

**CITY OF GLENCOE, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2022**



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## **INTRODUCTORY SECTION**

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**CITY OF GLENCOE  
CITY OFFICIALS  
DECEMBER 31, 2022**

**Elected Officials**

**Term Expires**

Mayor	12/31/2024	Ryan Voss
Council Member	12/31/2022	Arnold Brinkmann
Council Member	12/31/2022	Allen Robeck
Council Member	12/31/2022	Paul Lemke
Council Member	12/31/2024	Susan Olson
Council Member	12/31/2024	Cory Neid

**Appointed Officials**

City Administrator	Mark D. Larson
Finance Director	Todd Trippel
Public Works Director	Mark Lemen
Public Works Director	James O. Voigt
Chief of Police	Tony Padilla

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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 (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, as listed in the table of contents.

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, as of December 31, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, effective January 1, 2022, the City adopted the new accounting guidance for leases. The guidance requires lessees to recognize right to use assets and a corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.



Honorable Mayor and  
Members of the City Council  
City of Glencoe

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Statement of Revenues, Expenditures and Change in Fund Balances – General Fund – Budget and Actual, the Schedule of Changes in the City’s Total OPEB Liability and Related Ratios, Schedule of Changes in the Commission’s OPEB Liability and Related Ratios, Schedule of Changes in the Net Pension Asset and Related Ratios for the Glencoe Fire Department Relief Association, Schedule of the City’s Proportionate Share of the Net Pension Liability, Schedule of City Pension Contributions, Schedule of the Commission’s Proportionate Share of the Net Pension Liability, and Schedule of Commission Pension Contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining fund statements and schedules of principal and interest payments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the combining fund statements, schedules of principal and interest payments and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

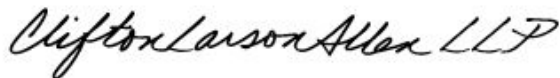
**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023, on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 12, 2023

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF GLENCOE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2022**

	Primary Government			Component Unit Light and Power Commission
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,814,085	\$ 6,131,093	\$ 8,945,178	\$ 464,064
Taxes Receivable	61,363	3,108	64,471	-
Accounts Receivable	640,427	292,984	933,411	1,322,766
Special Assessments Receivable	1,641,972	1,895	1,643,867	-
Note Receivable	8,840	-	8,840	-
Other Receivables	-	-	-	716,141
Prepaid Expenses	-	-	-	117,975
Internal Balances	680,970	(680,970)	-	-
Inventory	-	418,296	418,296	441,965
Land Held for Resale	111,064	-	111,064	-
Due from Component Unit	10,568	369,232	379,800	-
Restricted Assets	-	-	-	7,547,276
Lease Receivable	-	1,674,705	1,674,705	-
Net Pension Asset	555,650	-	555,650	-
Capital Assets:				
Land	1,221,150	-	1,221,150	-
Construction in Progress	-	138,016	138,016	-
Other Capital Assets, Net of Depreciation	18,311,600	45,573,754	63,885,354	16,419,132
Right-to-Use Assets, Net of Amortization	84,736	-	84,736	-
Total Assets	<u>26,142,425</u>	<u>53,922,113</u>	<u>80,064,538</u>	<u>27,029,319</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB Related	40,620	-	40,620	34,341
Pension Related	2,007,369	258,062	2,265,431	346,276
Total Deferred Outflows of Resources	<u>2,047,989</u>	<u>258,062</u>	<u>2,306,051</u>	<u>380,617</u>
<b>LIABILITIES</b>				
Accounts Payable	338,380	851,147	1,189,527	743,652
Retainages Payable	9,671	1,482	11,153	-
Accrued Interest Payable	219,912	68,475	288,387	-
Accrued Expenses	42,171	182,217	224,388	168,213
Customer Deposits Payable	-	-	-	146,959
Due to the Primary Government	-	-	-	379,800
Deferred Revenue	-	-	-	80,000
Long-Term Liabilities:				
Due Within One Year	2,605,656	1,062,180	3,667,836	-
Due in More Than One Year	16,479,692	13,335,257	29,814,949	79,500
Net Pension Liability	3,246,633	824,319	4,070,952	1,180,085
Other Postemployment Benefit Liability- Current	34,137	-	34,137	-
Other Postemployment Benefit Liability-Noncurrent	63,951	53,777	117,728	231,395
Total Liabilities	<u>23,040,203</u>	<u>16,378,854</u>	<u>39,419,057</u>	<u>3,009,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gain on Bond Refunding	435	1,514	1,949	-
Pension Related	330,764	16,016	346,780	49,292
Lease Related	-	1,674,705	1,674,705	-
Total Deferred Inflows of Resources	<u>331,199</u>	<u>1,692,235</u>	<u>2,023,434</u>	<u>49,292</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,869,192	31,312,487	39,181,679	16,419,132
Restricted for:				
Street Improvement Projects	87,979	-	87,979	-
Debt Service	1,516,172	-	1,516,172	-
Capital Projects	1,164,102	-	1,164,102	-
Firemen's Relief Association Net Pension Asset	555,650	-	555,650	-
Unrestricted	<u>(6,374,083)</u>	<u>4,796,599</u>	<u>(1,577,484)</u>	<u>7,931,908</u>
Total Net Position	<u>\$ 4,819,012</u>	<u>\$ 36,109,086</u>	<u>\$ 40,928,098</u>	<u>\$ 24,351,040</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,296,008	\$ 264,731	\$ 55,959	\$ -
Public Safety	1,988,892	70,752	133,430	-
Highways and Streets	1,984,128	114,866	-	220,819
Culture and Recreation	1,019,840	201,913	-	31,500
Economic Development	141,898	-	-	-
Interest on Long-Term Debt	453,411	-	-	-
Total Governmental Activities	<u>6,884,177</u>	<u>652,262</u>	<u>189,389</u>	<u>252,319</u>
Business-Type Activities:				
Water Fund	1,027,154	1,458,173	-	115
Wastewater Treatment Plant Fund	2,389,075	2,444,975	-	-
Sanitation Fund	22,006	33,914	-	-
City Center Fund	379,427	67,915	-	2,500
Municipal Liquor Fund	2,219,911	2,459,578	-	-
Airport Fund	459,049	108,610	-	186,334
Storm Water Management Fund	239,506	527,093	-	79
Total Business-Type Activities	<u>6,736,128</u>	<u>7,100,258</u>	<u>-</u>	<u>189,028</u>
Total Primary Government	<u>\$ 13,620,305</u>	<u>\$ 7,752,520</u>	<u>\$ 189,389</u>	<u>\$ 441,347</u>
Total Component Unit	<u>\$ 11,967,317</u>	<u>\$ 13,249,943</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes
- Tax Increments
- Franchise Fees
- Sales Taxes
- Grants and Contributions Not Restricted to Certain Purposes
- Unrestricted Investment Earnings
- Gain (Loss) on Disposal of Capital Assets
- Other

Transfers

- Total General Revenues and Transfers
- Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
\$ (975,318)	\$ -	\$ (975,318)	\$ -
(1,784,710)	-	(1,784,710)	-
(1,648,443)	-	(1,648,443)	-
(786,427)	-	(786,427)	-
(141,898)	-	(141,898)	-
(453,411)	-	(453,411)	-
<u>(5,790,207)</u>	<u>-</u>	<u>(5,790,207)</u>	<u>-</u>
-	431,134	431,134	-
-	55,900	55,900	-
-	11,908	11,908	-
-	(309,012)	(309,012)	-
-	239,667	239,667	-
-	(164,105)	(164,105)	-
-	287,666	287,666	-
<u>-</u>	<u>553,158</u>	<u>553,158</u>	<u>-</u>
(5,790,207)	553,158	(5,237,049)	-
			1,282,626
3,054,138	150,275	3,204,413	-
321,456	-	321,456	-
28,627	-	28,627	-
13,650	-	13,650	-
1,688,625	-	1,688,625	-
2,453	8,901	11,354	53,810
-	8,100	8,100	-
335,316	22,376	357,692	-
1,551,000	(1,551,000)	-	-
<u>6,995,265</u>	<u>(1,361,348)</u>	<u>5,633,917</u>	<u>53,810</u>
1,205,058	(808,190)	396,868	1,336,436
<u>3,613,954</u>	<u>36,917,276</u>	<u>40,531,230</u>	<u>23,014,604</u>
<u>\$ 4,819,012</u>	<u>\$ 36,109,086</u>	<u>\$ 40,928,098</u>	<u>\$ 24,351,040</u>

**CITY OF GLENCOE, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

		2022		
		General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents		\$ 1,551,815	\$ 1,262,270	\$ 2,814,085
Accounts Receivable		368,652	279,358	648,010
Note Receivable		8,840	-	8,840
Taxes Receivable				
Current		25,694	10,947	36,641
Delinquent		19,083	6,715	25,798
Special Assessments Receivable				
Current		618	1,808	2,426
Noncurrent		76,302	1,562,168	1,638,470
Due from Other Funds		682,056	-	682,056
Due from Other Governments		-	2,985	2,985
Land Held for Resale		111,064	-	111,064
		<u>\$ 2,844,124</u>	<u>\$ 3,126,251</u>	<u>\$ 5,970,375</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable		\$ 212,879	\$ 125,501	\$ 338,380
Retainages Payable		9,671	-	9,671
Accrued Expenses		42,171	-	42,171
Due to Other Funds		-	1,086	1,086
Total Liabilities		<u>264,721</u>	<u>126,587</u>	<u>391,308</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue		104,365	1,835,845	1,940,210
<b>FUND BALANCES</b>				
Nonspendable		111,064	-	111,064
Restricted for:				
Debt Service		-	699,489	699,489
Capital Projects		-	452,831	452,831
Committed for:				
Aquatic Center		-	4,180	4,180
Cable TV		-	7,319	7,319
Assigned for:				
Park Improvement		179,979	-	179,979
Engineering and Inspection Services		99,387	-	99,387
Cemetery		18,620	-	18,620
Unassigned		2,065,988	-	2,065,988
Total Fund Balances		<u>2,475,038</u>	<u>1,163,819</u>	<u>3,638,857</u>
		<u>\$ 2,844,124</u>	<u>\$ 3,126,251</u>	<u>\$ 5,970,375</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances		<u>\$ 2,844,124</u>	<u>\$ 3,126,251</u>	<u>\$ 5,970,375</u>

See accompanying Notes to Financial Statements.



**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

**Total Fund Balances for Governmental Funds** \$ 3,638,857

Total net position for governmental activities in the Statement of Net Position is different because:

Capital and right-to-use assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds. Those assets consist of:

Land	\$ 1,221,150	
Buildings, Net of Accumulated Depreciation	2,884,531	
Office Equipment and Furniture, Net of Accumulated Depreciation	11,211	
Vehicles, Net of Accumulated Depreciation	520,277	
Office Equipment and Furniture, Net of Accumulated Depreciation	657,300	
Improvements Other than Buildings, Net of Accumulated Depreciation	975,148	
Infrastructure, Net of Accumulated Depreciation	13,263,133	
Right-to-Use Assets, Net of Accumulated Amortization	<u>84,736</u>	19,617,486

Some of the City's property taxes, tax increments, special assessments and state aids will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as Deferred Inflows of Resources in the governmental funds. 1,940,210

Gain on Refunding is reported as a Deferred Inflow of Resources in the Statement of Net Position. (435)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (219,912)

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

Net Pension Asset	555,650	
Net Pension Liability	(3,246,633)	
Deferred Outflows of Resources - Pension Related	2,007,369	
Deferred Inflows of Resources - Pension Related	<u>(330,764)</u>	(1,014,378)

The City's Other Postemployment Benefit Liability and related Deferred Outflows and Inflows of Resources are recorded only on the Statement of Net Position. Balances at year-end are:

Other Postemployment Benefit Liability	(98,088)	
Deferred Outflows of Resources - OPEB Related	<u>40,620</u>	(57,468)

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	(18,706,189)	
Compensated Absences Payable	<u>(379,159)</u>	<u>(19,085,348)</u>

**Total Net Position of Governmental Activities** \$ 4,819,012

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2022**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,164,198	\$ 768,344	\$ 2,932,542
Tax Increments	775	318,706	319,481
Licenses and Permits	69,670	-	69,670
Intergovernmental	1,730,470	464,007	2,194,477
Charges for Services	257,613	105,253	362,866
Fines and Forfeits	49,573	-	49,573
Assessments	89,023	272,099	361,122
Investment Income	2,127	326	2,453
Contributions and Donations	214,346	-	214,346
Payment in Lieu of Taxes	102,500	-	102,500
Franchise Fees	3,289	28,627	31,916
Miscellaneous	274,652	15,468	290,120
Total Revenues	<u>4,958,236</u>	<u>1,972,830</u>	<u>6,931,066</u>
<b>EXPENDITURES</b>			
Current:			
General Government	994,583	9,877	1,004,460
Public Safety	1,813,739	-	1,813,739
Highways and Streets	1,835,438	28,686	1,864,124
Culture-Recreation	631,693	210,144	841,837
Economic Development	20,075	115,001	135,076
Miscellaneous	260,440	-	260,440
Capital Outlay:			
General Government	4,188	-	4,188
Public Safety	50,263	-	50,263
Highways and Streets	6,000	138,768	144,768
Culture-Recreation	31,048	2,480	33,528
Debt Service:			
Principal	110,305	2,048,822	2,159,127
Interest	10,377	578,042	588,419
Fiscal Charges	-	4,382	4,382
Total Expenditures	<u>5,768,149</u>	<u>3,136,202</u>	<u>8,904,351</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(809,913)	(1,163,372)	(1,973,285)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,039,015	1,551,832	2,590,847
Transfers Out	(142,750)	(897,097)	(1,039,847)
Proceeds from the Sale of Capital Assets	-	70,371	70,371
Insurance Proceeds	7,713	-	7,713
Total Other Financing Sources (Uses)	<u>903,978</u>	<u>725,106</u>	<u>1,629,084</u>
Net Change in Fund Balances	94,065	(438,266)	(344,201)
Fund Balance - Beginning	<u>2,380,973</u>	<u>1,602,085</u>	<u>3,983,058</u>
Fund Balances - End of Year	<u>\$ 2,475,038</u>	<u>\$ 1,163,819</u>	<u>\$ 3,638,857</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

**Net Change in Fund Balances - Total Governmental Funds** \$ (344,201)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Capital Outlay	\$ 1,143,147	
Loss on Disposal of Capital Assets	(72,471)	
Depreciation and Amortization Expense	(1,358,077)	
Right-to-Use Assets	<u>132,793</u>	(154,608)

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. The net effect of these differences in the treatment of bond and other long-term debt and related items is as follows:

Repayment of Bond, Equipment Certificates, Lease and Loan Principal	2,102,266	
Change in Accrued Interest	19,693	
Amortization of Bond Premiums	153,682	
Amortization of Bond Discounts	(511)	
Amortization of Gain on Bond Refunding	85	
Leasing activity	<u>(85,216)</u>	2,189,999

Delinquent and deferred property taxes, tax increments, special assessments and state aids 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, 2021	(2,411,124)	
Unavailable Revenue - December 31, 2022	<u>1,940,210</u>	(470,914)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses in the Statement of Activities are measured by the change in the Net Pension Asset, Net Pension Liability and related Deferred Outflows and Inflows of Resources. (58,253)

Other postemployment benefit expenditures in the governmental funds are measured by the amount of financial resources used (amounts actually paid). Other postemployment benefit expenses in the Statement of Activities are measured by the change in the Other Postemployment Benefit Liability and related Deferred Outflows and Inflows of Resources. 24,822

In the Statement of Activities, certain operating expenses - compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).

