2020	(16,299)

**Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1<sup>st</sup> through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERS was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.9% for GERP and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

The following presents the City proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (6.9%)	Current Discount Rate (7.9%)	1% Increase (8.9%)
City proportionate share of the GERP net pension liability:	\$ 1,776,430	\$ 1,129,789	\$ 595,763
City proportionate share of the PEPFF net pension liability:	\$ 1,195,847	\$ 613,566	\$ 132,501

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. 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, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**NOTE 13 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION**

**Plan Description**

Firefighters of the City are members of the Glencoe Fire Department Relief Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association's by-laws. As of December 31, 2014, membership includes 34 active participants, 7 terminated members entitled to benefit but not yet receiving them and 9 retired members currently receiving benefits. The plan issues a stand-alone financial statement.

**Benefits Provided**

Authority for payment of pension benefits is established in Minnesota Statutes §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement, and has been a member of the Association in good standing at least 5 years prior to such retirement shall be entitled to a lump sum service pension in the amount of \$2,300 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to Minnesota Statutes §424A.02, Subds. 2 and 4, members who retire with more than 10 years but less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in Minnesota Statutes §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum of \$2,300 for each year the member was an active member of the Glencoe Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 13 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Benefits Provided (Continued)**

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

**Contributions**

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City of Glencoe and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
=	Total Contribution Required

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$40,108 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2014. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2014 was \$54,094.

**Pension Costs**

At December 31, 2015, the City reported an asset of \$187,986 for the Association's net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 13 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Pension Costs (Continued)**

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$72,471 for the year ended December 31, 2015. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
City Contributions Subsequent to the Measurement Date	\$ 68,795	\$ -
Total	\$ 68,795	\$ -

The City contributions to the Association subsequent to the measurement date, \$68,795 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. There were no other amounts reported as deferred outflows and inflows of resources related to the Association's pension.

**Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

**ASSUMPTIONS FROM ACTUARIAL REPORT**

Valuation Date	12/31/14
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	6.50%
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	3.56%
Age of Service Retirement	50

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 13 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Actuarial Assumptions (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2014</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash and Equivalents	10.70%	0.25%	3.00%
Fixed Income	24.60%	1.75%	4.50%
Equities	64.70%	5.00%	7.75%
Total Portfolio	<u>100.00%</u>	3.75%	6.50%

**Discount Rate**

The discount rate used to measure the total pension liability was 6.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**Pension Liability Sensitivity**

The following presents the City of Glencoe's proportionate share of the net pension asset of the Association, calculated using the discount rate of 6.50%, as well as what the Association's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 13 DEFINED BENEFIT PENSION PLANS – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Pension Liability Sensitivity (Continued)**

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ (152,372)	\$ (187,986)	\$ (221,629)
Discount Rate	5.50%	6.50%	7.50%

**Plan's Fiduciary Net Position**

Information about the Plan's fiduciary net position is as follows:

**ASSETS**

Cash and Cash Equivalents	\$ 113,388
Fixed Income Securities	93,023
Mutual Funds	919,317
Accrued Interest	1,218
Total Assets	<u>\$ 1,126,946</u>

**LIABILITIES**

Accounts Payable	<u>1,615</u>
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**NET POSITION**

Unrestricted	<u>\$ 1,125,331</u>
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**REVENUES**

Fire State Aid	\$ 40,108
Municipal Contribution	68,774
Investment Income	72,568
Total Revenues	<u>181,450</u>

**EXPENSES**

Pension Distributions	16,980
Administrative	8,658
Total Expenses	<u>25,638</u>

**CHANGE IN NET POSITION**

155,812

Net Position - Beginning of Year	<u>969,519</u>
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<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 1,125,331</u></u>
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**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 13 DEFINED BENEFIT PENSION PLANS – FIRE ASSOCIATION (CONTINUED)**

**Plan's Fiduciary Net Position (Continued)**

Information about the changes in the Plan's net pension liability is as follows:

	Measurement Date December 31, 2014
<b><u>Total Pension Liability</u></b>	
Service Cost	\$ 31,824
Interest	54,683
Changes of Benefit Terms	49,874
Benefit Payments, Including Member Contribution Refunds	(16,980)
<b>Net Change in Total Pension Liability</b>	<u>119,401</u>
<b>Total Pension Liability - Beginning</b>	817,944
<b>Total Pension Liability - Ending (a)</b>	<u>937,345</u>
<b><u>Plan Fiduciary Net Position</u></b>	
Municipal Contributions	68,774
State Contributions	40,108
Net Investment Income	72,568
Benefit Payments	(16,980)
Administrative Expenses	(8,658)
<b>Net Change in Fiduciary Net Position</b>	<u>155,812</u>
<b>Fiduciary Net Position - Beginning</b>	969,519
<b>Fiduciary Net Position - Ending (b)</b>	<u>1,125,331</u>
 <b>Association's Net Pension Liability/(Asset) - Ending (a) - (b)</b>	 <u><u>\$ (187,986)</u></u>

**NOTE 14 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, 2015**

**NOTE 15 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% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2015, the City contributed \$17,507 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	\$ 64,425
Interest on Net OPEB Obligation	7,164
Adjustment to Annual Required Contribution	<u>(11,129)</u>
Annual OPEB Cost (Expense)	60,460
Contributions Made	<u>17,507</u>
Increase in Net OPEB Obligation	42,953
Net OPEB Obligation - Beginning of Year	204,692
Net OPEB Obligation - End of Year	<u><u>\$ 247,645</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 2015 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 60,460	28.96%	\$ 247,645
12/31/2014	51,511	32.83%	204,692
12/31/2013	50,793	32.62%	170,094

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$564,149. The annual payroll for active employees covered by the plan in the actuarial valuation was \$1,730,260 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.60%.

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 latest of age 50, the Rule of 85 or current age for Police and the latest of age 60, the Rule of 85 or current age for Non-Police Employees.

*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 7.25% initially, reduced to an ultimate rate of 5% after seven years.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 15 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Methods and Assumptions (Continued)**

*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 retirees' estimated true costs rather than anticipated premium costs. Age-adjusted claims are developed and used to value the OPEB liability.

*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 3.50% 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, 2015, did not exceed 30 years.

**NOTE 16 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 \$56,006 for 2015.

**NOTE 17 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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 18 COMMITMENTS AND CONTINGENT LIABILITIES**

The City has entered into a construction contract for the Lincoln Park Area Street an Utility Improvement Project. The estimated costs to completion of the approximately \$5.9 million project are approximately \$475,000 as of December 31, 2015. Accounts payable and retainages payable at December 31, 2015 include \$315,007 in contracts and retainages payable.

The City has entered into a construction contract for the 2015 Parallel Taxiway Construction. The estimated costs to completion of the approximately \$1.6 million project are approximately \$46,000 as of December 31, 2015. Accounts payable and retainages payable at December 31, 2015 include \$1,217,655 in contracts and retainages payable.

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.