18,213

**Change in Net Position of Governmental Activities** \$ 1,205,058

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2022**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 2,744,532	\$ 3,245,672	\$ 24,748
Accounts Receivable	8,633	9,033	7,764
Taxes Receivable	-	-	-
Special Assessments Receivable	449	664	-
Inventory	-	-	-
Lease Recievable	89,940	-	-
Due from Component Unit	110,989	207,298	2,385
Total Current Assets	<u>2,954,543</u>	<u>3,462,667</u>	<u>34,897</u>
<b>NONCURRENT ASSETS</b>			
Lease Receivable	1,533,537	31,306	-
Capital Assets:			
Construction in Progress	-	-	-
Other Capital Assets (Net of Accumulated Depreciation)	5,120,182	27,302,376	-
Total Capital Assets	<u>5,120,182</u>	<u>27,302,376</u>	<u>-</u>
Total Noncurrent Assets	<u>6,653,719</u>	<u>27,333,682</u>	<u>-</u>
Total Assets	9,608,262	30,796,349	34,897
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	75,751	98,250	-
Total Deferred Outflows of Resources	<u>75,751</u>	<u>98,250</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	81,055	567,711	9,349
Retainages Payable	-	-	-
Accrued Interest Payable	-	43,891	-
Compensated Absences Payable	41,648	66,390	-
Accrued Expenses	5,619	6,956	-
Due to Other Funds	-	-	-
Loan Payable	-	764,000	-
Revenue Bonds Payable	-	-	-
Total Current Liabilities	<u>128,322</u>	<u>1,448,948</u>	<u>9,349</u>
<b>NONCURRENT LIABILITIES</b>			
Loan Payable	-	11,298,410	-
Revenue Bonds Payable	-	-	-
Net Pension Liability	241,967	313,837	-
Other Postemployment Benefit Liability	14,119	22,999	-
Total Noncurrent Liabilities	<u>256,086</u>	<u>11,635,246</u>	<u>-</u>
Total Liabilities	384,408	13,084,194	9,349
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Gain on Bond Refunding	1,150	-	-
Pension Related	4,701	6,098	-
Lease Related	1,623,477	31,306	-
Total Deferred Inflows of Resources	<u>1,629,328</u>	<u>37,404</u>	<u>-</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,120,182	15,239,966	-
Unrestricted	2,550,095	2,533,035	25,548
Total Net Position	<u>\$ 7,670,277</u>	<u>\$ 17,773,001</u>	<u>\$ 25,548</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION (CONTINUED)  
 DECEMBER 31, 2022**

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	Total Proprietary Funds
\$ -	\$ 105,428	\$ -	\$ 10,713	\$ 6,131,093
1,133	-	264,969	1,452	292,984
3,108	-	-	-	3,108
-	-	-	782	1,895
-	418,296	-	-	418,296
-	-	-	48,560	369,232
<u>4,241</u>	<u>523,724</u>	<u>264,969</u>	<u>61,507</u>	<u>7,306,548</u>
-	-	19,922	-	1,584,765
-	-	138,016	-	138,016
<u>2,584,796</u>	<u>452,985</u>	<u>2,696,949</u>	<u>7,416,466</u>	<u>45,573,754</u>
<u>2,584,796</u>	<u>452,985</u>	<u>2,834,965</u>	<u>7,416,466</u>	<u>45,711,770</u>
<u>2,584,796</u>	<u>452,985</u>	<u>2,854,887</u>	<u>7,416,466</u>	<u>47,296,535</u>
2,589,037	976,709	3,119,856	7,477,973	54,603,083
39,966	44,095	-	-	258,062
<u>39,966</u>	<u>44,095</u>	<u>-</u>	<u>-</u>	<u>258,062</u>
6,190	103,274	74,915	8,653	851,147
-	-	1,482	-	1,482
17,402	465	-	6,717	68,475
22,457	27,050	-	-	157,545
2,881	9,216	-	-	24,672
438,904	-	242,066	-	680,970
-	-	-	18,180	782,180
151,000	35,000	-	94,000	280,000
<u>638,834</u>	<u>175,005</u>	<u>318,463</u>	<u>127,550</u>	<u>2,846,471</u>
-	-	-	76,423	11,374,833
1,242,000	244,000	-	474,424	1,960,424
127,662	140,853	-	-	824,319
10,492	6,167	-	-	53,777
<u>1,380,154</u>	<u>391,020</u>	<u>-</u>	<u>550,847</u>	<u>14,213,353</u>
2,018,988	566,025	318,463	678,397	17,059,824
-	-	-	364	1,514
2,480	2,737	-	-	16,016
-	-	19,922	-	1,674,705
<u>2,480</u>	<u>2,737</u>	<u>19,922</u>	<u>364</u>	<u>1,692,235</u>
1,191,796	173,985	2,833,483	6,753,075	31,312,487
(584,261)	278,057	(52,012)	46,137	4,796,599
<u>\$ 607,535</u>	<u>\$ 452,042</u>	<u>\$ 2,781,471</u>	<u>\$ 6,799,212</u>	<u>\$ 36,109,086</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,284,446	\$ 2,390,933	\$ 9,849
Other Operating Revenues	31,986	43,042	24,065
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>1,316,432</u>	<u>2,433,975</u>	<u>33,914</u>
<b>OPERATING EXPENSES</b>			
Personal Services	349,905	494,002	8,092
Materials and Supplies	102,156	92,957	-
Repairs and Maintenance	25,715	126,094	1,671
Management Fees	89,796	40,339	-
Professional Services	149,259	272,914	9,447
Insurance	23,165	30,682	52
Utilities	67,716	193,752	1,136
Depreciation and Amortization	163,848	909,835	-
Other	56,131	105,050	1,608
Total Operating Expenses	<u>1,027,691</u>	<u>2,265,625</u>	<u>22,006</u>
Operating Income (Loss)	288,741	168,350	11,908
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Special Assessments	115	-	-
Lease Revenues	141,741	11,000	-
Taxes	-	-	-
Federal Aid and Grants	-	-	-
State Aid and Grants	-	-	-
Donations	-	-	-
Insurance Proceeds	12,208	-	-
Interest on Investments	4,202	5,079	38
Interest Expense and Fiscal Charges	537	(123,450)	-
Gain (Loss) on Sale of Capital Assets	-	8,100	-
Total Nonoperating Revenues (Expenses)	<u>158,803</u>	<u>(99,271)</u>	<u>38</u>
Net Income (Loss) Before Transfers and Capital Contributions	447,544	69,079	11,946
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>			
Transfers In	-	-	-
Transfers Out	(462,500)	(631,500)	(7,000)
Total Transfers and Capital Contributions	<u>(462,500)</u>	<u>(631,500)</u>	<u>(7,000)</u>
Change in Net Position	(14,956)	(562,421)	4,946
Net Position - Beginning of Year	<u>7,685,233</u>	<u>18,335,422</u>	<u>20,602</u>
Net Position - End of Year	<u>\$ 7,670,277</u>	<u>\$ 17,773,001</u>	<u>\$ 25,548</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2022**

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	Total Proprietary Funds
\$ 53,156	\$ -	\$ 99,974	\$ 527,043	\$ 4,365,401
14,759	-	36	50	113,938
-	2,459,578	-	-	2,459,578
-	(1,822,104)	-	-	(1,822,104)
<u>67,915</u>	<u>637,474</u>	<u>100,010</u>	<u>527,093</u>	<u>5,116,813</u>
204,336	199,318	-	-	1,255,653
2,096	83,916	68,481	45	349,651
6,987	8,214	252	8,717	177,650
-	-	-	-	130,135
5,050	3,759	4,457	24,950	469,836
11,155	13,906	19,457	(29,586)	68,831
24,995	16,967	6,000	-	310,566
76,425	42,053	356,549	229,238	1,777,948
5,936	17,215	3,853	-	189,793
<u>336,980</u>	<u>385,348</u>	<u>459,049</u>	<u>233,364</u>	<u>4,730,063</u>
(269,065)	252,126	(359,039)	293,729	386,750
-	-	-	79	194
-	-	8,600	-	161,341
150,275	-	-	-	150,275
-	-	163,692	-	163,692
-	-	22,642	-	22,642
2,500	-	-	-	2,500
1,188	-	8,980	-	22,376
(834)	206	(129)	339	8,901
(42,447)	(12,459)	-	(6,142)	(183,961)
-	-	-	-	8,100
<u>110,682</u>	<u>(12,253)</u>	<u>203,785</u>	<u>(5,724)</u>	<u>356,060</u>
(158,383)	239,873	(155,254)	288,005	742,810
150,000	-	-	-	150,000
-	(220,000)	-	(380,000)	(1,701,000)
<u>150,000</u>	<u>(220,000)</u>	<u>-</u>	<u>(380,000)</u>	<u>(1,551,000)</u>
(8,383)	19,873	(155,254)	(91,995)	(808,190)
<u>615,918</u>	<u>432,169</u>	<u>2,936,725</u>	<u>6,891,207</u>	<u>36,917,276</u>
<u>\$ 607,535</u>	<u>\$ 452,042</u>	<u>\$ 2,781,471</u>	<u>\$ 6,799,212</u>	<u>\$ 36,109,086</u>

**CITY OF GLENCOE, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Receipts from Customers	\$ 1,324,384	\$ 2,452,712	\$ 32,781
Cash Paid to Suppliers	(415,248)	(372,716)	(14,610)
Cash Paid to Employees	(478,603)	(501,599)	(8,092)
Net Cash Provided (Used) by Operating Activities	<u>430,533</u>	<u>1,578,397</u>	<u>10,079</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(462,500)	(631,500)	(7,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(462,500)</u>	<u>(631,500)</u>	<u>(7,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Loans	-	789,362	-
Principal Paid on Bonds	-	(796,000)	-
Collection of Special Assessments	115	-	-
Leasing Receipts	141,741	11,000	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	1,074	(122,476)	-
Acquisition of Capital Assets	(38,339)	(1,022,989)	-
Donations	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>104,591</u>	<u>(1,141,103)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	4,202	5,079	38
Net Increase (Decrease) in Cash and Cash Equivalents	76,826	(189,127)	3,117
Cash and Cash Equivalents - January 1	<u>2,667,706</u>	<u>3,434,799</u>	<u>21,631</u>
Cash and Cash Equivalents - December 31	<u>\$ 2,744,532</u>	<u>\$ 3,245,672</u>	<u>\$ 24,748</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 288,741	\$ 168,350	\$ 11,908
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	163,848	909,835	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(1,836)	1,759	(1,214)
(Increase) Decrease in Deferred Outflows of Resources - Pension Related	30,137	16,632	-
(Increase) Decrease in Due from Component Unit	9,788	16,978	81
Increase (Decrease) in Accounts Payable	8,894	448,733	(696)
Increase (Decrease) in Compensated Absences Payable	(41,950)	(5,998)	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase (Decrease) In Deferred Inflows of Resources - Pension Related	(127,048)	(136,841)	-
Increase (Decrease) In Net Pension Liability	100,789	160,668	-
Increase (Decrease) in OPEB	(463)	(1,024)	-
Increase (Decrease) in Accrued Expenses	(367)	(695)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 430,533</u>	<u>\$ 1,578,397</u>	<u>\$ 10,079</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Increase (Decrease) in Retainage and Construction Payable			
Capital Contributions	<u>\$ -</u>	<u>\$ (474,000)</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.



**CITY OF GLENCOE, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS (CONTINUED)  
 YEAR ENDED DECEMBER 31, 2022**

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	Total Proprietary Funds
\$ 66,810	\$ 637,474	\$ 129,550	\$ 527,762	\$ 5,171,473
23,399	(139,906)	(32,427)	(69,583)	(1,021,091)
(188,219)	(189,401)	-	(875)	(1,366,789)
<u>(98,010)</u>	<u>308,167</u>	<u>97,123</u>	<u>457,304</u>	<u>2,783,593</u>
150,000	-	-	-	150,000
-	(220,000)	-	(380,000)	(1,701,000)
<u>150,000</u>	<u>(220,000)</u>	<u>-</u>	<u>(380,000)</u>	<u>(1,551,000)</u>
-	-	-	-	789,362
(151,000)	(34,000)	-	(107,823)	(1,088,823)
-	-	-	79	194
-	-	8,600	-	161,341
150,275	-	-	-	150,275
(59,608)	(12,410)	-	-	(193,420)
-	(56,466)	(291,928)	(80,160)	(1,489,882)
2,500	-	-	-	2,500
-	-	163,692	-	163,692
-	-	22,642	-	22,642
<u>(57,833)</u>	<u>(102,876)</u>	<u>(96,994)</u>	<u>(187,904)</u>	<u>(1,482,119)</u>
<u>(834)</u>	<u>206</u>	<u>(129)</u>	<u>339</u>	<u>8,901</u>
(6,677)	(14,503)	-	(110,261)	(240,625)
<u>6,677</u>	<u>119,931</u>	<u>-</u>	<u>120,974</u>	<u>6,371,718</u>
<u>\$ -</u>	<u>\$ 105,428</u>	<u>\$ -</u>	<u>\$ 10,713</u>	<u>\$ 6,131,093</u>
\$ (269,065)	\$ 252,126	\$ (359,039)	\$ 293,729	\$ 386,750
76,425	42,053	356,549	229,238	1,777,948
(1,105)	-	13,907	(490)	11,021
6,934	13,840	-	-	67,543
-	-	-	1,159	28,006
2,173	4,071	70,073	(65,457)	467,791
3,585	4,173	-	-	(40,190)
77,445	-	15,633	-	93,078
(55,874)	(69,348)	-	-	(389,111)
65,131	63,609	-	-	390,197
(1,722)	(1,810)	-	-	(5,019)
(1,937)	(547)	-	(875)	(4,421)
<u>\$ (98,010)</u>	<u>\$ 308,167</u>	<u>\$ 97,123</u>	<u>\$ 457,304</u>	<u>\$ 2,783,593</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (474,000)</u>

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**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Glencoe (the City) 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 requires 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 of commissioners 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 at 305 11<sup>th</sup> Street East, Glencoe, MN 55336.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**A Financial Reporting Entity (Continued)**

**Discrete Presentation (Continued)**

**Excluded Units -**

Glencoe Fire Department Relief Association - This association is organized as a nonprofit 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 entity 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 entity's economic resources.

**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 proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column in the financial section of the basic financial statements.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**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.

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, with the exception of nonexchange revenues which are considered available if received within 180 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.

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, 2022**

**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 nonmajor 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 long-term debt principal, interest and other activity.

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

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, cash and cash equivalents of the City consist of cash on hand and demand deposits.

**Taxes and Special Assessments**

Current taxes and special assessments receivable at December 31, 2022, 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 2022 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, 2022**

**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 and right-to-use 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 and right-to-use assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value as of the date of the donation. Capital and right-to-use 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 and amortization on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation and amortization 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, six to 20 years on vehicles and machinery and seven 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

**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, 2022**

**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 Benefit Liability**

For purposes of measuring the other postemployment benefit liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the City and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the City. For this purpose, the City recognizes benefit payments when due and payable in accordance with the benefit terms.

**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. 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, 2022**

**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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**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, 2022**

**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 government-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 government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**Leases**

The City determines if an arrangement is a lease at inception. Leases for which the City is the lessor are included in lease receivables and deferred inflows of resources in the statements of net position and fund financial statements. The City currently does have arrangements for which it is a lessor.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the City has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**E. Use of Estimates**

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

**F. Summarized Comparative Information**

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2021, 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.

**G. Newly Adopted Accounting Standards**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating lease and as inflows of resources or outflows of resources recognized on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in the restatement of fund balances or net position. The implementation of this standard resulted in the City reporting a lease receivable and a related deferred inflow of resources, as well as right to use assets and a lease liability.

**CITY OF GLENCOE, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2022**

**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 General Fund. 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 2022.

**B. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 4,823,283	\$ 5,768,149

The excess expenditures were covered by increased revenues and use of fund balance.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. The City’s deposits were not exposed to custodial credit risk at December 31, 2022.

In accordance with Minnesota Statutes, the City maintains deposits at a depository bank as authorized by the City Council.

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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Deposits (Continued)**

The City's deposits in the depository banks at December 31, 2022 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 13 months or less.
- General obligations rated "A" or better; Revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States bank, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The City had no investments at December 31, 2022.

The deposits are presented in the financial statements as follows:

Deposits	\$ 8,945,178
Total	<u>\$ 8,945,178</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**Investments (Continued)**

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

Cash and Cash Equivalents - Governmental Activities	\$ 2,814,085
Cash and Cash Equivalents - Business-Type Activities	<u>6,131,093</u>
Total	<u><u>\$ 8,945,178</u></u>

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,221,150	\$ -	\$ -	\$ 1,221,150
Capital Assets, Being Depreciated:				
Buildings	4,737,990	-	-	4,737,990
Improvements Other than Buildings	3,032,848	346,354	-	3,379,202
Office Equipment and Furniture	18,698	-	-	18,698
Vehicles	2,386,743	9,500	(34,030)	2,362,213
Machinery and Shop Equipment	1,338,408	97,153	(86,362)	1,349,199
Infrastructure	21,891,077	690,140	(28,160)	22,553,057
Total Capital Assets, Being Depreciated	33,405,764	1,143,147	(148,552)	34,400,359
Accumulated Depreciation:				
Buildings	(1,760,640)	(92,819)	-	(1,853,459)
Improvements Other than Buildings	(2,298,260)	(105,794)	-	(2,404,054)
Office Equipment and Furniture	(5,209)	(2,278)	-	(7,487)
Vehicles	(1,755,121)	(120,845)	34,030	(1,841,936)
Machinery and Shop Equipment	(633,221)	(72,569)	13,891	(691,899)
Infrastructure	(8,402,369)	(915,715)	28,160	(9,289,924)
Total Accumulated Depreciation	(14,854,820)	(1,310,020)	76,081	(16,088,759)
Total Capital Assets, Being Depreciated, Net	18,550,944	(166,873)	(72,471)	18,311,600
Right-to-Use Assets, Being Amortized:				
Vehicles and Equipment	122,511	10,282	-	132,793
Accumulated Amortization				
Vehicles and Equipment	-	(48,057)	-	(48,057)
Total Right-to-Use Assets, Being Amortized, Net	122,511	(37,775)	-	84,736
Governmental Activities Capital Assets, Net	<u>\$ 19,894,605</u>	<u>\$ (204,648)</u>	<u>\$ (72,471)</u>	<u>\$ 19,617,486</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation and amortization expense was charged to governmental functions as follows:

**Governmental Activities:**

General Government	\$ 28,015
Public Safety	164,541
Public Works	1,018,496
Culture and Recreation	<u>147,025</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,358,077</u>

Capital asset activity for business-type activities for the year ended December 31, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities:</b>				
Capital Assets, not Being Depreciated				
Land	\$ 992,925	\$ -	\$ -	\$ 992,925
Construction in Progress	177,709	138,016	(177,709)	138,016
Total Capital Assets, not Being Depreciated	1,170,634	138,016	(177,709)	1,130,941
Capital Assets, Being Depreciated:				
Buildings	23,167,793	8,061	-	23,175,854
Improvements Other than Buildings	12,957,582	162,555	-	13,120,137
Vehicles	211,202	684,379	(64,003)	831,578
Office Equipment and Furniture	78,837	11,677	-	90,514
Machinery and Shop Equipment	411,449	27,749	(20,500)	418,698
Infrastructure	20,483,448	146,221	(23)	20,629,646
Total Capital Assets, Being Depreciated	57,310,311	1,040,642	(84,526)	58,266,427
Accumulated Depreciation:				
Buildings	(3,032,427)	(566,713)	-	(3,599,140)
Improvements Other than Buildings	(2,380,212)	(660,013)	-	(3,040,225)
Vehicles	(183,524)	(33,337)	64,003	(152,858)
Office Equipment and Furniture	(31,918)	(7,053)	-	(38,971)
Machinery and Shop Equipment	(237,030)	(23,303)	20,500	(239,833)
Infrastructure	(6,127,029)	(487,565)	23	(6,614,571)
Total Accumulated Depreciation	(11,992,140)	(1,777,984)	84,526	(13,685,598)
Total Capital Assets, Being Depreciated, Net	45,318,171	(737,342)	-	44,580,829
Business-Type Capital Assets, Net	<u>\$ 46,488,805</u>	<u>\$ (599,326)</u>	<u>\$ (177,709)</u>	<u>\$ 45,711,770</u>



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to proprietary activities as follows:

**Proprietary Activities:**

Water Fund	\$ 163,848
Wastewater Treatment Plant Fund	909,835
City Center Fund	76,425
Municipal Liquor Fund	42,053
Airport Fund	356,594
Storm Water Management Fund	<u>229,229</u>
Total Depreciation Expense, Business-Type Activities	<u><u>\$ 1,777,984</u></u>

**NOTE 5 LEASES RECEIVABLE**

The City, acting as lessor, leases space for cellular services under a long-term, non-cancelable lease agreements. The leases expires in varying intervals between 2025 in 2062. During the year ended December 31, 2022, the City recognized \$147,382 and \$68,053 in lease revenue and interest revenue, respectively, pursuant to this contract.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 89,940	\$ 69,820
2024	100,273	66,575
2025	99,047	63,053
2026	78,282	60,222
2027	88,073	57,356
2028-2032	195,443	253,217
2033-2037	118,828	231,883
2038-2042	259,797	187,810
2043-2047	430,091	102,815
2048-2052	34,713	47,806
2053-2057	70,966	34,351
2058-2062	<u>109,252</u>	<u>10,380</u>
Total	<u><u>\$ 1,674,705</u></u>	<u><u>\$ 1,185,288</u></u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES**

Long-term liabilities consist of the following at December 31, 2022:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities -</b>							
<u>General Obligation Bonds</u>							
\$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	\$ 240,000	\$ -	\$ (240,000)	\$ -	\$ -
\$453,000 G.O. Tax Increment Revenue Bonds - Series 2018B	3.50% - 4.00%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 6/1 until 6/1/34	399,000	-	(24,000)	375,000	25,000
\$1,905,000 G.O. Refunding Bonds - Series 2021A \$415,000 Portion	0.077%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	415,000	-	(63,000)	352,000	57,000
\$1,905,000 G.O. Refunding Bonds - Series 2021A \$831,000 Portion	0.077%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/25	831,000	-	(202,000)	629,000	204,000
\$700,000 G.O. Improvement Bonds - Series 2021B	1.15%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/26	700,000	-	(78,000)	622,000	380,000
Total General Obligation Bonds			2,585,000	-	(607,000)	1,978,000	666,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Governmental Activities - (Continued)</b>							
<u>Special Assessment Bonds</u>							
\$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	\$ 4,250,000	\$ -	\$ (435,000)	\$ 3,815,000	\$ 440,000
\$4,025,000 G.O. Bonds - Series 2016A	2.00% - 3.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/31	2,845,000	-	(255,000)	2,590,000	265,000
\$875,000 G.O. Refunding Bonds - Series 2016B	2.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/24	345,000	-	(115,000)	230,000	105,000
\$4,935,000 G.O. Bonds - Series 2017B	2.00% - 3.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/32	3,845,000	-	(305,000)	3,540,000	310,000
\$6,985,000 G.O. Bonds - Series 2018A	3.00% - 4.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/39	6,270,000	-	(275,000)	5,995,000	280,000
Total Special Assessment Bonds			17,555,000	-	(1,385,000)	16,170,000	1,400,000
Total Bonds Payable			20,140,000	-	(1,992,000)	18,148,000	2,066,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning			Ending	Amount
			Balance	Issuances	Payments	Balance	Due Within
							One Year
<b>Governmental Activities - (Continued)</b>							
<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	\$ 57,411	\$ -	\$ (6,379)	\$ 51,032	\$ 6,379
2018 Case Puma Tractor Loan	4.50%	Interest and principal due annually on 4/15 until 4/15/23	42,944	-	(20,993)	21,951	21,951
Total Loans			100,355	-	(27,372)	72,983	28,330
<u>Finance Purchase Agreements</u>							
2018 Rosenbauer Commander	4.35%	Lease payments of \$90,267 due annually until 3/1/23	169,396	-	(82,894)	86,502	86,502
Total Capital Leases			169,396	-	(82,894)	86,502	86,502
Unamortized Bond Discount			(511)	-	511	-	-
Unamortized Bond Premium			467,168	-	(153,682)	313,486	-
Compensated Absences Payable			397,372	172,411	(190,624)	379,159	379,159
Lease Liability			122,511	10,282	(47,577)	85,216	45,665
Total Governmental Activities Long-Term Liabilities			<u>\$ 21,396,291</u>	<u>\$ 182,693</u>	<u>\$ (2,493,638)</u>	<u>\$ 19,085,346</u>	<u>\$ 2,605,656</u>

Compensated absences in Governmental Activities are generally liquidated by the General Fund.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities</b>							
\$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	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
\$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	332,000	-	(42,000)	290,000	43,000
\$517,000 Liquor Store Revenue Bonds - Series 2014	2.30% - 4.25%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/29	313,000	-	(34,000)	279,000	35,000
\$1,516,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2017A	2.60%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/31	1,212,000	-	(109,000)	1,103,000	108,000

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
<b>Business-Type Activities - (Continued)</b>							
\$1,905,000 G.O. Refunding Bonds - Series 2021A \$659,000 Portion	0.077%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	\$ 659,000	\$ -	\$ (90,000)	\$ 569,000	\$ 94,000
Total Bonds Payable			2,556,000	-	(315,000)	2,241,000	280,000
Loan Payable - Marsh Creek Project	2.00%	Interest and principal due annually on 5/10 until 5/10/27	112,425	-	(17,822)	94,603	18,180
G.O. Sewer Revenue Note	1.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/20/38	12,029,048	789,362	(756,000)	12,062,410	764,000
Total			14,697,473	789,362	(1,088,822)	14,398,013	1,062,180
Unamortized Bond Discount			(761)	-	185	(576)	-
Total Business-Type Long-Term Liabilities			<u>\$ 14,696,712</u>	<u>\$ 789,362</u>	<u>\$ (1,088,637)</u>	<u>\$ 14,397,437</u>	<u>\$ 1,062,180</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

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

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,066,000	\$ 528,271	\$ 280,000	\$ 55,203	\$ 2,346,000	\$ 583,474
2024	1,842,000	475,872	288,000	48,456	2,130,000	524,328
2025	1,752,000	433,168	294,000	41,321	2,046,000	474,489
2026	1,567,000	392,007	300,000	33,676	1,867,000	425,683
2027	1,523,000	350,391	310,000	25,688	1,833,000	376,079
2028 - 2032	6,658,000	1,088,248	769,000	35,472	7,427,000	1,123,720
2033 - 2037	2,210,000	338,171	-	-	2,210,000	338,171
2038 - 2042	530,000	20,300	-	-	530,000	20,300
Total	<u>\$ 18,148,000</u>	<u>\$ 3,626,428</u>	<u>\$ 2,241,000</u>	<u>\$ 239,816</u>	<u>\$ 20,389,000</u>	<u>\$ 3,866,244</u>

On June 20, 2018, the City of Glencoe issued \$6,985,000 of General Obligation Bonds, Series 2018A. The proceeds of the issue were used to pay the costs associated with the 2018 Storm Water Improvement Project. Assets of the City, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

On November 19, 2018, the City of Glencoe issued \$453,000 of General Obligation Tax Increment Revenue Bonds, Series 2018B. The proceeds of the issue were used to pay the costs associated with the Panther Heights Development. Assets of the City, together with tax increment revenues, are dedicated to retire these bonds.

In 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.

In 2018, the City of Glencoe entered into a loan agreement with Security Bank & Trust Co. in the amount of \$100,540. The proceeds of the loan were used to pay for a 2018 Case Puma Tractor. Assets of the City are dedicated to retire this loan.

In 2018, the City of Glencoe entered into a loan agreement with the Buffalo Creek Watershed District in the amount of \$183,186. The proceeds of the loan were used to pay the costs associated with the Marsh Water Project. Assets of the City are dedicated to retire this loan.

In 2019, the City of Glencoe entered into a loan agreement through the Minnesota Public Facilities Authority Clean Water State Revolving Loan Fund for the rehabilitation of existing facilities and advanced treatment improvements to meet phosphorus limits. The City is authorized to borrow up to \$15,397,062 under the loan agreement. As of December 31, 2022, the City has borrowed \$13,491,938.

In January 2021, the City issued General Obligation Refunding Bonds, Series 2021A in the amount of \$1,905,000 for a current refunding of the remaining maturities of the General Obligation Refunding Bonds, Series 2012A and the General Obligation Improvement Bonds, Series 2014A. This current refunding is expected to save \$82,552 in cash payments, having a present value of \$80,482.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

The minimum annual principal and interest payments required to retire these loans are as follows:

Year Ending December 31,	DEED Loan		Case Puma Tractor Loan		Marsh Creek Project Loan		MN PFA CWRF Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 6,379	\$ 957	\$ 21,951	\$ 1,002	\$ 18,180	\$ 1,892	\$ 764,000	\$ 131,790	\$ 810,510	\$ 135,641
2024	6,379	829	-	-	18,539	1,533	771,000	124,150	795,918	126,512
2025	6,379	702	-	-	18,914	1,158	779,000	116,440	804,293	118,300
2026	6,379	574	-	-	19,292	779	786,000	108,650	811,671	110,003
2027	6,379	447	-	-	19,678	394	794,000	100,790	820,057	101,631
2028 - 2032	19,137	574	-	-	-	-	4,094,000	383,190	4,113,137	383,764
2033 - 2037	-	-	-	-	-	-	4,074,410	174,320	4,074,410	174,320
Total	\$ 51,032	\$ 4,083	\$ 21,951	\$ 1,002	\$ 94,603	\$ 5,756 *	\$ 12,062,410	\$ 1,139,330	\$ 12,229,996	\$ 1,150,171

\* As of December 31, 2022, the City had drawn \$14,281,300 of the \$15,397,062 available. The remaining \$1,115,762 will be drawn in future years.

In 2022 and prior years, the City of Glencoe entered into lease agreements as a lessee for financing the acquisition of five vehicles and three pieces of equipment. The right of use assets related to the leases have a cost of \$132,793 and \$48,057 of accumulated amortization at December 31, 2022. The agreements for the vehicles have terms ending in 2023 through 2025 with rates of 3 or 3.25%. The agreements for the three pieces of equipment have terms ending between 2023 and 2027 and rates of 3 and 3.25%.

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2023	\$ 45,665	\$ 2,045
2024	30,581	768
2025	6,408	144
2026	2,190	48
2027	372	1
Total	\$ 85,216	\$ 3,006

The City has one agreement that qualifies a financed purchase arrangement under GASB Statement No. 87. This agreement is for a Rosenbauer Commander Truck for the Fire Department. This agreement matures in 2023 and has principal of \$86,502 and interest of \$3,765 due during 2023.