**NOTE 19 RECONCILIATION OF OPERATING TRANSFERS**

	Transfers In	Transfers Out
Governmental Fund Types		
General Fund	\$ 180,000	\$ (23,000)
2015 Street Improvement Fund	35,760	(3,070,021)
Nonmajor Governmental Funds	282,792	(297,958)
Total Governmental Funds	<u>498,552</u>	<u>(3,390,979)</u>
Proprietary Fund Types		
Water Fund	1,102,204	(40,000)
Wastewater Treatment Plant Fund	949,348	(40,000)
City Center Fund	160,000	-
Municipal Liquor Fund	-	(160,000)
Storm Water Management Fund	920,875	-
Total Proprietary Funds	<u>3,132,427</u>	<u>(240,000)</u>
Total Operating Transfers	<u>\$ 3,630,979</u>	<u>\$ (3,630,979)</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 19 RECONCILIATION OF OPERATING TRANSFERS (CONTINUED)**

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, paying for management services provided by City Administrative staff, project administration, 2015 Street Improvement Project Costs and 2016 Street Improvement Project Costs. \$2,970,021 of the transfers out from the 2015 Street Improvement Fund was for the contribution of capital assets to other funds. Accordingly, these are recorded as transfers in of \$1,102,204 in the Water Fund, \$949,348 in the Wastewater Treatment Plant Fund and \$918,469 in the Storm Water Management 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, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)	2014 Actual
<b>REVENUES</b>					
Taxes -					
General Property Taxes	\$ 1,422,000	\$ 1,422,000	\$ 1,440,921	\$ 18,921	\$ 1,409,807
Special Assessments	5,915	5,915	6,508	593	5,726
Franchise Taxes	10,000	10,000	10,746	746	8,964
Total Taxes	1,437,915	1,437,915	1,458,175	20,260	1,424,497
Licenses and Permits	38,000	38,000	114,400	76,400	77,094
Intergovernmental -					
Local Government Aid	1,325,000	1,325,000	1,330,562	5,562	1,294,117
Market Value Credit Aid	-	-	325	325	10
PERA Rate Increase Aid	4,500	4,500	4,485	(15)	4,491
Police State Aid	61,000	61,000	62,476	1,476	60,293
Fire State Aid	40,000	40,000	43,134	3,134	40,108
Miscellaneous State Aid	2,000	2,000	7,806	5,806	94,685
Miscellaneous Federal Aid	-	-	8,966	8,966	58,970
Total Intergovernmental	1,432,500	1,432,500	1,457,754	25,254	1,552,674
Charges for Services -					
Special Services, Police	10,000	10,000	11,478	1,478	11,438
Special Services, Fire	36,000	36,000	38,978	2,978	42,160
Miscellaneous Charges	41,400	41,400	98,966	57,566	81,310
Total Charges for Services	87,400	87,400	149,422	62,022	134,908
Fines and Forfeits	30,000	30,000	32,077	2,077	31,599
Interest	2,080	2,080	2,088	8	2,004
Contributions and Donations	11,000	11,000	37,132	26,132	103,421
Payments in Lieu of Taxes	85,000	85,000	85,000	-	82,500
Miscellaneous -					
Park Fees	13,000	13,000	15,087	2,087	14,277
Reimbursements, Refunds and Miscellaneous	62,025	62,025	135,059	73,034	111,418
Total Miscellaneous	75,025	75,025	150,146	75,121	125,695
Total Revenues	3,198,920	3,198,920	3,486,194	287,274	3,534,392

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)	2014 Actual
<b>EXPENDITURES</b>					
General Government -					
Administration:					
Salaries	\$ 191,803	\$ 191,803	\$ 195,909	\$ (4,106)	\$ 185,302
Employee Benefits	71,943	71,943	64,945	6,998	63,019
Payroll Taxes	11,892	11,892	11,427	465	10,974
Workers' Compensation	1,400	1,400	1,375	25	1,385
Office Supplies	6,000	6,000	4,948	1,052	5,829
Printing and Binding	3,500	3,500	7,787	(4,287)	6,586
Repairs and Maintenance	15,500	15,500	3,217	12,283	8,483
Professional Services	35,000	35,000	51,335	(16,335)	56,674
Auditing and Accounting	37,000	37,000	37,565	(565)	32,240
Legal Fees	20,000	20,000	13,609	6,391	15,626
Chamber	34,000	34,000	32,835	1,165	33,294
Computer Software	2,500	2,500	311	2,189	1,071
Telephone	4,000	4,000	5,634	(1,634)	3,441
Postage	3,200	3,200	3,358	(158)	3,444
Advertising	2,000	2,000	2,853	(853)	848
Travel	2,800	2,800	1,254	1,546	2,896
Training	2,000	2,000	517	1,483	458
Insurance	30,000	30,000	29,287	713	26,213
Utilities	76,500	76,500	68,721	7,779	73,264
Subscriptions	400	400	367	33	347
Continuing Education and Dues	1,000	1,000	1,473	(473)	1,690
League of Minnesota Cities	14,000	14,000	16,487	(2,487)	14,379
Capital Lease Principal	48,823	48,823	48,822	1	54,218
Capital Lease Interest	15,181	15,181	15,180	1	17,712
Capital Outlay	4,500	4,500	3,576	924	20,511
Miscellaneous	2,600	2,600	1,217	1,383	851
Total Administration	637,542	637,542	624,009	13,533	640,755
Finance:					
Salaries	125,404	125,404	127,637	(2,233)	123,141
Employee Benefits	56,225	56,225	48,350	7,875	43,512
Payroll Taxes	7,776	7,776	7,368	408	7,056
Office Supplies	2,000	2,000	858	1,142	1,111
Printing and Binding	500	500	557	(57)	504
Repairs and Maintenance	500	500	-	500	-
Computer Software	4,250	4,250	4,360	(110)	4,209
Postage	-	-	6	(6)	6
Travel	500	500	47	453	25
Continuing Education & Dues	200	200	-	200	35
Capital Outlay	1,000	1,000	280	720	2,607
Training	500	500	89	411	-
Miscellaneous	400	400	200	200	263
Total Finance	199,255	199,255	189,752	9,503	182,469

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)	2014 Actual
<b>EXPENDITURES - (Cont'd.)</b>					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 26,100	\$ 26,100	\$ 26,275	\$ (175)	\$ 26,100
Employee Benefits	1,356	1,356	1,364	(8)	1,355
Payroll Taxes	379	379	381	(2)	379
Workers' Compensation	60	60	57	3	57
Office Supplies	500	500	86	414	384
Travel	2,000	2,000	716	1,284	580
Training	2,500	2,500	1,431	1,069	1,671
Dues and Subscriptions	500	500	325	175	30
Miscellaneous	13,650	13,650	4,635	9,015	13,564
Total City Council	47,045	47,045	35,270	11,775	44,120
Total General Government	883,842	883,842	849,031	34,811	867,344
Public Safety -					
Police Department:					
Salaries	568,487	568,487	613,774	(45,287)	573,092
Employee Benefits	268,451	268,451	242,520	25,931	233,694
Payroll Taxes	4,323	4,323	6,299	(1,976)	4,431
Unemployment Insurance	-	-	27	(27)	2
Workers' Compensation	14,000	14,000	13,433	567	13,580
Supplies	9,700	9,700	8,681	1,019	6,145
Motor Fuels	25,000	25,000	17,661	7,339	25,090
Repairs and Maintenance	23,500	23,500	30,610	(7,110)	31,039
Training	11,000	11,000	9,595	1,405	11,636
Continuing Education and Dues	750	750	809	(59)	465
Investigation	3,500	3,500	2,562	938	1,663
Vaccinations	1,000	1,000	-	1,000	-
Telephone	7,500	7,500	9,088	(1,588)	8,850
Insurance	19,000	19,000	16,615	2,385	19,967
Legal Fees	22,000	22,000	28,627	(6,627)	29,519
Uniforms	6,000	6,000	6,449	(449)	6,219
Animal Control	2,500	2,500	364	2,136	1,903
Operating Leases	46,000	46,000	42,559	3,441	42,022
Capital Outlay	7,000	7,000	15,553	(8,553)	12,541
Utilities	20,000	20,000	15,358	4,642	19,045
Miscellaneous	3,600	8,620	6,270	2,350	11,401
Total Police Department	1,063,311	1,068,331	1,086,854	(18,523)	1,052,304

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)	2014 Actual
<b>EXPENDITURES - (Cont'd.)</b>					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 16,749	\$ 16,749	\$ 16,748	\$ 1	\$ 16,748
Employee Benefits	852	852	851	1	823
State Fire Aid	40,000	40,000	43,134	(3,134)	40,108
Municipal Fire Aid Contribution	69,000	69,000	68,795	205	68,774
Payroll Taxes	1,282	1,282	1,281	1	1,281
Workers' Compensation	7,511	7,511	7,959	(448)	7,902
Office Supplies	2,600	2,600	5,561	(2,961)	3,418
Motor Fuels	6,000	6,000	4,267	1,733	6,492
Repairs and Maintenance	18,000	18,000	10,512	7,488	29,842
Training	9,000	9,000	5,882	3,118	5,562
Telephone	800	800	1,316	(516)	964
Travel	750	750	2,307	(1,557)	-
Advertising	1,000	1,000	918	82	1,085
Insurance	7,000	7,000	6,994	6	7,196
Utilities	5,600	5,600	6,152	(552)	8,126
Continuing Education and Dues	4,000	4,000	3,662	338	4,643
Capital Lease Principal	46,332	46,332	46,430	(98)	96,606
Capital Lease Interest	5,881	5,881	5,782	99	4,392
Capital Outlay	14,500	25,479	24,643	836	35,394
Miscellaneous	3,700	3,700	6,355	(2,655)	3,622
Total Fire Department	260,557	271,536	269,549	1,987	342,978
Code Enforcement:					
Office Supplies	250	250	312	(62)	213
Building Inspector	20,000	20,000	96,301	(76,301)	70,399
Total Code Enforcement	20,250	20,250	96,613	(76,363)	70,612
Total Public Safety	1,344,118	1,360,117	1,453,016	(92,899)	1,465,894
Streets and Highways -					
Salaries	165,014	165,014	149,737	15,277	154,710
Employee Benefits	60,307	60,307	53,090	7,217	50,823
Payroll Taxes	10,231	10,231	8,597	1,634	8,890
Workers' Compensation	10,000	10,000	8,047	1,953	8,149
Supplies	700	700	1,445	(745)	1,444
Motor Fuels	30,000	30,000	18,531	11,469	41,026
Repairs and Maintenance	55,400	55,400	58,455	(3,055)	76,009
Professional Services	1,500	1,500	1,854	(354)	163
Street Maintenance	18,000	18,000	28,731	(10,731)	19,507
Landscaping	1,000	1,000	1,784	(784)	154
Telephone	1,000	1,000	1,262	(262)	1,258

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)	2014 Actual
<b>EXPENDITURES - (Cont'd.)</b>					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 6,000	\$ 6,000	\$ 2,661	\$ 3,339	\$ 6,045
Insurance	10,000	10,000	6,733	3,267	10,166
Utilities	11,200	11,200	9,903	1,297	12,892
Capital Lease Principal	9,464	9,464	46,354	(36,890)	7,482
Capital Lease Interest	973	973	973	-	1,215
Maintenance Facility Principal	55,000	55,000	55,000	-	50,000
Maintenance Facility Interest	7,285	7,285	7,285	-	8,135
Capital Outlay	82,500	82,500	207,974	(125,474)	146,776
Miscellaneous	39,900	39,900	63,972	(24,072)	10,568
Total Street and Highways	575,474	575,474	732,388	(156,914)	615,412
Cemetery					
Current Expenditures	16,691	16,691	18,218	(1,527)	16,164
Capital Lease Principal	-	-	1,633	(1,633)	-
Capital Outlay	-	-	5,600	(5,600)	-
Total Cemetery	16,691	16,691	25,451	(8,760)	16,164
Culture and Recreation -					
Parks and Recreation:					
Salaries	176,514	176,514	163,047	13,467	180,838
Employee Benefits	68,699	68,699	57,951	10,748	55,141
Payroll Taxes	12,944	12,944	9,245	3,699	12,505
Workers' Compensation	4,500	4,500	5,063	(563)	5,118
Supplies	9,200	9,200	10,846	(1,646)	9,170
Motor Fuels	11,000	11,000	10,099	901	17,504
Repairs and Maintenance	18,750	18,750	28,606	(9,856)	20,680
Telephone	1,500	1,500	1,715	(215)	1,744
Insurance	-	-	19,497	(19,497)	18,897
Utilities	5,000	5,000	5,599	(599)	5,328
Capital Lease Principal	8,659	8,659	10,701	(2,042)	9,479
Capital Lease Interest	1,745	1,745	1,745	-	2,259
Capital Outlay	81,000	81,000	175,015	(94,015)	65,045
Miscellaneous	5,600	5,600	10,459	(4,859)	8,452
Total Park and Recreation	405,111	405,111	509,588	(104,477)	412,160
Library and Community Center:					
Supplies	2,500	2,500	3,010	(510)	3,315
Repairs and Maintenance	2,500	2,500	2,733	(233)	3,612
Management Fees	80,000	80,000	80,000	-	80,000
Telephone	1,200	1,200	959	241	968
Insurance	1,800	1,800	1,534	266	1,605
Utilities	18,500	18,500	16,403	2,097	20,015
Capital Outlay	5,000	5,000	2,226	2,774	4,146
Total Library and Community Center	111,500	111,500	106,865	4,635	113,661
Total Culture and Recreation	516,611	516,611	616,453	(99,842)	525,821