**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, 2022, the principal amount outstanding was \$6,305,000.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 7 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 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.

**B. 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.

**C. 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.

**D. Restricted for Firemen's Relief Association Pension Asset**

This restricted fund balance represents accumulated resources available for the payment of retirement benefits associated with the City's Fire Department Relief Association.

**NOTE 8 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, 2022**

**NOTE 9 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 future park and recreational facility improvements.

**B. 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.

**C. Assigned for Engineering and Inspection Services**

The General Fund includes an assignment of fund balance for the future engineering and inspection of private developments.

**NOTE 10 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

The City participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (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.

**1. General Employees Retirement Plan**

The General Employees Retirement Plan covers certain full time and part-time employees of the City of Glencoe. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**2. Public Employees Police and Fire Plan**

The Police and Fire Plan, 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 Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. 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. 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.

**1. General Employees Plan Benefits**

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan 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 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**C. Contributions**

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

**1. General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$126,654. The City's contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Fund Contributions**

Police and Fire members were required to contribute 11.8% and employer rates were 17.7% in fiscal year 2022. The City's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$113,189. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2022, the City reported a liability of \$1,782,007 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2022. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$52,334 for a total of \$1,834,341. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers.

The City's proportionate share was .0225% at the end of the measurement period and .0227% for the beginning of the period.

For the year ended December 31, 2022, the City recognized pension expense of \$240,742 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$640 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

At December 31, 2022, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 14,885	\$ 19,036
Changes in Actuarial Assumptions	403,301	7,248
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	30,910	-
Changes in Proportion	44,167	8,340
Contributions Paid to PERA Subsequent to the Measurement Date	64,614	-
Total	<u>\$ 557,877</u>	<u>\$ 34,624</u>

The \$64,614 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 175,850
2024	181,202
2025	(59,569)
2026	161,156

At December 31, 2022, the City reported a liability of \$2,288,945 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers.

City's Proportionate Share of the Net Pension Liability	\$ 2,288,945
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	99,998
Total	<u>\$ 2,388,943</u>

The City's proportionate share was .0526% at the end of the measurement period and .0509% for the beginning of the period.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs**

The state of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9.0 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9.0 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9.0 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

The state of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9.0 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the state of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$170,715 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$19,397 as pension expense for its proportionate share of the state of Minnesota's pension expense for the contribution of \$9.0 million to the Police and Fire Fund.

The state of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$99,998 for a total of \$152,332 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of the Police and Fire Fund'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 Economic Experience	\$ 139,805	\$ -
Changes in Actuarial Assumptions	1,347,396	13,760
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	30,679	-
Changes in Proportion	45,467	24,806
Contributions Paid to PERA Subsequent to the Measurement Date	67,792	-
Total	<u>\$ 1,631,139</u>	<u>\$ 38,566</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

\$67,792 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2023	\$ 294,005
2024	298,232
2025	260,217
2026	477,949
2027	194,378

**E. Total Pension Expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2022, was \$411,457.

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25% per Year	2.50% per Year
Active Member Payroll Growth	3.00% per Year	3.00% per Year
Investment Rate of Return	6.50%	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0% per year as set by statute.

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommend assumptions for the plan was adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Actuarial Assumptions (Continued)**

The following changes in actuarial assumptions occurred in 2021:

**General Employees Fund**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

**Police and Fire Fund**

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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 Equity	33.5 %	5.10%
International Equity	16.5	5.30%
Fixed Income	25.0	0.75%
Private Markets	25.0	5.90%
Totals	<u>100 %</u>	

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. 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.



**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

The following presents the City's 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's 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:

Description	1% Decrease 5.50%	Discount Rate 6.50%	1% Increase 7.50%
City's Proportionate Share of the GERS Net Pension Liability	\$ 2,814,774	\$ 1,782,007	\$ 934,979
City's Proportionate Share of the PEPFP Net Pension Liability	3,464,023	2,288,945	1,338,963

**I. 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).

**NOTE 11 DEFINED CONTRIBUTION PLAN**

Five council members of the City of Glencoe are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Total contributions made by the City during 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 1,289	\$ 1,289	5%	5%	5%

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 12 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, 2021, membership includes 37 active participants, eight terminated members entitled to benefit but not yet receiving them and seven retired members currently receiving benefits. The plan issues a stand-alone financial statement which can be obtained from the Association at 509 10<sup>th</sup> Street, Glencoe, MN 55336.

**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 five years prior to such retirement shall be entitled to a lump sum service pension in the amount of \$3,000 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 \$3,000 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.

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.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 12 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)**

**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 \$53,334 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2021. 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, 2021 was \$0.

**Pension Costs**

At December 31, 2022, the City reported an asset of \$555,650 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020.

As a result of its requirement not to contribute to the Relief Association, the City recognized expense of \$73,000 for the year ended December 31, 2022. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 5,018	\$ 45,420
Changes in Actuarial Assumptions	30,460	7,104
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	221,066
City Contributions Subsequent to the Measurement Date	40,937	-
Total	\$ 76,415	\$ 273,590

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Pension Costs (Continued)**

The City contributions to the Association subsequent to the measurement date, \$40,937 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources related to the Association’s pension will be recognized as pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ (61,301)
2024	(88,620)
2025	(55,789)
2026	(27,296)
2027	154
Thereafter	(5,260)

**Actuarial Assumptions**

The actuarial total pension liability was determined as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line Closed
<b>Actuarial Assumptions:</b>	
Discount Rate	5.50%
Investment Rate of Return	5.50%
20-Year Municipal Bond Yield	2.00%
Inflation Rate	2.25%
Age of Service Retirement	50

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 the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%).

The best-estimates of expected future asset class returns were published in the 2016 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon’s annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)**

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2021</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash and Equivalents	8.49 %	0.09%	3.24%
Fixed Income	23.36	1.40%	4.51%
Domestic Equity	62.21	4.90%	7.26%
International Equity	5.94	5.32%	7.91%
Total Portfolio	<u>100.00 %</u>		5.75%

**Discount Rate**

The discount rate used to measure the total pension liability was 5.50%. 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 5.50%, 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 (4.50%) or one percentage point higher (6.50%) than the current rate:

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ (515,345)	\$ (555,650)	\$ (593,763)
Discount Rate	4.50%	5.50%	6.50%

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)**

**Plan’s Fiduciary Net Position**

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

**ASSETS**

Cash and Cash Equivalents	\$	110,310
Fixed Income Securities		182,291
Equity Investments		479,223
Mutual Funds		809,350
Accounts Receivable		-
Accrued Interest		1,362
Total Assets	<u>\$</u>	<u>1,582,536</u>

**NET POSITION**

Restricted for Fire Pensions	<u>\$</u>	<u>1,368,193</u>
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**REVENUES**

Fire State Aid	\$	51,334
State 10% Supplemental Reimbursement		2,000
Municipal Contribution		40,777
Investment Income		210,566
Total Revenues		<u>304,677</u>

**EXPENSES**

Pension Distributions		125,692
Administrative		15,372
Total Expenses		<u>141,064</u>

**CHANGE IN NET POSITION**

163,613

Net Position - Beginning of Year

1,420,923

**NET POSITION - END OF YEAR**

\$ 1,584,536

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)**

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

	Measurement Date December 31, 2021
<b><u>Total Pension Liability</u></b>	
Service Cost	\$ 51,202
Interest	51,625
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Changes of Benefit Terms	101,476
Benefit Payments, Including Member Contribution Refunds	<u>(125,692)</u>
<b>Net Change in Total Pension Liability</b>	<b>78,611</b>
<b>Total Pension Liability - Beginning of Year</b>	<b><u>950,275</u></b>
<b>Total Pension Liability - End of Year (a)</b>	<b>1,028,886</b>
<b>Plan Fiduciary Net Position</b>	
Municipal Contributions	40,777
State Contributions	53,334
Net Investment Income	210,566
Miscellaneous	-
Transfer from General Fund	-
Benefit Payments	(125,692)
Administrative Expenses	<u>(15,372)</u>
<b>Net Change in Fiduciary Net Position</b>	<b>163,613</b>
<b>Fiduciary Net Position - Beginning of Year</b>	<b><u>1,420,923</u></b>
<b>Fiduciary Net Position - End of Year (b)</b>	<b><u>1,584,536</u></b>
<b>Association’s Net Pension Liability/(Asset) - End of Year (a) - (b)</b>	<b><u>\$ (555,650)</u></b>

**NOTE 13 TOTAL OF ALL PENSION PLANS**

The Combined totals for the City and Component Unit’s pension plans are as follows:

	Pension Liability (Asset)	Deferred Outflow of Resources	Deferred Inflow of Resources	Pension Expense
Public Employees Retirement Association - City	\$ 4,070,952	\$ 2,189,016	\$ 73,190	\$ 431,494
Public Employees Retirement Association - Component Unit	1,180,085	346,276	49,292	156,920
Fire Relief Association	(555,650)	76,415	273,590	73,000
Total	<u>\$ 4,695,387</u>	<u>\$ 2,611,707</u>	<u>\$ 396,072</u>	<u>\$ 661,414</u>

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 TOTAL OF ALL PENSION PLANS (CONTINUED)**

Description	General Employees Plan	Police and Fire Fund	Fire Relief Association	Total
Net Pension Asset	\$ -	\$ -	\$ 555,650	\$ 555,650
Net Pension Liability	1,782,007	2,288,945	-	4,070,952
Deferred Outflows of Resources	557,877	1,631,139	76,415	2,265,431
Deferred Inflows of Resources	34,624	38,566	273,590	346,780
Pension Expense	241,382	190,112	73,000	504,494

**NOTE 14 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The City operates a single-employer postemployment defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. The plan covers active and retired employees who have reached age 65 or the rule of 85 or are disabled in the line of duty for police and fire employees. There are 28 active participants and 3 retired participants. Benefit and eligibility provisions are established through the City's Personnel Policy. The City has the authority to change the Personnel Policy at any time. The plan does not issue a publicly available financial report.

**Funding Policy**

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are set by the City. The City contributes 100% of the cost of current-year premiums for eligible retired plan members. Payments for these benefits are on a pay-as-you-go method under which the contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. For the year ended December 31, 2022, there were four retirees and \$40,620 of contributions to the plan.

**Actuarial Methods and Assumptions**

The City's OPEB liability was measured as of December 31, 2021, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2021 using the alternative measurement method.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.2% Decreasing to 4.0% in 2075 and Later Years

Mortality rates were based on the Pub-2010 General Mortality table.

The actuarial assumptions used in December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2021 to December 31, 2021.



**CITY OF GLENCOE, MINNESOTA  
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**NOTE 14 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Actuarial Methods and Assumptions (Continued)**

The discount rate used to measure the total OPEB liability was 1.84%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Changes in the Net OPEB Liability

	Total OPEB Liability
Balances at December 31, 2021	\$ 179,419
Changes for the Year:	
Service Cost	9,926
Interest	3,381
Assumption Changes	(4,956)
Difference Between Expected and Actual Experience	4,717
Benefit Payments	(40,620)
Net Change in Total OPEB Liability	(27,552)
Balances at December 31, 2022	\$ 151,867

The following presents the net OPEB liability of the City, as well as what the City's net OPEB 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 (0.84%)	Discount Rate (1.84%)	1% Decrease (2.84%)
Net OPEB Liability	\$ 160,476	\$ 151,867	\$ 143,775

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.20% decreasing to 2.7% over five years) or 1% higher (7.2% decreasing to 4.7% over five years) than the current healthcare cost trend rates:

	1% Decrease (5.2% Decreasing to 2.7%)	Current Trend Rates (6.2% Decreasing to 3.7%)	1% Increase (7.2% Decreasing to 4.7%)
<u>Medical Trend Rate</u>			
Net OPEB Liability	\$ 141,060	\$ 151,867	\$ 164,344

For the year ended December 31, 2022, the City recognized OPEB expense of \$(27,552). At December 31, 2022, the City reported no deferred inflows of resources, and \$40,620 in deferred outflows of resources resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2023.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 15 FRANCHISE TO CITY**

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

In 2022 the Commission transferred \$102,500 to the City of Glencoe for the payment in lieu of taxes. In addition, the Commission provided, at no cost to the City, street lights and street light maintenance in the amount of \$19,437 for 2022.

**NOTE 16 RISK MANAGEMENT**

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

**NOTE 17 COMMITMENTS AND CONTINGENT LIABILITIES**

The City has entered into a construction contract for 2022 street improvement project. The estimated costs to completion of the approximately \$1,040,000 project is approximately \$75,000 as of December 31, 2022. Accounts payable and retainages payable at December 31, 2022 was approximately \$9,600.

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

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

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

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 18 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Transfers**

Transfers between funds during 2021 are as follows:

	Transfers In	Transfers Out
Governmental Fund Types		
General Fund	\$ 1,039,015	\$ (142,750)
Nonmajor Governmental Funds	1,551,832	(897,097)
Total Governmental Funds	2,590,847	(1,039,847)
Proprietary Fund Types		
Water Fund	-	(462,500)
Wastewater Treatment Plant Fund	-	(631,500)
Sanitation Fund	-	(7,000)
City Center Fund	150,000	-
Municipal Liquor Fund	-	(220,000)
Storm Water Management Fund	-	(380,000)
Total Proprietary Funds	150,000	(1,701,000)
Total Operating Transfers	\$ 2,740,847	\$ (2,740,847)

**Due to/from Other Funds**

Individual fund receivable and payable balances at December 31, 2021 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 682,056	\$ -
Aquatic Center	-	1,086
Airport Fund	-	242,066
City Center Fund	-	438,904
Total	\$ 682,056	\$ 682,056

All of the due from/due to other funds balances are expected to be repaid in future years.

**NOTE 19 TAX ABATEMENTS**

The City entered into a property tax abatement agreement (structured as pay-as-you-go tax increment financing district) with a commercial business under Minnesota Statutes 469.174. Under the statutes, the City may grant property tax abatements up to a percentage of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdiction. Under this agreement, the recipient is to perform significant soil corrections or public development costs in order to construct a 100,000 square foot expansion to the existing manufacturing and distribution facility, creating job opportunities and enhancing the local tax base of the City.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 19 TAX ABATEMENTS (CONTINUED)**

The abatement is achieved based on a percentage of the captured tax capacity of the property. The Developer must continue operations for a period of five years after receiving the tax abatements. If the Developer discontinues operations prior to five years after receiving the tax abatements, the Developer will repay a prorated share of the public development costs. The commercial business agreed to build a 100,000 square foot expansion to the existing manufacturing and distribution facility, thereby creating job opportunities and enhancing the local tax base of the City.

Based on the property tax abatement agreement in place at December 31, 2018, the City is committed to reimbursing the Public Development Costs to the Developer in an amount not to exceed \$1,005,118 through available Tax Increments received by the City.

As of December 31, 2022, the Developer has not completed the requirements for the tax abatement, therefore, there were no abated property taxes by the City in 2022 under this agreement.

**NOTE 20 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 12, 2023, the date the financial statements were available to be issued.

**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES**

**Deposits and Investments**

**Deposits**

In accordance with Minnesota Statutes, the Light and Power Commission maintains deposits at financial institutions authorized by the Glencoe City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral.