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Original Budget	Final Budget	2015 Actual	Variance with Final Budget Positive (Negative)	2014 Actual
<b>EXPENDITURES - (Cont'd.)</b>					
Economic Development	\$ 5,000	\$ 5,000	\$ 9,645	\$ (4,645)	\$ 4,599
Miscellaneous -					
Sales Tax	1,500	1,500	1,723	(223)	1,643
State Surcharge	2,500	2,500	6,450	(3,950)	4,275
Vehicle Towing	2,500	2,500	4,260	(1,760)	5,766
Refunds and Reimbursements	20,000	20,000	128,285	(108,285)	192,641
Other	-	-	-	-	7,424
Total Miscellaneous	<u>26,500</u>	<u>26,500</u>	<u>140,718</u>	<u>(114,218)</u>	<u>211,749</u>
Total Expenditures	<u>3,368,236</u>	<u>3,384,235</u>	<u>3,826,702</u>	<u>(442,467)</u>	<u>3,706,983</u>
Deficiency of Revenues Under Expenditures	(169,316)	(185,315)	(340,508)	(155,193)	(172,591)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	90,000	90,000	180,000	90,000	188,660
Operating Transfers Out	-	-	(23,000)	(23,000)	(28,500)
Lease Proceeds	-	-	185,705	185,705	28,695
Loan Proceeds	-	-	82,927	82,927	-
Proceeds from the Sale of Capital Assets	5,000	5,000	3,913	(1,087)	34,017
Insurance Proceeds	<u>10,000</u>	<u>10,000</u>	<u>14,849</u>	<u>4,849</u>	<u>14,896</u>
Total Other Financing Sources (Uses)	<u>105,000</u>	<u>105,000</u>	<u>444,394</u>	<u>339,394</u>	<u>237,768</u>
Net Change in Fund Balance	(64,316)	(80,315)	103,886	184,201	65,177
Fund Balance - Beginning	<u>2,333,785</u>	<u>2,333,785</u>	<u>2,333,785</u>	-	<u>2,268,608</u>
Fund Balance - Ending	<u>\$ 2,269,469</u>	<u>\$ 2,253,470</u>	<u>\$ 2,437,671</u>	<u>\$ 184,201</u>	<u>\$ 2,333,785</u>



**CITY OF GLENCOE, MINNESOTA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2015**

**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 2015.

**Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,384,235	\$ 3,826,702

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**  
**DECEMBER 31, 2015**

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)
1/1/2015	\$ -	\$ 564,149	\$ 564,149	0.00%	\$ 1,730,260	32.60%
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  
GLENCOE FIRE DEPARTMENT RELIEF ASSOCIATION  
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**

	Measurement Date December 31, 2014
<b><u>Total Pension Liability</u></b>	
Service Cost	\$ 31,824
Interest	54,683
Changes in Benefit Terms	49,874
Benefit Payments, Including Member Refunds	(16,980)
<b>Net Change in Total Pension Liability</b>	<u>119,401</u>
 Total Pension Liability - Beginning	 <u>817,944</u>
Total Pension Liability - Ending (a)	<u>937,345</u>
 <b><u>Plan Fiduciary Net Position</u></b>	
Municipal Contributions	68,774
State Contributions	40,108
Net Investment Income	72,568
Benefit Payments	(16,980)
Administrative Expenses	(8,658)
<b>Net Change in Fiduciary Net Position</b>	<u>155,812</u>
 Fiduciary Net Position - Beginning	 <u>969,519</u>
Fiduciary Net Position - Ending (b)	<u>1,125,331</u>
 <b>Association's Net Pension Liability/(Asset) - Ending (a) - (b)</b>	 <u><u>\$ (187,986)</u></u>
 Fiduciary Net Position as a Percentage of the Total Pension Asset	 120.06%
 Covered-Employee Payroll	 N/A
 Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	 N/A

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

	Measurement Date June 30, 2015
<b>PERA - GERF - City</b>	
City's Proportion of the Net Pension Liability	0.0218%
City's Proportionate Share of the Net Pension Liability	\$ 1,129,789
City's Covered-Employee Payroll	\$ 1,276,439
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	88.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%
<b>PERA - PEPFF - City</b>	
City's Proportion of the Net Pension Liability	0.0540%
City's Proportionate Share of the Net Pension Liability	\$ 613,566
City's Covered-Employee Payroll	\$ 482,740
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	127.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.60%

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF CITY PENSION CONTRIBUTIONS**

	<u>2015</u>	<u>2014</u>
<b>PERA - GERF - City</b>		
Contractually Required Contribution	\$ 99,983	\$ 92,542
Contributions in Relation to the Contractually Required Contribution	(99,983)	(92,542)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 1,333,108	 \$ 1,276,439
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.25%
 <b>PERA - PEPFF - City</b>		
Contractually Required Contribution	\$ 81,649	\$ 73,859
Contributions in Relation to the Contractually Required Contribution	(81,649)	(73,859)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 City's Covered-Employee Payroll	 \$ 504,004	 \$ 482,740
 Contributions as a Percentage of Covered Employee Payroll	 16.20%	 15.30%
 <b>Fire Relief Association</b>		
Statutorily Required Contribution	\$ -	\$ 54,094
Contributions in Relation to the Statutorily Required Contribution	(68,795)	(68,774)
Contribution Deficiency (Excess)	<u>\$ (68,795)</u>	<u>\$ (14,680)</u>
 City's Covered-Employee Payroll	 N/A	 N/A
 Contributions as a Percentage of Covered Employee Payroll	 N/A	 N/A

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## **COMBINING FUND STATEMENTS**

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

		Other Governmental Funds		
		2015		
		Special Revenue	Debt Service	Capital Projects
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$	185,697	\$ 490,458	\$ 173,604
Accounts Receivable		7,244	622	-
Interest Receivable		-	-	95
Note Receivable		-	-	15,000
Taxes Receivable				
Current		-	7,362	669
Delinquent		-	7,454	-
Special Assessments Receivable				
Current		-	639	-
Noncurrent		-	196,539	-
Land Held for Resale		-	-	358,730
Total Assets	\$	<u>192,941</u>	<u>\$ 703,074</u>	<u>\$ 548,098</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$	26,495	\$ -	\$ 113,829
Due to Other Funds		-	48,715	276,880
Total Liabilities		<u>26,495</u>	<u>48,715</u>	<u>390,709</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue		-	203,993	-
<b>FUND BALANCES</b>				
Nonspendable		-	-	373,730
Restricted for:				
Street Improvement Projects		133,916	-	-
Debt Service		-	497,334	-
Capital Projects		-	-	174,368
Committed for:				
Aquatic Center		2,017	-	-
Cable TV		30,513	-	-
Unassigned		-	(46,968)	(390,709)
Total Fund Balances		<u>166,446</u>	<u>450,366</u>	<u>157,389</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$	<u>192,941</u>	<u>\$ 703,074</u>	<u>\$ 548,098</u>



2015	2014
Total Other Governmental Funds	Total Other Governmental Funds
\$ 849,759	\$ 466,378
7,866	7,195
95	-
15,000	25,913
8,031	8,035
7,454	7,279
639	-
196,539	200,336
358,730	355,278
<u>\$ 1,444,113</u>	<u>\$ 1,070,414</u>

\$ 140,324	\$ 3,997
325,595	165,990
<u>465,919</u>	<u>169,987</u>
<u>203,993</u>	<u>233,528</u>
373,730	355,278
133,916	36,639
497,334	234,799
174,368	193,927
2,017	1,927
30,513	3,055
(437,677)	(158,726)
<u>774,201</u>	<u>666,899</u>
<u>\$ 1,444,113</u>	<u>\$ 1,070,414</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2015**