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

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

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Deposits and Investments (Continued)**

**Deposits (Continued)**

Authorized collateral includes U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The Commission’s deposits in banks at December 31, 2022 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**Investments**

The Commission does not have an investment policy and is permitted to invest its 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 13 months or less.
- General obligations rated “A” or better; revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rate “A” or better.
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a 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 agreement and securities lending agreements 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.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Deposits and Investments (Continued)**

**Investments (Continued)**

At December 31, 2022, the Light and Power Commission had the following investments:

	Amount
Negotiable Certificates of Deposit	\$ 1,624,183

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Commission’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the Commission’s investments by maturity:

Type	Total	12 Months or less	13 to 24 Months	25 to 60 Months
Negotiable CD's	\$ 1,624,183	\$ 1,624,183	\$ -	\$ -

Concentration of Credit Risk – Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Investments in any one issuer (other than U.S. Treasury) that represent 5% or more of total fund investments at December 31, 2020 are as follows:

Type	Amount	Percentage
Bank of China NYC	\$ 241,565	14.87 %
Byline Bank Chicago III	241,564	14.87
Pacific Premier Bank Irvine	241,565	14.87
Evergreen Bank Group Oak Brook	241,492	14.87
Charles Schwab Bank Ssb Westlake	238,374	14.68
Manufactures & Traders Tr Co	238,374	14.68
PNC Bank Natl Assn Wilmington	178,279	10.98
Total	\$ 1,621,213	

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The deposits and investments are made up of the following:

Type	Credit Quality Rating	Amount
Negotiable Certificates of Deposit	Not Rated	\$ 1,624,183

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Fair Value Measurements**

The Commission follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Commission has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are value using inputs and that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are value based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Asset measured at fair value on a recurring basis:

	<u>12/31/22</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Observable Inputs (Level 3)</u>
<b>Investments by Fair Value Level</b>				
Negotiable Certification of Deposits	<u>\$ 1,621,213</u>	<u>\$ -</u>	<u>\$ 1,624,183</u>	<u>\$ -</u>

**Designated Cash**

Commission resolutions have established the following designated cash funds to reflect other financial considerations:

Expansion Fund	\$ 3,763,772
Expansion Fund Cash on Deposit	1,455,000
Catastrophic Reserve Fund	<u>2,328,504</u>
Total Designated Cash	<u>\$ 7,547,276</u>

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Designated Cash (Continued)**

A summary of the significant purposes of the designated cash is as follows:

**Expansion Fund - Designated**

Five percent of gross electric sales are set aside in this fund each month. Monies from this account can be used for new expansion and for bond payments.

**Catastrophic Reserve Fund - Designated**

Commission designated funds for relief from unexpected catastrophic events.

**Capital Assets**

A summary of capital asset activity for the year ended December 31, 2022 is as follows:

	2022			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>PLANT IN SERVICE</b>				
Buildings, Land, and Land Improvements	\$ 2,040,570	\$ 416,238	\$ -	\$ 2,456,808
Engines, Auxiliaries, and Switch Boards	13,935,723	-	-	13,935,723
Distribution System	7,749,672	618,315	-	8,367,987
Transmission System	11,544,191	-	-	11,544,191
Street Lights	175,454	-	-	175,454
Substation	3,050,436	1	-	3,050,437
Loop Feeder	468,366	-	-	468,366
Meters	992,144	-	-	992,144
Total Plant in Service	39,956,556	1,034,554	-	40,991,110
Less: Accumulated Depreciation	(24,493,859)	(898,907)	-	(25,392,766)
Net Plant in Service	15,462,697	135,647	-	15,598,344
<b>CONSTRUCTION WORK-IN-PROGRESS</b>				
	110,838	239,939	(350,777)	-
Net Utility Plant	15,573,535	375,586	(350,777)	15,598,344
<b>NONUTILITY PROPERTY</b>				
Building and Improvements	447,364	-	-	447,364
Transportation Equipment	1,405,898	94,686	(159,754)	1,340,830
Plant Tools and Equipment	224,557	-	(51,902)	172,655
Office Equipment	198,513	-	(35,861)	162,652
Total Nonutility Property	2,276,332	94,686	(247,517)	2,123,501
Less: Accumulated Depreciation	(1,444,640)	(105,590)	247,517	(1,302,713)
Net Nonutility Property	831,692	(10,904)	-	820,788
Total Net Capital Assets	\$ 16,405,227	\$ 364,682	\$ (350,777)	\$ 16,419,132

Capital assets that are not being depreciated (including land and construction-in-progress) totaled \$401,105 at December 31, 2022.



**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Long-Term Liabilities**

A summary of long-term debt activity for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Compensated Absences Payable	\$ 98,645	\$ 111,302	\$ (130,447)	\$ 79,500	\$ -
Total	\$ 98,645	\$ 111,302	\$ (130,447)	\$ 79,500	\$ -

**Defined Benefit Pension Plan**

**Pension Description**

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

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by state Legislature. 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.

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Defined Benefit Pension Plan (Continued)**

**Contributions**

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2022 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2022 were \$82,192. The Commission's contributions were equal to the required contributions as set by state statute.

**Pension Costs**

At December 31, 2022, the Commission reported a liability of \$1,180,085 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2022. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$34,739 for a total pension liability of \$1,214,724. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the Commission's proportionate share was .0149% at the end of the measurement period and .0153% for the beginning of the period.

For the year ended December 31, 2022, the Commission recognized pension expense of \$151,742 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$5,178 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Defined Benefit Pension Plan (Continued)**

**Pension Costs (Continued)**

At December 31, 2022, the Commission reported its proportionate share of the General Employees Plan'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		
Economic Experience	\$ 9,857	\$ 12,606
Changes in Actuarial Assumptions	267,075	4,800
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	20,469	-
Changes in Proportion	7,963	31,886
Commission Contributions Subsequent to the Measurement Date	40,912	-
Total	<u>\$ 346,276</u>	<u>\$ 49,292</u>

\$40,912 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expenses Amount
2023	\$ 97,941
2024	94,577
2025	(43,167)
2026	106,721

**Actuarial Assumptions**

The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	General <u>Employee Plan</u>
Inflation	2.25% per Year
Salary Increases	3.00% per Year
Investment Rate of Return	6.50%

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Defined Benefit Pension Plan (Continued)**

**Actuarial Assumptions (Continued)**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2020. The assumption changes were adopted by the Board and became effective with the July 1, 2021 actuarial valuation. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2022 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50% for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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 Equity	33.5 %	5.10%
International Equity	16.5	5.30%
Fixed Income	25.0	0.75%
Private Markets	25.0	5.90%
Totals	<u>100 %</u>	

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Defined Benefit Pension Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. 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 Commission's 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 Commission's 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:

<u>Measurement Date</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
June 30, 2021			
General Employee Plan Discount Rate	5.50%	6.50%	7.50%
Commission's Proportionate Share of the Net Pension Liability	\$ 1,864,006	\$ 1,180,085	\$ 619,164

**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).

**Other Postemployment Benefits**

**Plan Description**

The Commission operates a single-employer postemployment defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the Commission's health insurance plan. The plan covers active and retired employees who have reached 20 years of service and are under the age of 62 or 15 years of service and are age 63. There are 14 active participants and 2 retired participants. Benefit and eligibility provisions are established through the Commission's Personnel Policy. The Commission has the authority to change the Personnel Policy at any time. The plan does not issue a publicly available financial report.

**CITY OF GLENCOE, MINNESOTA  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Other Postemployment Benefits (Continued)**

**Funding Policy**

The Commission does not have assets designated to pay for OPEB related costs. Contribution requirements are set by the Commission. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. Payments for these benefits are on a pay-as-you-go method under which the contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. For the year ended December 31, 2022, there were four retirees and \$40,016 of contributions to the plan.

**Actuarial Methods and Assumptions**

The Commission's OPEB liability was measured as of December 31, 2021, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2021.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	3.00%
Health Care Trend Rates	6.2% Decreasing to 3.7% Over Several Decades

Mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

The actuarial assumptions used in December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2021 to December 31, 2021.

The discount rate used to measure the total OPEB liability was 1.84%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent valuation, the following changes have been made:

- The discount rate was changed from 2.00% to 1.84%
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- The mortality project scales was updated from MP-2019 to MP-2020 to reflect recently published mortality rates.
- The inflation assumption was changed from 2.50% to 2.25%.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 21 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)**

**Other Postemployment Benefits (Continued)  
Actuarial Methods and Assumptions (Continued)**

Changes in the Net OPEB Liability:

	<u>Total OPEB Liability</u>
Balances at December 31, 2021	\$ 366,042
Changes for the Year:	
Service Cost	17,383
Interest	7,268
Assumption Changes	(1,762)
Difference between Expected and Actual Experience	(117,520)
Benefit Payments	<u>(40,016)</u>
Net Change in Total OPEB Liability	<u>(134,647)</u>
Balances at December 31, 2022	<u>\$ 231,395</u>

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB 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 (0.84%)	Discount Rate (1.84%)	1% Decrease (2.84%)
Net OPEB Liability	\$ 240,749	\$ 231,395	\$ 222,508

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.20% decreasing to 4.2% over five years) or 1% higher (7.20% decreasing to 6.20% over five years) than the current healthcare cost trend rates:

	1% Decrease (5.2% Decreasing to 2.7%)	Current Trend Rates (6.2% Decreasing to 3.7%)	1% Decrease (7.2% Decreasing to 4.7%)
<u>Medical Trend Rate</u> Net OPEB Liability	\$ 219,643	\$ 231,395	\$ 244,959

For the year ended December 31, 2022, the Commission recognized OPEB expense of (\$94,631). At December 31, 2022, the Commission reported no deferred inflows of resources, and \$34,341 in deferred inflows of resources resulting from Commission contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2023.

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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 BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	2022 Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes -				
General Property Taxes	\$ 2,150,000	\$ 2,150,000	\$ 2,164,198	\$ 14,198
Tax Increments	2,000	2,000	775	(1,225)
Special Assessments	55,000	55,000	89,023	34,023
Franchise Taxes	1,000	1,000	3,289	2,289
Total Taxes	<u>2,208,000</u>	<u>2,208,000</u>	<u>2,257,285</u>	<u>49,285</u>
Licenses and Permits	45,000	45,000	69,670	24,670
Intergovernmental -				
Local Government Aid	1,583,000	1,583,000	1,583,310	310
Market Value Credit Aid	-	-	31	31
Police State Aid	75,000	75,000	80,131	5,131
Fire State Aid	50,000	50,000	53,299	3,299
Miscellaneous State Aid	5,000	5,000	2,460	(2,540)
Miscellaneous Federal Aid	-	-	11,239	11,239
Total Intergovernmental	<u>1,713,000</u>	<u>1,713,000</u>	<u>1,730,470</u>	<u>17,470</u>
Charges for Services -				
Special Services, Police	500	500	30,883	30,383
Special Services, Fire	40,000	40,000	47,073	7,073
Miscellaneous Charges	42,500	42,500	179,657	137,157
Total Charges for Services	<u>83,000</u>	<u>83,000</u>	<u>257,613</u>	<u>174,613</u>
Fines and Forfeits	30,000	30,000	49,573	19,573
Interest	3,000	3,000	2,127	(873)
Contributions and Donations	11,000	11,000	214,346	203,346
Payments in Lieu of Taxes	102,500	102,500	102,500	-
Miscellaneous -				
Park Fees	37,000	37,000	78,076	41,076
Reimbursements, Refunds and Miscellaneous	36,400	36,400	196,576	160,176
Total Miscellaneous	<u>73,400</u>	<u>73,400</u>	<u>274,652</u>	<u>201,252</u>
Total Revenues	4,268,900	4,268,900	4,958,236	689,336

See accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	2022 Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General Government -				
Administration:				
Salaries	\$ 230,848	\$ 230,848	\$ 245,487	\$ (14,639)
Employee Benefits	91,437	91,437	86,492	4,945
Payroll Taxes	14,313	14,313	14,422	(109)
Workers' Compensation	2,300	2,300	2,882	(582)
Office Supplies	9,000	9,000	11,022	(2,022)
Printing and Binding	6,000	6,000	2,601	3,399
Repairs and Maintenance	16,500	16,500	13,065	3,435
Professional Services	100,000	100,000	51,452	48,548
Auditing and Accounting	44,000	44,000	47,725	(3,725)
Legal Fees	65,000	65,000	90,116	(25,116)
Chamber	5,891	5,891	6,094	(203)
Computer Software	-	-	378	(378)
Telephone	4,000	4,000	4,703	(703)
Postage	3,500	3,500	2,832	668
Advertising	3,500	3,500	3,232	268
Travel	2,000	2,000	1,709	291
Training	2,000	2,000	3,431	(1,431)
Insurance	30,000	30,000	29,761	239
Utilities	61,500	61,500	70,540	(9,040)
Subscriptions	500	500	482	18
Continuing Education and Dues	1,500	1,500	675	825
League of Minnesota Cities	18,000	18,000	17,928	72
Capital Outlay	4,000	4,000	4,188	(188)
Miscellaneous	600	600	572	28
Total Administration	<u>716,389</u>	<u>716,389</u>	<u>711,789</u>	<u>4,600</u>
Finance:				
Salaries	149,699	149,699	153,689	(3,990)
Employee Benefits	74,399	74,399	64,284	10,115
Payroll Taxes	9,282	9,282	8,987	295
Office Supplies	2,000	2,000	1,327	673
Printing and Binding	500	500	653	(153)
Repairs and Maintenance	500	500	-	500
Computer Software	5,100	5,100	5,338	(238)
Postage	10	10	19	(9)
Travel	500	500	-	500
Continuing Education and Dues	200	200	-	200
Capital Outlay	1,000	1,000	-	1,000
Training	500	500	-	500
Miscellaneous	600	600	267	333
Total Finance	<u>244,290</u>	<u>244,290</u>	<u>234,564</u>	<u>9,726</u>

See accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	2022 Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - (Cont'd.)</b>				
General Government - (Cont'd.)				
City Council:				
Salaries	\$ 29,700	\$ 29,700	\$ 29,500	\$ 200
Employee Benefits	1,485	1,485	1,475	10
Payroll Taxes	431	431	428	3
Workers' Compensation	80	80	107	(27)
Office Supplies	500	500	253	247
Travel	1,500	1,500	293	1,207
Training	2,500	2,500	3,272	(772)
Dues and Subscriptions	500	500	60	440
Miscellaneous	5,850	5,850	17,030	(11,180)
Total City Council	<u>42,546</u>	<u>42,546</u>	<u>52,418</u>	<u>(9,872)</u>
Total General Government	1,003,225	1,003,225	998,771	4,454
Public Safety -				
Police Department:				
Salaries	755,382	755,382	792,128	(36,746)
Employee Benefits	320,407	320,407	346,585	(26,178)
Payroll Taxes	5,218	5,218	4,704	514
Unemployment Insurance	-	-	8,275	(8,275)
Workers' Compensation	-	-	53,231	(53,231)
Supplies	9,700	9,700	12,088	(2,388)
Motor Fuels	24,000	24,000	29,090	(5,090)
Repairs and Maintenance	37,000	39,674	49,406	(9,732)
Training	14,000	14,000	12,657	1,343
Continuing Education and Dues	750	750	320	430
Investigation	4,000	4,000	4,235	(235)
Vaccinations	500	500	-	500
Telephone	8,000	8,000	13,922	(5,922)
Insurance	19,000	19,000	24,894	(5,894)
Legal Fees	47,000	47,000	57,105	(10,105)
Uniforms	10,000	10,000	9,885	115
Animal Control	2,500	2,500	195	2,305
Operating Leases	63,000	63,000	61,345	1,655
Capital Outlay	25,000	32,000	36,477	(4,477)
Utilities	13,000	13,000	16,967	(3,967)
Miscellaneous	4,000	4,000	6,878	(2,878)
Total Police Department	<u>1,362,457</u>	<u>1,372,131</u>	<u>1,540,387</u>	<u>(168,256)</u>

See accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	2022 Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - (Cont'd.)</b>				
Public Safety - (Cont'd.)				
Fire Department:				
Salaries	\$ 22,200	\$ 22,200	\$ 13,615	\$ 8,585
Employee Benefits	1,260	1,260	630	630
State Fire Aid	50,000	50,000	53,299	(3,299)
Municipal Fire Aid Contribution	45,000	45,000	40,937	4,063
Payroll Taxes	1,698	1,698	1,056	642
Workers' Compensation	15,000	15,000	19,008	(4,008)
Office Supplies	3,500	3,500	6,655	(3,155)
Motor Fuels	7,500	7,500	6,949	551
Repairs and Maintenance	45,000	45,000	32,890	12,110
Training	11,000	11,000	24,554	(13,554)
Telephone	1,000	1,000	947	53
Travel	1,500	1,500	2,206	(706)
Advertising	1,300	1,300	782	518
Insurance	4,300	4,300	5,520	(1,220)
Utilities	5,800	5,800	9,695	(3,895)
Continuing Education and Dues	4,000	4,000	2,480	1,520
Capital Lease Principal	82,894	82,894	82,894	-
Capital Lease Interest	7,374	7,374	7,373	1
Capital Outlay	20,000	37,170	13,786	23,384
Miscellaneous	22,500	22,500	17,274	5,226
Total Fire Department	<u>352,826</u>	<u>369,996</u>	<u>342,550</u>	<u>27,446</u>
Code Enforcement:				
Office Supplies	500	500	-	500
Building Inspector	32,000	32,000	71,332	(39,332)
Total Code Enforcement	<u>32,500</u>	<u>32,500</u>	<u>71,332</u>	<u>(38,832)</u>
Total Public Safety	1,747,783	1,774,627	1,954,269	(179,642)
Streets and Highways -				
Salaries	222,197	222,197	225,179	(2,982)
Employee Benefits	60,662	60,662	69,725	(9,063)
Payroll Taxes	13,777	13,777	13,498	279
Workers' Compensation	18,000	18,000	23,059	(5,059)
Supplies	1,700	1,700	1,841	(141)
Motor Fuels	30,000	30,000	38,770	(8,770)
Repairs and Maintenance	68,000	69,469	52,476	16,993
Professional Services	2,000	2,000	21,914	(19,914)
Street Maintenance	20,000	20,000	12,660	7,340
Street Overlay and Seal Coat	635,000	635,000	1,309,840	(674,840)
Landscaping	1,500	1,500	467	1,033
Telephone	1,900	1,900	1,497	403

See accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	2022 Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - (Cont'd.)</b>				
Streets and Highways - (Cont'd.)				
Mosquito Control	\$ 11,000	\$ 11,000	\$ 10,018	\$ 982
Insurance	8,000	8,000	17,919	(9,919)
Utilities	7,500	7,500	13,146	(5,646)
Capital Lease Principal	20,994	20,994	21,032	(38)
Capital Lease Interest	1,960	1,960	1,920	40
Capital Outlay	178,000	178,000	6,000	172,000
Miscellaneous	60,800	62,150	23,429	38,721
Total Street and Highways	<u>1,362,990</u>	<u>1,365,809</u>	<u>1,864,390</u>	<u>(498,581)</u>
Culture and Recreation -				
Parks and Recreation:				
Salaries	274,697	274,697	266,744	7,953
Employee Benefits	82,835	82,835	95,293	(12,458)
Payroll Taxes	17,187	17,187	15,846	1,341
Workers' Compensation	11,000	11,000	14,073	(3,073)
Supplies	15,500	15,500	13,899	1,601
Motor Fuels	11,000	11,000	23,496	(12,496)
Repairs and Maintenance	21,500	21,500	23,781	(2,281)
Telephone	2,000	2,000	1,607	393
Insurance	24,000	24,000	24,320	(320)
Utilities	6,700	6,700	10,585	(3,885)
Capital Outlay	11,000	11,000	28,068	(17,068)
Miscellaneous	10,800	10,800	9,039	1,761
Total Park and Recreation	<u>488,219</u>	<u>488,219</u>	<u>526,751</u>	<u>(38,532)</u>
Library and Community Center:				
Supplies	3,100	3,100	3,142	(42)
Repairs and Maintenance	3,100	3,100	3,806	(706)
Management Fees	93,600	93,600	90,000	3,600
Telephone	800	800	763	37
Insurance	2,200	2,200	10,304	(8,104)
Utilities	17,500	17,500	24,995	(7,495)
Capital Outlay	4,000	4,000	2,980	1,020
Total Library and Community Center	<u>124,300</u>	<u>124,300</u>	<u>135,990</u>	<u>(11,690)</u>
Total Culture and Recreation	<u>612,519</u>	<u>612,519</u>	<u>662,741</u>	<u>(50,222)</u>

See accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	2022 Actual	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES - (Cont'd.)</b>				
Economic Development	\$ 9,000	\$ 9,000	\$ 20,075	\$ (11,075)
Miscellaneous -				
Sales Tax	3,500	3,500	6,056	(2,556)
State Surcharge	5,000	5,000	1,090	3,910
Vehicle Towing	3,000	3,000	3,206	(206)
Refunds and Reimbursements	11,000	11,000	209,773	(198,773)
Capital Lease Principal	6,379	6,379	6,379	-
Capital Lease Interest	1,085	1,085	1,084	1
Other	28,139	28,139	40,315	(12,176)
Total Miscellaneous	<u>58,103</u>	<u>58,103</u>	<u>267,903</u>	<u>(209,800)</u>
Total Expenditures	<u>4,793,620</u>	<u>4,823,283</u>	<u>5,768,149</u>	<u>(944,866)</u>
Deficiency of Revenues Under Expenditures	(524,720)	(554,383)	(809,913)	(255,530)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	679,000	679,000	1,039,015	360,015
Operating Transfers Out	(100,000)	(100,000)	(142,750)	(42,750)
Proceeds from the Sale of Capital Assets	500	500	-	(500)
Insurance Proceeds	6,000	6,000	7,713	1,713
Total Other Financing Sources (Uses)	<u>585,500</u>	<u>585,500</u>	<u>903,978</u>	<u>318,478</u>
Net Change in Fund Balances	60,780	31,117	94,065	62,948
Fund Balances - Beginning of Year	<u>2,380,973</u>	<u>2,380,973</u>	<u>2,380,973</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 2,441,753</u>	<u>\$ 2,412,090</u>	<u>\$ 2,475,038</u>	<u>\$ 62,948</u>

See accompanying Notes to the Required Supplementary Information.



**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS**  
**DECEMBER 31, 2022**

	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017
<b>Total OPEB Liability</b>					
Service Cost	\$ 9,926	\$ 7,439	\$ 5,312	\$ 6,116	\$ 5,237
Interest	3,381	4,981	6,135	7,261	8,956
Difference Between Expected and Actual Experience	4,717	4,421	24,162	-	-
Assumption Changes	(4,956)	6,751	11,187	(30,011)	4,369
Benefit Payments	<u>(40,620)</u>	<u>(35,740)</u>	<u>(30,574)</u>	<u>(42,526)</u>	<u>(27,792)</u>
<b>Net Change in Total OPEB Liability</b>	<u>(27,552)</u>	<u>(12,148)</u>	<u>16,222</u>	<u>(59,160)</u>	<u>(9,230)</u>
Total OPEB Liability - Beginning	<u>179,419</u>	<u>191,567</u>	<u>175,345</u>	<u>234,505</u>	<u>243,735</u>
Net OPEB Liability - Ending	<u><u>\$ 151,867</u></u>	<u><u>\$ 179,419</u></u>	<u><u>\$ 191,567</u></u>	<u><u>\$ 175,345</u></u>	<u><u>\$ 234,505</u></u>
 Covered Payroll	 \$ 2,130,550	 \$ 2,102,498	 \$ 2,084,022	 \$ 1,986,408	 \$ 2,233,168
 City's Net OPEB Liability as a Percentage of Covered Payroll	 7.1%	 8.5%	 9.2%	 8.8%	 10.5%

The City implemented GASB Statement No 75 in 2018, and this information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

No assets are accumulated in a trust.

**CITY OF GLENCOE, MINNESOTA  
GLENCOE FIRE DEPARTMENT RELIEF  
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**

	Measurement Date December 31, 2021	Measurement Date December 31, 2020	Measurement Date December 31, 2019	Measurement Date December 31, 2018	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
<b>Total Pension Liability</b>								
Service Cost	\$ 51,202	\$ 54,829	\$ 49,984	\$ 46,293	\$ 37,968	\$ 45,629	\$ 35,804	\$ 31,824
Interest	51,625	59,264	57,642	58,461	60,831	60,464	62,332	54,683
Differences Between Expected and Actual Experience	-	(40,396)	-	8,251	-	(43,098)	-	-
Changes in Assumptions	-	12,268	-	21,529	14,376	(23,628)	24,334	-
Changes in Benefit Terms	101,476	-	44,542	-	79,790	-	51,986	49,874
Benefit Payments, Including Member Contribution Refunds	(125,692)	(223,092)	(34,493)	(185,736)	(139,848)	(154,952)	(28,404)	(16,980)
<b>Net Change in Total Pension Liability</b>	<b>78,611</b>	<b>(137,127)</b>	<b>117,675</b>	<b>(51,202)</b>	<b>53,117</b>	<b>(115,585)</b>	<b>146,052</b>	<b>119,401</b>
Total Pension Liability - Beginning of Year	<u>950,275</u>	<u>1,087,402</u>	<u>969,727</u>	<u>1,020,929</u>	<u>967,812</u>	<u>1,083,397</u>	<u>937,345</u>	<u>817,944</u>
Total Pension Liability - End of Year (a)	<u>1,028,886</u>	<u>950,275</u>	<u>1,087,402</u>	<u>969,727</u>	<u>1,020,929</u>	<u>967,812</u>	<u>1,083,397</u>	<u>937,345</u>
<b>Plan Fiduciary Net Position</b>								
Municipal Contributions	40,777	39,776	29,211	29,192	25,500	68,795	68,795	68,774
State Contributions	53,334	48,170	45,591	49,282	45,695	46,437	43,134	40,108
Net Investment Income	210,566	199,006	213,025	(51,005)	140,849	81,653	(11,916)	72,568
Miscellaneous	-	-	-	-	-	-	25	-
Transfer from General Fund	-	-	-	-	30,000	-	-	-
Benefit Payments	(125,692)	(223,092)	(34,493)	(185,736)	(139,848)	(154,952)	(28,404)	(16,980)
Administrative Expenses	(15,372)	(11,130)	(12,152)	(11,860)	(17,305)	(12,535)	(14,116)	(8,658)
<b>Net Change in Fiduciary Net Position</b>	<b>163,613</b>	<b>52,730</b>	<b>241,182</b>	<b>(170,127)</b>	<b>84,891</b>	<b>29,398</b>	<b>57,518</b>	<b>155,812</b>
Fiduciary Net Position - Beginning of Year	<u>1,420,923</u>	<u>1,368,193</u>	<u>1,127,011</u>	<u>1,297,138</u>	<u>1,212,247</u>	<u>1,182,849</u>	<u>1,125,331</u>	<u>969,519</u>
Fiduciary Net Position - End of Year (b)	<u>1,584,536</u>	<u>1,420,923</u>	<u>1,368,193</u>	<u>1,127,011</u>	<u>1,297,138</u>	<u>1,212,247</u>	<u>1,182,849</u>	<u>1,125,331</u>
<b>Association's Net Pension Liability/(Asset) - End of Year (a) - (b)</b>	<b><u>\$ (555,650)</u></b>	<b><u>\$ (470,648)</u></b>	<b><u>\$ (280,791)</u></b>	<b><u>\$ (157,284)</u></b>	<b><u>\$ (276,209)</u></b>	<b><u>\$ (244,435)</u></b>	<b><u>\$ (99,452)</u></b>	<b><u>\$ (187,986)</u></b>
Fiduciary Net Position as a Percentage of the Total Pension Asset	154.01%	149.53%	125.82%	116.22%	127.05%	125.26%	109.18%	120.06%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying Notes to the Required Supplementary Information.

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

Calendar Year	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>PERA - General Employees Retirement Plan - City</b>								
City's Proportion of the Net Pension Liability	0.0225%	0.0227%	0.0213%	0.0212%	0.0221%	0.0220%	0.0213%	0.0218%
City's Proportionate Share of the Net Pension Liability	\$ 1,782,007	\$ 969,392	\$ 1,277,032	\$ 1,138,372	\$ 1,226,018	\$ 1,404,465	\$ 1,729,454	\$ 1,129,789
State's Proportionate Share of the Net Pension Liability	<u>52,334</u>	<u>29,612</u>	<u>39,457</u>	<u>36,498</u>	<u>40,172</u>	<u>17,628</u>	<u>22,610</u>	<u>-</u>
Total City's Proportionate Share of the Net Pension Liability	<u>\$ 1,834,341</u>	<u>\$ 999,004</u>	<u>\$ 1,316,489</u>	<u>\$ 1,174,870</u>	<u>\$ 1,266,190</u>	<u>\$ 1,422,093</u>	<u>\$ 1,752,064</u>	<u>\$ 1,129,789</u>
City's Covered Payroll	\$ 1,750,796	\$ 1,608,934	\$ 1,519,375	\$ 1,501,772	\$ 1,483,355	\$ 1,414,709	\$ 1,323,518	\$ 1,276,439
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.78%	60.25%	84.05%	75.80%	82.65%	99.28%	130.67%	88.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.10%	80.20%	79.50%	75.90%	68.90%	78.20%
<b>PERA - Public Employees Police and Fire Plan - City</b>								
City's Proportion of the Net Pension Liability	0.0526%	0.0509%	0.0501%	0.0525%	0.0496%	0.0510%	0.0530%	0.0540%
City's Proportionate Share of the Net Pension Liability	\$ 2,288,944	\$ 392,894	\$ 660,371	\$ 558,916	\$ 528,685	\$ 688,561	\$ 2,126,982	\$ 613,566
City's Covered Payroll	\$ 706,112	\$ 604,552	\$ 566,326	\$ 553,556	\$ 523,215	\$ 522,873	\$ 514,958	\$ 482,740
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	324.16%	64.99%	116.61%	100.97%	101.05%	131.69%	413.04%	127.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.53%	93.66%	87.20%	89.30%	88.80%	85.40%	63.90%	86.60%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying Notes to the Required Supplementary Information.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>PERA - General Employees Retirement Plan - City</b>									
Contractually Required Contribution	\$ 126,654	\$ 122,719	\$ 117,098	\$ 112,633	\$ 114,378	\$ 110,431	\$ 104,130	\$ 99,983	\$ 92,542
Contributions in Relation to the Contractually Required Contribution	(126,654)	(122,719)	(117,098)	(112,633)	(114,378)	(110,431)	(104,130)	(99,983)	(92,542)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,688,720	\$ 1,636,253	\$ 1,561,307	\$ 1,501,772	\$ 1,525,035	\$ 1,472,414	\$ 1,388,399	\$ 1,333,108	\$ 1,276,439
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%
<b>PERA - Public Employees Police and Fire Plan - City</b>									
Contractually Required Contribution	\$ 113,189	\$ 106,504	\$ 104,054	\$ 91,721	\$ 84,873	\$ 86,985	\$ 84,340	\$ 81,649	\$ 73,859
Contributions in Relation to the Contractually Required Contribution	(113,189)	(106,504)	(104,054)	(91,721)	(84,873)	(86,985)	(84,340)	(81,649)	(73,859)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 706,112	\$ 606,038	\$ 587,876	\$ 553,556	\$ 523,907	\$ 536,943	\$ 520,616	\$ 504,004	\$ 482,740
Contributions as a Percentage of Covered Payroll	16.03%	17.57%	17.70%	16.57%	16.20%	16.20%	16.20%	16.20%	15.30%
<b>Fire Relief Association</b>									
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,094
Contributions in Relation to the Statutorily Required Contribution	(40,937)	(40,777)	(39,776)	(29,211)	(29,192)	(25,500)	(68,795)	(68,795)	(68,774)
Contribution Deficiency (Excess)	<u>\$ (40,937)</u>	<u>\$ (40,777)</u>	<u>\$ (39,776)</u>	<u>\$ (29,211)</u>	<u>\$ (29,192)</u>	<u>\$ (25,500)</u>	<u>\$ (68,795)</u>	<u>\$ (68,795)</u>	<u>\$ (14,680)</u>
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA  
LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE  
SCHEDULE OF THE COMMISSION'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY**