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

	Other Governmental Funds		
	2015		
	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>			
Taxes	\$ 5,507	\$ 639,788	\$ 280,949
Intergovernmental	150,192	-	-
Charges for Services	82,181	-	-
Assessments	-	162,700	-
Interest Income	175	(50)	636
Franchise Taxes	28,656	-	-
Miscellaneous	5,315	3,935	41,152
Total Revenues	272,026	806,373	322,737
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	6,376	1,500	280,730
Culture-Recreation	117,120	-	-
Economic Development	-	-	137,737
Capital Outlay:			
Highways and Streets	31,596	-	-
Culture-Recreation	-	-	-
Economic Development	-	-	-
Debt Service:			
Principal	75,000	465,000	-
Interest	4,805	157,318	-
Fiscal Charges	-	1,486	-
Total Expenditures	234,897	625,304	418,467
Excess (Deficiency) of Revenue Over (Under) Expenditures	37,129	181,069	(95,730)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	87,696	195,096	-
Transfers Out	-	(9,096)	(288,862)
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	87,696	186,000	(288,862)
Net Change in Fund Balances	124,825	367,069	(384,592)
Fund Balances - Beginning	41,621	83,297	541,981
Fund Balances - Ending	\$ 166,446	\$ 450,366	\$ 157,389

2015	2014
Total Other Governmental Funds	Total Other Governmental Funds
\$ 926,244	\$ 873,409
150,192	146,604
82,181	67,626
162,700	167,271
761	711
28,656	27,946
50,402	72,922
1,401,136	1,356,489
288,606	236,997
117,120	104,963
137,737	291,098
31,596	1,831,338
-	5,749
-	1,606
540,000	720,000
162,123	122,691
1,486	44,356
1,278,668	3,358,798
122,468	(2,002,309)
282,792	405,812
(297,958)	(412,123)
-	2,305,000
-	39,072
-	(765,000)
(15,166)	1,572,761
107,302	(429,548)
666,899	1,096,447
\$ 774,201	\$ 666,899

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS  
DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

		Special Revenue Funds	
		2015	
		Aquatic Center	Cable TV
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents		\$ 3,073	\$ 23,369
Accounts Receivable		-	7,244
Total Assets		<u>\$ 3,073</u>	<u>\$ 30,613</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable		\$ 1,056	\$ 100
Due to Other Funds		-	-
Total Liabilities		<u>1,056</u>	<u>100</u>
<b>FUND BALANCES</b>			
Restricted		-	-
Committed		<u>2,017</u>	<u>30,513</u>
Total Fund Balances		<u>2,017</u>	<u>30,513</u>
Total Liabilities and Fund Balances		<u>\$ 3,073</u>	<u>\$ 30,613</u>

Special Revenue Funds		
2015		2014
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ 159,255	\$ 185,697	\$ 39,355
-	7,244	7,195
<u>\$ 159,255</u>	<u>\$ 192,941</u>	<u>\$ 46,550</u>
\$ 25,339	\$ 26,495	\$ 1,113
-	-	3,816
<u>25,339</u>	<u>26,495</u>	<u>4,929</u>
133,916	133,916	36,639
-	32,530	4,982
<u>133,916</u>	<u>166,446</u>	<u>41,621</u>
<u>\$ 159,255</u>	<u>\$ 192,941</u>	<u>\$ 46,550</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, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Special Revenue Funds	
	2015	
	Aquatic Center	Cable TV
<b>REVENUES</b>		
Taxes	\$ 5,507	\$ -
Intergovernmental	-	-
Charges for Services	82,181	-
Interest Income	(3)	12
Franchise Fees	-	28,656
Miscellaneous	5,255	60
Total Revenues	92,940	28,728
<b>EXPENDITURES</b>		
Current:		
Highways and Streets	-	-
Culture-Recreation	115,850	1,270
Capital Outlay:		
Highways and Streets	-	-
Culture-Recreation	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	115,850	1,270
Excess (Deficiency) of Revenue Over (Under) Expenditures	(22,910)	27,458
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	23,000	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	23,000	-
Net Change in Fund Balances	90	27,458
Fund Balances - Beginning	1,927	3,055
Fund Balances - Ending	\$ 2,017	\$ 30,513

Special Revenue Funds		
2015		2014
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ -	\$ 5,507	\$ 4,507
150,192	150,192	146,604
-	82,181	67,626
166	175	234
-	28,656	27,946
-	5,315	3,679
<u>150,358</u>	<u>272,026</u>	<u>250,596</u>
6,376	6,376	85,879
-	117,120	104,963
31,596	31,596	-
-	-	5,749
75,000	75,000	75,000
4,805	4,805	5,892
<u>117,777</u>	<u>234,897</u>	<u>277,483</u>
32,581	37,129	(26,887)
64,696	87,696	28,500
-	-	(130,000)
<u>64,696</u>	<u>87,696</u>	<u>(101,500)</u>
97,277	124,825	(128,387)
36,639	41,621	170,008
<u>\$ 133,916</u>	<u>\$ 166,446</u>	<u>\$ 41,621</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS  
DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

Debt Service Funds				
2015				
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 102	\$ 7,066	\$ 4,535	\$ 2,899
Accounts Receivable	-	-	-	-
Taxes Receivable				
Current	42	1,235	916	-
Delinquent	-	1,249	926	-
Special Assessments Receivable				
Current	-	-	-	-
Noncurrent	-	-	-	-
Total Assets	<u>\$ 144</u>	<u>\$ 9,550</u>	<u>\$ 6,377</u>	<u>\$ 2,899</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due to Other Funds	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	1,249	926	-
<b>FUND BALANCES</b>				
Restricted	144	8,301	5,451	2,899
Unassigned	-	-	-	-
Total Fund Balances	<u>144</u>	<u>8,301</u>	<u>5,451</u>	<u>2,899</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 144</u>	<u>\$ 9,550</u>	<u>\$ 6,377</u>	<u>\$ 2,899</u>



Debt Service Funds

2015						
County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond
\$ -	\$ -	\$ -	\$ 623	\$ 11,335	\$ 17	\$ 340,834
-	-	-	-	-	-	-
709	199	839	-	1,486	-	1,936
715	176	844	-	1,500	-	2,044
-	-	-	-	-	-	639
586	-	-	-	-	-	195,953
<u>\$ 2,010</u>	<u>\$ 375</u>	<u>\$ 1,683</u>	<u>\$ 623</u>	<u>\$ 14,321</u>	<u>\$ 17</u>	<u>\$ 541,406</u>
\$ 47,677	\$ 199	\$ 839	\$ -	\$ -	\$ -	\$ -
47,677	199	839	-	-	-	-
1,301	176	844	-	1,500	-	197,997
-	-	-	623	12,821	17	343,409
(46,968)	-	-	-	-	-	-
(46,968)	-	-	623	12,821	17	343,409
<u>\$ 2,010</u>	<u>\$ 375</u>	<u>\$ 1,683</u>	<u>\$ 623</u>	<u>\$ 14,321</u>	<u>\$ 17</u>	<u>\$ 541,406</u>