	Measurement Date June 30, 2022	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
Commission's Proportion of the Net Pension Liability	0.0149%	0.0153%	0.0158%	0.0153%	0.0152%	0.0160%	0.0167%	0.0160%
Commission's Proportionate Share of the Net Pension Liability	\$ 1,180,085	\$ 653,379	\$ 947,282	\$ 845,903	\$ 843,234	\$ 1,021,429	\$ 1,355,957	\$ 844,751
State's Proportionate Share of the Net Pension Liability	34,739	19,994	29,234	26,332	22,686	12,829	-	-
Total Commission's Proportionate Share of the Net Pension Liability	<u>\$ 1,214,824</u>	<u>\$ 673,373</u>	<u>\$ 976,516</u>	<u>\$ 872,235</u>	<u>\$ 865,920</u>	<u>\$ 1,034,258</u>	<u>\$ 1,355,957</u>	<u>\$ 844,751</u>
Commission's Covered Payroll	\$ 1,121,105	\$ 1,104,699	\$ 1,174,918	\$ 1,123,080	\$ 1,021,184	\$ 1,029,614	\$ 1,039,261	\$ 960,028
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	105.26%	59.15%	80.63%	75.32%	82.57%	99.21%	130.47%	87.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.06%	80.23%	79.53%	75.90%	68.91%	78.20%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

*See accompanying Notes to the Required Supplementary Information.*

**CITY OF GLENCOE, MINNESOTA  
LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE  
SCHEDULE OF COMMISSION PENSION CONTRIBUTIONS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>PERA</b>									
Contractually Required Contribution	\$ 82,192	\$ 82,853	\$ 83,899	\$ 81,583	\$ 81,158	\$ 76,083	\$ 76,316	\$ 70,549	\$ 67,852
Contributions in Relation to the Contractually Required Contribution	<u>(82,192)</u>	<u>(82,853)</u>	<u>(83,899)</u>	<u>(81,583)</u>	<u>(81,158)</u>	<u>(76,083)</u>	<u>(76,316)</u>	<u>(70,549)</u>	<u>(67,852)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Commission's Covered Payroll	 \$ 1,095,893	 \$ 1,104,707	 \$ 1,118,653	 \$ 1,087,773	 \$ 1,082,107	 \$ 1,014,440	 \$ 1,017,546	 \$ 940,653	 \$ 947,462
 Contributions as a Percentage of Covered Payroll	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%	 7.16%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

*See accompanying Notes to the Required Supplementary Information.*

**CITY OF GLENCOE, MINNESOTA**  
**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**  
**SCHEDULE OF CHANGES IN THE COMMISSION'S OPEB LIABILITY AND RELATED RATIOS**

	Measurement Date December 31 2021	Measurement Date December 31 2020	Measurement Date December 31 2019	Measurement Date December 31 2018	Measurement Date December 31 2017
<b>Total OPEB Liability</b>					
Service Cost	\$ 17,383	\$ 14,481	\$ 13,106	\$ 13,062	\$ 11,159
Interest	7,268	10,155	13,296	11,818	12,599
Assumption Changes	(1,762)	9,241	12,306	(7,273)	7,651
Difference Between Expected and Actual Experience	(117,520)	(7,715)	(3,685)	-	-
Benefit Payments	(40,016)	(29,854)	(21,131)	(11,473)	(2,431)
<b>Net Change in Total OPEB Liability</b>	<b>(134,647)</b>	<b>(3,692)</b>	<b>13,892</b>	<b>6,134</b>	<b>28,978</b>
Total OPEB Liability - Beginning	366,042	369,734	355,842	349,708	320,730
Net OPEB Liability - Ending	<u>\$ 231,395</u>	<u>\$ 366,042</u>	<u>\$ 369,734</u>	<u>\$ 355,842</u>	<u>\$ 349,708</u>
Covered-Payroll	\$ 1,140,913	\$ 1,209,004	\$ 1,114,418	\$ 1,113,019	\$ 1,034,595
Commission's Net OPEB Liability as a Percentage of Covered-Payroll	20%	30%	33%	32%	34%

The Commission implemented GASB Statement No. 75 in 2018, and this information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Commission will present information for years for which information is available.

No assets are accumulated in a trust.

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**CITY OF GLENCOE, MINNESOTA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2022**

**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 2021.

**Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 4,823,283	\$ 5,768,149

The excess expenditures were covered by increased revenues and use of fund balance.

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2020

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates for disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00% beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.
- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

A. General Employees Fund (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

B. Police and Fire Fund

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

2021

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year thereafter to 1.0% per year for all years with no trigger.

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

**CITY OF GLENCOE, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

B. Police and Fire Fund (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**SUPPLEMENTARY INFORMATION**

**COMBINING FUND STATEMENTS**

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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2022**

	Other Governmental Funds			Total Other Governmental Funds
	Special Revenue	Debt Service	Capital Projects	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 539	\$ 686,734	\$ 574,997	\$ 1,262,270
Accounts Receivable	12,396	266,962	-	279,358
Due from Other Governments	-	-	2,985	2,985
Taxes Receivable:				
Current	-	10,947	-	10,947
Delinquent	-	6,715	-	6,715
Special Assessments Receivable:				
Current	-	1,808	-	1,808
Noncurrent	-	1,562,168	-	1,562,168
<b>Total Assets</b>	<b><u>\$ 12,935</u></b>	<b><u>\$ 2,535,334</u></b>	<b><u>\$ 577,982</u></b>	<b><u>\$ 3,126,251</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 350	\$ -	\$ 125,151	\$ 125,501
Due to Other Funds	1,086	-	-	1,086
<b>Total Liabilities</b>	<b><u>1,436</u></b>	<b><u>-</u></b>	<b><u>125,151</u></b>	<b><u>126,587</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	1,835,845	-	1,835,845
<b>FUND BALANCES</b>				
Restricted for:				
Debt Service	-	699,489	-	699,489
Capital Projects	-	-	452,831	452,831
Committed for:				
Aquatic Center	4,180	-	-	4,180
Cable TV	7,319	-	-	7,319
<b>Total Fund Balances</b>	<b><u>11,499</u></b>	<b><u>699,489</u></b>	<b><u>452,831</u></b>	<b><u>1,163,819</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 12,935</u></b>	<b><u>\$ 2,535,334</u></b>	<b><u>\$ 577,982</u></b>	<b><u>\$ 3,126,251</u></b>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2022**

	Other Governmental Funds			Total Other Governmental Funds
	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES</b>				
Taxes	\$ 7,665	\$ 760,679	\$ -	\$ 768,344
Tax Increments	-	-	318,706	318,706
Intergovernmental	302,930	-	161,077	464,007
Charges for Services	105,253	-	-	105,253
Assessments	-	272,099	-	272,099
Interest Income	(68)	(741)	1,135	326
Franchise Taxes	28,627	-	-	28,627
Miscellaneous	12,483	(1)	2,986	15,468
Total Revenues	<u>456,890</u>	<u>1,032,036</u>	<u>483,904</u>	<u>1,972,830</u>
<b>EXPENDITURES</b>				
Current:				
General Government	9,877	-	-	9,877
Highways and Streets	-	-	28,686	28,686
Culture-Recreation	210,144	-	-	210,144
Economic Development	-	-	115,001	115,001
Capital Outlay:				
Highways and Streets	-	-	138,768	138,768
Culture-Recreation	2,480	-	-	2,480
Debt Service:				
Principal	-	1,992,000	56,822	2,048,822
Interest	-	578,042	-	578,042
Fiscal Charges	-	4,382	-	4,382
Total Expenditures	<u>222,501</u>	<u>2,574,424</u>	<u>339,277</u>	<u>3,136,202</u>
Deficiency of Revenues Under Expenditures	234,389	(1,542,388)	144,627	(1,163,372)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	194,767	1,357,065	-	1,551,832
Transfers Out	(328,553)	(31,247)	(537,297)	(897,097)
Proceeds from Sale of Capital Assets	-	-	70,371	70,371
Total Other Financing Sources (Uses)	<u>(133,786)</u>	<u>1,325,818</u>	<u>(466,926)</u>	<u>725,106</u>
Net Change in Fund Balances	100,603	(216,570)	(322,299)	(438,266)
Fund Balances - Beginning of Year	<u>(89,104)</u>	<u>916,059</u>	<u>775,130</u>	<u>1,602,085</u>
Fund Balances - End of Year	<u>\$ 11,499</u>	<u>\$ 699,489</u>	<u>\$ 452,831</u>	<u>\$ 1,163,819</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS  
DECEMBER 31, 2022**

	Special Revenue Funds			
	Aquatic Center	Cable TV	CARES Act	Total Special Revenue
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 539	\$ -	\$ 539
Accounts Receivable	5,516	6,880	-	12,396
	5,516	6,880	-	12,396
Total Assets	\$ 5,516	\$ 7,419	\$ -	\$ 12,935
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 250	\$ 100	\$ -	\$ 350
Due to Other Funds	1,086	-	-	1,086
	1,336	100	-	1,436
Total Liabilities	1,336	100	-	1,436
<b>FUND BALANCES</b>				
Committed	4,180	7,319	-	11,499
Total Liabilities and Fund Balances	\$ 5,516	\$ 7,419	\$ -	\$ 12,935

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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – SPECIAL REVENUE FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Special Revenue Funds			Total Special Revenue
	Aquatic Center	Cable TV	CARES Act	
<b>REVENUES</b>				
Taxes	\$ 7,665	\$ -	\$ -	\$ 7,665
Intergovernmental	-	-	302,930	302,930
Charges for Services	105,253	-	-	105,253
Interest Income	(109)	41	-	(68)
Franchise Fees	-	28,627	-	28,627
Miscellaneous	12,483	-	-	12,483
Total Revenues	<u>125,292</u>	<u>28,668</u>	<u>302,930</u>	<u>456,890</u>
<b>EXPENDITURES</b>				
Current:				
Culture-Recreation	207,547	2,597	-	210,144
General government	-	-	9,877	9,877
Capital Outlay:				
Culture-Recreation	680	1,800	-	2,480
Total Expenditures	<u>208,227</u>	<u>4,397</u>	<u>9,877</u>	<u>222,501</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(82,935)	24,271	293,053	234,389
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	194,767	-	-	194,767
Transfers Out	-	(35,500)	(293,053)	(328,553)
Total Other Financing Sources (Uses)	<u>194,767</u>	<u>(35,500)</u>	<u>(293,053)</u>	<u>(133,786)</u>
Net Change in Fund Balances	111,832	(11,229)	-	100,603
Fund Balances - Beginning of Year	<u>(107,652)</u>	<u>18,548</u>	<u>-</u>	<u>(89,104)</u>
Fund Balances - End of Year	<u>\$ 4,180</u>	<u>\$ 7,319</u>	<u>\$ -</u>	<u>\$ 11,499</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS  
DECEMBER 31, 2022**

	Debt Service Funds		
	City Sinking	2007 Tax Increment Bond	2008 11th Street Morningside
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 6,178	\$ 276	\$ 2,957
Accounts Receivable	-	-	-
Taxes Receivable			
Current	1,976	-	1,253
Delinquent	-	-	1,065
Special Assessments Receivable			
Current	-	-	-
Noncurrent	586	-	-
	<u>8,740</u>	<u>276</u>	<u>5,275</u>
Total Assets	<u>\$ 8,740</u>	<u>\$ 276</u>	<u>\$ 5,275</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Other Funds	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>586</u>	<u>-</u>	<u>1,065</u>
<b>FUND BALANCES</b>			
Restricted	<u>8,154</u>	<u>276</u>	<u>4,210</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,740</u>	<u>\$ 276</u>	<u>\$ 5,275</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS  
DECEMBER 31, 2022**

Debt Service Funds					
2014 Tax Increment Bond	2014 Street Improvement Bond	2016 Street Improvement	2018 Tax Increment Bond	2018 Storm Water Improvement	2021 Street Improvement
\$ -	\$ 14,014	\$ 135,536	\$ 433	\$ 205,821	\$ 139,104
-	-	-	-	-	266,962
-	1,508	334	-	2,589	260
-	1,282	284	-	1,287	222
-	654	92	-	-	(78)
-	90,464	483,208	-	191,234	-
<u>\$ -</u>	<u>\$ 107,922</u>	<u>\$ 619,454</u>	<u>\$ 433</u>	<u>\$ 400,931</u>	<u>\$ 406,470</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	91,747	483,492	-	192,521	267,184
-	16,175	135,962	433	208,410	139,286
<u>\$ -</u>	<u>\$ 107,922</u>	<u>\$ 619,454</u>	<u>\$ 433</u>	<u>\$ 400,931</u>	<u>\$ 406,470</u>

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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)  
DECEMBER 31, 2022**

	Debt Service Funds		
	2015 Street Improvement Bond	2017 Street Improvement Bond	Total Debt Service
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 8,078	\$ 174,337	\$ 686,734
Accounts Receivable			266,962
Taxes Receivable			
Current	1,566	1,461	10,947
Delinquent	1,332	1,243	6,715
Special Assessments Receivable			
Current	725	415	1,808
Noncurrent	369,362	427,314	1,562,168
Total Assets	<u>\$ 381,063</u>	<u>\$ 604,770</u>	<u>\$ 2,535,334</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Other Funds	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue	<u>370,693</u>	<u>428,557</u>	<u>1,835,845</u>
<b>FUND BALANCES</b>			
Restricted	<u>10,370</u>	<u>176,213</u>	<u>699,489</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 381,063</u>	<u>\$ 604,770</u>	<u>\$ 2,535,334</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Debt Service Funds		
	City Sinking	2007 Tax Increment Bond	2008 11th Street Morningside
<b>REVENUES</b>			
Taxes	\$ 2,063	\$ -	\$ 120,383
Assessments	-	-	-
Interest Income	52	(88)	(47)
Miscellaneous	-	-	-
Total Revenues	<u>2,115</u>	<u>(88)</u>	<u>120,336</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	-	63,000	115,000
Interest	-	2,953	6,900
Fiscal Charges	-	-	816
Total Expenditures	<u>-</u>	<u>65,953</u>	<u>122,716</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	2,115	(66,041)	(2,380)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	65,000	-
Transfers Out	<u>(31,247)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(31,247)</u>	<u>65,000</u>	<u>-</u>
Net Change in Fund Balances	(29,132)	(1,041)	(2,380)
Fund Balances - Beginning of Year	<u>37,286</u>	<u>1,317</u>	<u>6,590</u>
Fund Balances - End of Year	<u>\$ 8,154</u>	<u>\$ 276</u>	<u>\$ 4,210</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