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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)  
DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

	Debt Service Funds		
	2015		2014
	2015 Street Improvement Bond	Total Debt Service	Total Debt Service
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 123,047	\$ 490,458	\$ 231,072
Accounts Receivable	622	622	-
Taxes Receivable			
Current	-	7,362	7,175
Delinquent	-	7,454	7,279
Special Assessments Receivable			
Current	-	639	-
Noncurrent	-	196,539	200,336
Total Assets	<u>\$ 123,669</u>	<u>\$ 703,074</u>	<u>\$ 445,862</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Other Funds	\$ -	\$ 48,715	\$ 154,950
Total Liabilities	-	48,715	154,950
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	-	203,993	207,615
<b>FUND BALANCES</b>			
Restricted	123,669	497,334	234,799
Unassigned	-	(46,968)	(151,502)
Total Fund Balances	<u>123,669</u>	<u>450,366</u>	<u>83,297</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 123,669</u>	<u>\$ 703,074</u>	<u>\$ 445,862</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, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Debt Service Funds			
	2015			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
<b>REVENUES</b>				
Taxes	\$ 794	\$ 107,196	\$ 79,479	\$ -
Assessments	-	-	-	-
Interest Income	(12)	33	21	(35)
Miscellaneous	840	-	-	-
Total Revenues	1,622	107,229	79,500	(35)
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	-	-	-	-
Debt Service:				
Principal	-	100,000	65,000	30,000
Interest	-	6,535	14,205	2,100
Fiscal Charges	-	-	495	248
Total Expenditures	-	106,535	79,700	32,348
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,622	694	(200)	(32,383)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	9,096	-	-	35,000
Transfers Out	-	-	-	-
Bond Proceeds	-	-	-	-
Payments to Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	9,096	-	-	35,000
Net Change in Fund Balances	10,718	694	(200)	2,617
Fund Balances - Beginning	(10,574)	7,607	5,651	282
Fund Balances - Ending	\$ 144	\$ 8,301	\$ 5,451	\$ 2,899

Debt Service Funds						
2015						
County State Aid Hwy #3 Bond	2004 N. Country/ Glenknoll Area	2004 Street Improvement Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond
\$ 61,391	\$ 15,425	\$ 72,482	\$ -	\$ 128,769	\$ -	\$ 174,252
-	13,487	-	-	-	-	28,138
(45)	(19)	(60)	(163)	(75)	17	264
-	-	-	-	-	-	525
61,346	28,893	72,422	(163)	128,694	17	203,179
-	-	-	-	-	-	1,500
55,000	-	-	130,000	85,000	-	-
5,083	-	-	18,993	40,875	15,390	54,137
-	-	-	743	-	-	-
60,083	-	-	149,736	125,875	15,390	55,637
1,263	28,893	72,422	(149,899)	2,819	(15,373)	147,542
-	-	-	151,000	-	-	-
-	(5,580)	(3,516)	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(5,580)	(3,516)	151,000	-	-	-
1,263	23,313	68,906	1,101	2,819	(15,373)	147,542
(48,231)	(23,313)	(68,906)	(478)	10,002	15,390	195,867
\$ (46,968)	\$ -	\$ -	\$ 623	\$ 12,821	\$ 17	\$ 343,409

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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, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Debt Service Funds		
	2015		2014
	2015 Street Improvement Bond	Total Debt Service	Total Debt Service
<b>REVENUES</b>			
Taxes	\$ -	\$ 639,788	\$ 578,556
Assessments	121,075	162,700	167,271
Interest Income	24	(50)	(934)
Miscellaneous	2,570	3,935	-
Total Revenues	123,669	806,373	744,893
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	-	1,500	-
Debt Service:			
Principal	-	465,000	645,000
Interest	-	157,318	116,799
Fiscal Charges	-	1,486	495
Total Expenditures	-	625,304	762,294
Excess (Deficiency) of Revenue Over (Under) Expenditures	123,669	181,069	(17,401)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	195,096	204,312
Transfers Out	-	(9,096)	(2,313)
Bond Proceeds	-	-	61,456
Payments to Bond Escrow Agent	-	-	(765,000)
Total Other Financing Sources (Uses)	-	186,000	(501,545)
Net Change in Fund Balances	123,669	367,069	(518,946)
Fund Balances - Beginning	-	83,297	602,243
Fund Balances - Ending	\$ 123,669	\$ 450,366	\$ 83,297

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS  
DECEMBER 31, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2014)**

		Capital Project Funds			
		2015			
		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		\$ 2,697	\$ 653	\$ 108,584	\$ 21,873
Interest Receivable		-	-	95	-
Note Receivable			-	15,000	-
Taxes Receivable					
Current		669	-	-	-
Land Held for Resale		-	10,000	180,496	-
Total Assets		<u>\$ 3,366</u>	<u>\$ 10,653</u>	<u>\$ 304,175</u>	<u>\$ 21,873</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable		\$ -	\$ -	\$ -	\$ -
Due to Other Funds		-	-	-	-
Total Liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable		-	10,000	195,496	-
Restricted		3,366	653	108,679	21,873
Unassigned		-	-	-	-
Total Fund Balances		<u>3,366</u>	<u>10,653</u>	<u>304,175</u>	<u>21,873</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances		<u>\$ 3,366</u>	<u>\$ 10,653</u>	<u>\$ 304,175</u>	<u>\$ 21,873</u>



Capital Project Funds					
2015					2014
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2014 Street Improvement	2016 Street Improvement	Total Capital Projects	Total Capital Projects
\$ -	\$ 39,797	\$ -	\$ -	\$ 173,604	\$ 195,951
-	-	-	-	95	-
-	-	-	-	15,000	25,913
-	-	-	-	669	860
-	168,234	-	-	358,730	355,278
<u>\$ -</u>	<u>\$ 208,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,098</u>	<u>\$ 578,002</u>
\$ -	\$ -	\$ -	\$ 113,829	\$ 113,829	\$ 2,884
6,990	-	-	269,890	276,880	7,224
6,990	-	-	383,719	390,709	10,108
-	-	-	-	-	25,913
-	168,234	-	-	373,730	355,278
-	39,797	-	-	174,368	193,927
(6,990)	-	-	(383,719)	(390,709)	(7,224)
<u>(6,990)</u>	<u>208,031</u>	<u>-</u>	<u>(383,719)</u>	<u>157,389</u>	<u>541,981</u>
<u>\$ -</u>	<u>\$ 208,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,098</u>	<u>\$ 578,002</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, 2015  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)**

	Capital Project Funds			
	2015			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows
<b>REVENUES</b>				
Taxes	\$ 138,017	\$ 14,308	\$ 30,406	\$ 97,875
Interest Income	46	(7)	646	35
Miscellaneous	-	-	39,920	-
Total Revenues	138,063	14,301	70,972	97,910
<b>EXPENDITURES</b>				
Current:				
Highways and Streets	-	-	-	-
Economic Development	-	4,722	491	127,681
Capital Outlay:				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	-
Debt Service:				
Fiscal Charges	-	-	-	-
Total Expenditures	-	4,722	491	127,681
Excess (Deficiency) of Revenue Over (Under) Expenditures	138,063	9,579	70,481	(29,771)
<b>OTHER FINANCING USES</b>				
Transfers In	-	-	-	-
Transfers Out	(135,000)	-	(51,000)	-
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Total Other Financing Uses	(135,000)	-	(51,000)	-
Net Change in Fund Balances	3,063	9,579	19,481	(29,771)
Fund Balances - Beginning	303	1,074	284,694	51,644
Fund Balances - Ending	\$ 3,366	\$ 10,653	\$ 304,175	\$ 21,873

Capital Project Funds					
2015					2014
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2014 Street Improvement	2016 Street Improvement	Total Capital Projects	Total Capital Projects
\$ 343	\$ -	\$ -	\$ -	\$ 280,949	\$ 290,346
(9)	52	-	(127)	636	1,411
-	1,232	-	-	41,152	69,243
334	1,284	-	(127)	322,737	361,000
-	-	-	280,730	280,730	151,118
100	4,218	525	-	137,737	291,098
-	-	-	-	-	1,831,338
-	-	-	-	-	1,606
-	-	-	-	-	43,861
100	4,218	525	280,730	418,467	2,319,021
234	(2,934)	(525)	(280,857)	(95,730)	(1,958,021)
-	-	-	-	-	173,000
-	-	-	(102,862)	(288,862)	(279,810)
-	-	-	-	-	2,243,544
-	-	-	-	-	39,072
-	-	-	(102,862)	(288,862)	2,175,806
234	(2,934)	(525)	(383,719)	(384,592)	217,785
(7,224)	210,965	525	-	541,981	324,196
\$ (6,990)	\$ 208,031	\$ -	\$ (383,719)	\$ 157,389	\$ 541,981

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## **SUPPLEMENTARY INFORMATION**

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2015**

	\$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
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>\$ 295,000</u>	<u>\$ 30,200</u>	<u>\$ 160,000</u>	<u>\$ 5,448</u>

\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B		\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B - \$315,000 Portion		\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B - \$410,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 55,000	\$ 6,350	\$ 30,000	\$ 1,770	\$ 70,000	\$ 4,130
60,000	5,085	30,000	1,373	70,000	3,203
60,000	3,705	30,000	892	70,000	2,082
70,000	1,995	30,000	315	70,000	735
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 245,000</u>	<u>\$ 17,135</u>	<u>\$ 120,000</u>	<u>\$ 4,350</u>	<u>\$ 280,000</u>	<u>\$ 10,150</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2015**

	\$380,000 Taxable G.O. Tax Increment Bonds - Series 2014C		\$245,000 G.O. Equipment Certificates of Indebtedness Series 2013	
	Principal	Interest	Principal	Interest
2016	\$ 20,000	\$ 15,390	\$ 47,741	\$ 4,472
2017	20,000	14,740	49,185	3,028
2018	25,000	14,090	49,931	1,683
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>\$ 132,630</u>	<u>\$ 146,857</u>	<u>\$ 9,183</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
\$ 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>\$ 960,000</u>	<u>\$ 191,193</u>	<u>\$ 220,000</u>	<u>\$ 7,315</u>	<u>\$ 180,000</u>	<u>\$ 8,635</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2015**

	\$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
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>\$ 750,000</u>	<u>\$ 109,306</u>	<u>\$ 1,925,000</u>	<u>\$ 217,501</u>

\$6,735,000 G.O. Improvement Bonds, Series 2015A		Capital Lease Johnson Controls Project		Capital Lease 2013 Bobcat Skid Steer Loader	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 385,000	\$ 208,706	\$ 50,984	\$ 13,018	\$ 9,205	\$ 1,198
410,000	166,625	53,241	10,761	9,786	618
415,000	158,425	55,599	8,403	1	-
420,000	150,125	58,061	5,942	-	-
425,000	141,725	60,632	3,371	-	-
430,000	133,225	31,315	686	-	-
435,000	124,625	-	-	-	-
440,000	115,925	-	-	-	-
455,000	98,325	-	-	-	-
465,000	88,997	-	-	-	-
470,000	78,535	-	-	-	-
480,000	64,435	-	-	-	-
490,000	52,675	-	-	-	-
500,000	35,525	-	-	-	-
515,000	18,025	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,735,000</u>	<u>\$ 1,635,898</u>	<u>\$ 309,832</u>	<u>\$ 42,181</u>	<u>\$ 18,992</u>	<u>\$ 1,816</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2015**

	Capital Lease 2014 Kubota Tractor		Capital Lease 2015 Freightliner Plow Truck	
	Principal	Interest	Principal	Interest
2016	\$ 10,022	\$ 414	\$ 32,424	\$ 4,467
2017	1,727	12	33,487	3,403
2018	-	-	34,585	2,305
2019	-	-	35,719	1,171
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 11,749</u>	<u>\$ 426</u>	<u>\$ 136,215</u>	<u>\$ 11,346</u>

Capital Lease 2015 Toro Mowers		DEED Loan		\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 6,300	\$ -	\$ -	\$ -	\$ 80,000	\$ 90,255
2,625	-	-	65	85,000	86,991
-	-	6,379	1,595	85,000	83,336
-	-	6,379	1,467	90,000	79,330
-	-	6,379	1,340	90,000	75,010
-	-	6,379	1,212	95,000	70,406
-	-	6,379	1,084	100,000	65,408
-	-	6,379	957	100,000	60,158
-	-	6,379	829	105,000	54,646
-	-	6,379	702	105,000	48,845
-	-	6,379	574	115,000	42,628
-	-	6,379	446	120,000	35,840
-	-	6,379	319	120,000	28,730
-	-	6,379	191	125,000	21,317
-	-	6,379	64	135,000	13,320
-	-	-	-	145,000	4,568
<u>\$ 8,925</u>	<u>\$ -</u>	<u>\$ 82,927</u>	<u>\$ 10,845</u>	<u>\$ 1,695,000</u>	<u>\$ 860,788</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2015**

	\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion	
	Principal	Interest	Principal	Interest
2016	\$ 25,000	\$ 6,700	\$ 30,000	\$ 7,010
2017	25,000	5,700	30,000	6,395
2018	25,000	4,700	35,000	5,705
2019	30,000	3,600	35,000	4,830
2020	35,000	2,300	35,000	3,623
2021	40,000	800	30,000	2,415
2022	-	-	40,000	1,380
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 180,000</u>	<u>\$ 23,800</u>	<u>\$ 235,000</u>	<u>\$ 31,358</u>

\$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		\$626,000 Gross Revenue Event Facility Refunding Bonds - Series 2013A	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 45,000	\$ 3,371	\$ 75,000	\$ 21,061	\$ 34,000	\$ 21,932
40,000	3,012	80,000	20,400	35,000	21,070
50,000	2,535	80,000	19,560	36,000	20,183
50,000	1,910	80,000	18,560	37,000	18,992
45,000	1,224	75,000	17,439	38,000	17,493
50,000	438	80,000	16,158	40,000	15,932
-	-	85,000	14,607	42,000	14,293
-	-	90,000	12,813	43,000	12,592
-	-	90,000	10,855	45,000	10,664
-	-	95,000	8,726	47,000	8,479
-	-	90,000	6,507	49,000	6,199
-	-	95,000	4,146	52,000	3,800
-	-	105,000	1,444	54,000	1,282
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 280,000</u>	<u>\$ 12,490</u>	<u>\$ 1,120,000</u>	<u>\$ 172,276</u>	<u>\$ 552,000</u>	<u>\$ 172,911</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2015**

		\$517,000 Liquor Store Revenue Bonds - Series 2014		Total	
		Principal	Interest	Principal	Interest
2016	\$	29,000	\$ 17,565	\$ 1,679,676	\$ 542,057
2017		30,000	16,899	1,715,051	468,095
2018		31,000	16,208	1,563,495	427,571
2019		31,000	15,496	1,488,159	386,946
2020		32,000	14,782	1,217,011	348,074
2021		33,000	13,663	1,215,694	314,773
2022		34,000	12,507	1,137,379	283,031
2023		35,000	11,318	1,109,379	251,670
2024		37,000	10,092	1,168,379	211,245
2025		38,000	8,798	1,061,379	179,844
2026		40,000	7,182	860,379	151,520
2027		41,000	5,483	879,379	121,216
2028		43,000	3,740	918,379	92,269
2029		45,000	1,912	711,379	60,538
2030		-	-	656,379	31,409
2031		-	-	145,000	4,568
		<u>\$ 499,000</u>	<u>\$ 155,645</u>	<u>\$ 17,526,497</u>	<u>\$ 3,874,826</u>



**SINGLE AUDIT OF FEDERAL FINANCIAL ASSISTANCE  
AND OTHER REQUIRED REPORTS**

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**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Department of Justice Direct Programs</b>			
Bulletproof Vest Partnership Program	16.607		\$ 647
Total Department of Justice Direct Programs			<u>647</u>
<b>Department of Transportation Pass-Through Programs from:</b>			
State Department of Public Safety			
State and Community Highway Safety	20.600	P079215402	238
Minimum Penalties for Repeat Offenders for			
Driving While Intoxicated	20.608	P079215AL164	1,952
National Priority Safety Programs	20.616	P079215405E	2,629
Total State Department of Public Safety			<u>4,819</u>
State Department of Transportation			
Airport Improvement Program	20.106	A4301-29	14,840
Airport Improvement Program	20.106	A4301-31	1,735,051
Total State Department of Transportation			<u>1,749,891</u>
Total Department of Transportation			<u>1,754,710</u>
<b>Department of Agriculture Pass-Through Programs from:</b>			
State Department of Natural Resources			
Cooperative Forestry Assistance	10.664	R29G3014084	3,500
Total State Department of Natural Resources			<u>3,500</u>
Total Department of Agriculture			<u>3,500</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,758,857</u></u>

**CITY OF GLENCOE, MINNESOTA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2015**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Glencoe, Minnesota under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Glencoe, Minnesota, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Glencoe, Minnesota.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribe Governments or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City of Glencoe, Minnesota has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 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, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Glencoe, Minnesota's basic financial statements, and have issued our report thereon dated May 13, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Glencoe, 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, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glencoe, 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 2015-001 and 2015-002 to be material weaknesses.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

### **Compliance and Other Matters**

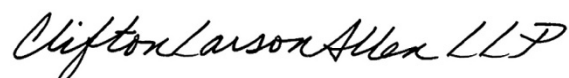
As part of obtaining reasonable assurance about whether the City of Glencoe, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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, Minnesota's Responses to Findings**

The City of Glencoe, 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, 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 13, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited the City of Glencoe, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Glencoe, Minnesota's major federal program for the year ended December 31, 2015. The City of Glencoe, Minnesota's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Glencoe, 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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, 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 the major federal program. However, our audit does not provide a legal determination of the City of Glencoe, Minnesota's compliance.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

### **Opinion on the Major Federal Program**

In our opinion, the City of Glencoe, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

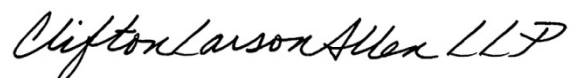
### **Report on Internal Control Over Compliance**

Management of the City of Glencoe, 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, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
May 13, 2016



## 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated May 13, 2016.

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 13, 2016

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**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2015**

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***Section I – Summary of Auditors’ Results***

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?       x       yes                    no
  - Significant deficiency(ies) identified?                    yes       x       none reported
3. Noncompliance material to financial statements noted?                    yes       x       no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?                    yes       x       no
  - Significant deficiency(ies) identified?                    yes       x       none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                    yes       x       no

***Identification of Major Federal Programs***

**CFDA Number**

20.106

**Name of Federal Program or Cluster**

Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$       750,000      

Auditee qualified as low-risk auditee?

                   yes       x       no

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2015**

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***Section II – Financial Statement Findings***

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<b>2015-001</b>	<b>Material Weakness in Internal Control over Financial Reporting</b>
<b>Condition:</b>	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.
<b>Criteria:</b>	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).
<b>Context:</b>	The City engages CliftonLarsonAllen LLP to assist in preparing the financial statements and accompany disclosures. Management has reviewed and approved the financial statements prior to issuance.
<b>Effect:</b>	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.
<b>Cause:</b>	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.
<b>Recommendation:</b>	Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.
<b>Views of Responsible Officials and Planned Corrective Action:</b>	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.
<b>2015-002</b>	<b>Material Weakness in Internal Control over Financial Reporting</b>
<b>Condition:</b>	The audit firm proposed, and the City posted to its general ledger accounts, certain journal entries to correct misstatements.
<b>Criteria:</b>	The City should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.
<b>Context:</b>	As a result of audit procedures performed, we identified accounts that were not adjusted to their appropriate year-end balances. Management has reviewed and approved the adjusting journal entries that we proposed prior to posting to their general ledger.

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2015**

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***Section II – Financial Statement Findings (Continued)***

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<b>Effect:</b>	The potential exists that the financial statements could be materially misstated prior to the posting of the correcting journal entries.
<b>Cause:</b>	The City has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.
<b>Recommendation:</b>	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.
<b>Views of Responsible Officials and Planned Corrective Action:</b>	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.

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***Section III – Findings and Questioned Costs – Major Federal Program***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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***Section IV – Prior Year Findings***

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**2014 – 001**

See current year finding 2015-001.

**Reason for finding's recurrence:** 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 the City will continue to engage CliftonLarsonAllen LLP to draft the financial statements and related disclosures. The City will continue to review and approved the financial statements prior to issuance.

**2014 – 002**

See current year finding 2015-002.

**Reason for finding's recurrence:** Management engages CliftonLarsonAllen LLP to propose various year-end adjustments, such as cash to accrual adjustments and adjustments to record long-term debt issuances. Management reviews and approves the year-end adjustments that we propose prior to posting to their general ledger.