Debt Service Funds					
2014 Tax Increment Bond	2014 Street Improvement Bond	2016 Street Improvement Bond	2018 Tax Increment Bond	2018 Storm Water Improvement	2021 Street Improvement
\$ -	\$ 144,952	\$ 32,100	\$ -	\$ 145,378	\$ 24,926
-	18,339	64,493	-	21,002	23,307
(85)	(104)	(75)	(39)	(100)	177
-	1	-	-	-	-
<u>(85)</u>	<u>163,188</u>	<u>96,518</u>	<u>(39)</u>	<u>166,280</u>	<u>48,410</u>
240,000	202,000	255,000	24,000	275,000	78,000
10,590	5,621	66,875	13,545	223,944	10,689
-	1,055	816	-	320	733
<u>250,590</u>	<u>208,676</u>	<u>322,691</u>	<u>37,545</u>	<u>499,264</u>	<u>89,422</u>
(250,675)	(45,488)	(226,173)	(37,584)	(332,984)	(41,012)
250,627	-	207,549	38,000	286,000	44,889
-	-	-	-	-	-
<u>250,627</u>	<u>-</u>	<u>207,549</u>	<u>38,000</u>	<u>286,000</u>	<u>44,889</u>
(48)	(45,488)	(18,624)	416	(46,984)	3,877
48	61,663	154,586	17	255,394	135,409
<u>\$ -</u>	<u>\$ 16,175</u>	<u>\$ 135,962</u>	<u>\$ 433</u>	<u>\$ 208,410</u>	<u>\$ 139,286</u>

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**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – DEBT SERVICE FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

	Debt Service Funds		
	2015 Street Improvement Bond	2017 Street Improvement Bond	Total Debt Service
<b>REVENUES</b>			
Taxes	\$ 150,469	\$ 140,408	\$ 760,679
Assessments	77,965	66,993	272,099
Interest Income	(417)	(15)	(741)
Miscellaneous	(1)	(1)	(1)
Total Revenues	<u>228,016</u>	<u>207,385</u>	<u>1,032,036</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	435,000	305,000	1,992,000
Interest	124,625	112,300	578,042
Fiscal Charges	321	321	4,382
Total Expenditures	<u>559,946</u>	<u>417,621</u>	<u>2,574,424</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(331,930)	(210,236)	(1,542,388)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	300,000	165,000	1,357,065
Transfers Out	-	-	(31,247)
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>165,000</u>	<u>1,325,818</u>
Net Change in Fund Balances	(31,930)	(45,236)	(216,570)
Fund Balances - Beginning of Year	<u>42,300</u>	<u>221,449</u>	<u>916,059</u>
Fund Balances - End of Year	<u>\$ 10,370</u>	<u>\$ 176,213</u>	<u>\$ 699,489</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS  
DECEMBER 31, 2022**

	Capital Project Funds		
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #17- Miller Mfg.
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 333,971	\$ -	\$ 29,976
Due from Other Governments	-	-	-
	-	-	-
Total Assets	\$ 333,971	\$ -	\$ 29,976
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted	333,971	-	29,976
Total Fund Balances	333,971	-	29,976
Total Liabilities and Fund Balances	\$ 333,971	\$ -	\$ 29,976

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS (CONTINUED)  
DECEMBER 31, 2022**

Capital Project Funds				
Tax Increment #18- West Industrial Park	Tax Increment #19- Panther Heights	Municipal State Aid	2021 Street Improvement	Total Capital Projects
\$ 33	\$ 905	\$ 210,112		\$ 574,997
-	-	2,985	-	2,985
<u>\$ 33</u>	<u>\$ 905</u>	<u>\$ 213,097</u>	<u>\$ -</u>	<u>\$ 577,982</u>
\$ 33	-	\$ 125,118	-	\$ 125,151
-	905	87,979	-	452,831
<u>-</u>	<u>905</u>	<u>87,979</u>	<u>-</u>	<u>452,831</u>
<u>\$ 33</u>	<u>\$ 905</u>	<u>\$ 213,097</u>	<u>\$ -</u>	<u>\$ 577,982</u>

**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – CAPITAL PROJECT FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	Capital Project Funds		
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #17- Miller Mfg.
<b>REVENUES</b>			
Tax Increments	\$ 153,465	\$ 27,479	\$ 48,461
Intergovernmental	-	-	-
Interest Income	475	-	21
Miscellaneous	-	-	-
Total Revenues	<u>153,940</u>	<u>27,479</u>	<u>48,482</u>
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	-	-	-
Economic Development	-	45,449	50,000
Capital Outlay:			
Highways and Streets	-	-	-
Debt Service:			
Principal	-	-	-
Total Expenditures	<u>-</u>	<u>45,449</u>	<u>50,000</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	153,940	(17,970)	(1,518)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(65,000)	(37,479)	-
Proceeds from Sale of Capital Assets	-	-	-
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>(37,479)</u>	<u>-</u>
Net Change in Fund Balances	88,940	(55,449)	(1,518)
Fund Balances - Beginning	<u>245,031</u>	<u>55,449</u>	<u>31,494</u>
Fund Balances - End of Year	<u>\$ 333,971</u>	<u>\$ -</u>	<u>\$ 29,976</u>



**CITY OF GLENCOE, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – CAPITAL PROJECT FUNDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

Capital Project Funds				
Tax Increment #18- West Industrial Park	Tax Increment #19- Panther Heights	Municipal State Aid	2021 Street Improvement	Total Capital Projects
\$ 2,026	\$ 87,275	\$ -	\$ -	\$ 318,706
-	-	161,077	-	161,077
34	66	413	126	1,135
-	-	2,987	(1)	2,986
<u>2,060</u>	<u>87,341</u>	<u>164,477</u>	<u>125</u>	<u>483,904</u>
-	-	12,893	15,793	28,686
19,552	-	-	-	115,001
-	-	132,018	6,750	138,768
-	56,822	-	-	56,822
<u>19,552</u>	<u>56,822</u>	<u>144,911</u>	<u>22,543</u>	<u>339,277</u>
(17,492)	30,519	19,566	(22,418)	144,627
(219,380)	(43,000)	(127,549)	(44,889)	(537,297)
70,371	-	-	-	70,371
<u>(149,009)</u>	<u>(43,000)</u>	<u>(127,549)</u>	<u>(44,889)</u>	<u>(466,926)</u>
(166,501)	(12,481)	(107,983)	(67,307)	(322,299)
<u>166,501</u>	<u>13,386</u>	<u>195,962</u>	<u>67,307</u>	<u>775,130</u>
<u>\$ -</u>	<u>\$ 905</u>	<u>\$ 87,979</u>	<u>\$ -</u>	<u>\$ 452,831</u>

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
DECEMBER 31, 2022**

	\$6,735,000 G.O. Improvement		\$4,025,000 G.O. Bonds -		\$875,000 G.O. Refunding	
	Bonds - Series 2015A		Series 2016A		Bonds - Series 2016B	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 440,000	\$ 115,925	\$ 265,000	\$ 61,775	\$ 105,000	\$ 4,600
2024	455,000	98,325	270,000	56,475	125,000	2,500
2025	465,000	88,997	275,000	51,075	-	-
2026	470,000	78,535	280,000	45,575	-	-
2027	480,000	64,435	280,000	39,975	-	-
2028	490,000	52,675	290,000	33,675	-	-
2029	500,000	35,525	300,000	27,150	-	-
2030	515,000	18,025	305,000	18,900	-	-
2031	-	-	325,000	9,750	-	-
2032	-	-	-	-	-	-
2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	-	-	-
	<u>\$ 3,815,000</u>	<u>\$ 552,442</u>	<u>\$ 2,590,000</u>	<u>\$ 344,350</u>	<u>\$ 230,000</u>	<u>\$ 7,100</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

	\$4,935,000 G.O. Bonds		\$6,985,000 G.O. Bonds		\$453,000 G.O. Tax Increment	
	Series 2017B		Series 2018A		Revenue Bonds - Series 2018B	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 310,000	\$ 106,200	\$ 280,000	\$ 212,944	\$ 25,000	\$ 13,125
2024	315,000	96,900	300,000	201,744	26,000	12,637
2025	325,000	87,450	305,000	189,744	27,000	11,644
2026	335,000	77,700	315,000	177,544	28,000	10,612
2027	350,000	67,650	330,000	168,094	29,000	9,544
2028	360,000	57,150	335,000	158,193	31,000	8,680
2029	365,000	46,350	345,000	148,143	32,000	7,720
2030	380,000	35,400	355,000	137,794	33,000	6,420
2031	395,000	24,000	380,000	126,700	34,000	5,080
2032	405,000	12,150	385,000	114,825	35,000	3,700
2033	-	-	395,000	99,425	37,000	2,260
2034	-	-	410,000	83,625	38,000	761
2035	-	-	425,000	67,225	-	-
2036	-	-	445,000	50,225	-	-
2037	-	-	460,000	34,650	-	-
2038	-	-	480,000	18,550	-	-
2039	-	-	50,000	1,750	-	-
	<u>\$ 3,540,000</u>	<u>\$ 610,950</u>	<u>\$ 5,995,000</u>	<u>\$ 1,991,175</u>	<u>\$ 375,000</u>	<u>\$ 92,183</u>

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
DECEMBER 31, 2022**

	Finance Purchase Agreement		DEED Loan		Case Puma Tractor Loan		2018 Marsh Creek	
	2018 Rosenbauer Commander						Project Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 86,502	\$ 3,765	\$ 6,379	\$ 957	\$ 21,951	\$ 1,002	\$ 18,180	\$ 1,892
2024	-	-	6,379	829	-	-	18,539	1,533
2025	-	-	6,379	702	-	-	18,914	1,158
2026	-	-	6,379	574	-	-	19,292	779
2027	-	-	6,379	447	-	-	19,678	394
2028	-	-	6,379	319	-	-	-	-
2029	-	-	6,379	191	-	-	-	-
2030	-	-	6,379	64	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
	<u>\$ 86,502</u>	<u>\$ 3,765</u>	<u>\$ 51,032</u>	<u>\$ 4,083</u>	<u>\$ 21,951</u>	<u>\$ 1,002</u>	<u>\$ 94,603</u>	<u>\$ 5,756</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

	\$4,020,000 G.O. Refunding		\$626,000 Gross Revenue	
	Bonds - Series 2011A		Event Facility Refunding	
	\$380,000 Portion		Bonds - Series 2013A	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ -	\$ 43,000	\$ 12,592
2024	-	-	45,000	10,664
2025	-	-	47,000	8,479
2026	-	-	49,000	6,199
2027	-	-	52,000	3,800
2028	-	-	54,000	1,282
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,000</u>	<u>\$ 43,016</u>

**CITY OF GLENCOE, MINNESOTA**  
**SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2022**

	<u>\$517,000 Liquor Store Revenue</u>		<u>\$1,516,000 G.O. Capital Improvement Plan Refunding</u>		<u>\$2,516,317 MN PFA G.O. Sewer Revenue Note</u>		<u>\$700,000 G.O. Capital Improvement Plan</u>	
	<u>Bonds - Series 2014</u>		<u>Bonds - Series 2017A</u>		<u>G.O. Sewer Revenue Note</u>		<u>Bonds - Series 2021B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 35,000	\$ 11,318	\$ 108,000	\$ 27,274	\$ 764,000	\$ 131,790	\$ 380,000	\$ 7,153
2024	37,000	10,092	113,000	24,401	771,000	124,150	82,000	2,783
2025	38,000	8,798	112,000	21,476	779,000	116,440	81,000	1,840
2026	40,000	7,182	121,000	18,447	786,000	108,650	79,000	909
2027	41,000	5,483	124,000	15,262	794,000	100,790	-	-
2028	43,000	3,740	123,000	12,051	802,000	92,850	-	-
2029	45,000	1,912	126,000	8,814	811,000	84,830	-	-
2030	-	-	134,000	5,434	819,000	76,720	-	-
2031	-	-	142,000	1,846	827,000	68,530	-	-
2032	-	-	-	-	835,000	60,260	-	-
2033	-	-	-	-	844,000	51,910	-	-
2034	-	-	-	-	852,000	43,470	-	-
2035	-	-	-	-	861,000	34,950	-	-
2036	-	-	-	-	869,000	26,340	-	-
2037	-	-	-	-	648,410	17,650	-	-
2038	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-
	<u>\$ 279,000</u>	<u>\$ 48,525</u>	<u>\$ 1,103,000</u>	<u>\$ 135,005</u>	<u>\$ 12,062,410</u>	<u>\$ 1,139,330</u>	<u>\$ 622,000</u>	<u>\$ 12,685</u>

**CITY OF GLENCOE, MINNESOTA  
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS  
DECEMBER 31, 2022**

	\$1,905,000 G.O. Refunding Bonds - Series 2021A \$415,000 Portion		\$1,905,000 G.O. Refunding Bonds - Series 2021A \$831,000 Portion		\$1,905,000 G.O. Refunding Bonds - Series 2021A \$659,000 Portion		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2023	\$ 57,000	\$ 2,491	\$ 204,000	\$ 4,058	\$ 94,000	\$ 4,019	\$ 3,243,012
2024	57,000	2,052	212,000	2,456	93,000	3,299	2,925,918	650,840
2025	61,000	1,598	213,000	820	97,000	2,568	2,850,293	592,789
2026	60,000	1,132	-	-	90,000	1,848	2,678,671	535,686
2027	54,000	693	-	-	93,000	1,143	2,653,057	477,710
2028	63,000	243	-	-	102,000	393	2,699,379	421,251
2029	-	-	-	-	-	-	2,530,379	360,635
2030	-	-	-	-	-	-	2,547,379	298,757
2031	-	-	-	-	-	-	2,103,000	235,906
2032	-	-	-	-	-	-	1,660,000	190,935
2033	-	-	-	-	-	-	1,276,000	153,595
2034	-	-	-	-	-	-	1,300,000	127,856
2035	-	-	-	-	-	-	1,286,000	102,175
2036	-	-	-	-	-	-	1,314,000	76,565
2037	-	-	-	-	-	-	1,108,410	52,300
2038	-	-	-	-	-	-	480,000	18,550
2039	-	-	-	-	-	-	50,000	1,750
	<u>\$ 352,000</u>	<u>\$ 8,209</u>	<u>\$ 629,000</u>	<u>\$ 7,334</u>	<u>\$ 569,000</u>	<u>\$ 13,270</u>	<u>\$ 32,705,498</u>	<u>\$ 5,020,180</u>

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## **OTHER REPORTS**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Glencoe (the City), Minnesota as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 12, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Honorable Mayor and  
Members of the City Council  
City of Glencoe

### **Report on Compliance and Other Matters**

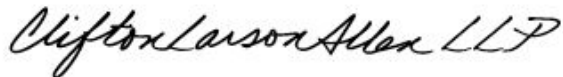
As part of obtaining reasonable assurance about whether the City 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 results 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  
June 12, 2023



## 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 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 (the City), Minnesota, as of and for the year ended December 31, 2022 and the related notes to the financial statements and have issued our report thereon dated June 12, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Austin, Minnesota  
June 12, 2023

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**CITY OF GLENCOE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

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***Part I: Findings Related to the Basic Financial Statements***

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**FINDING: 2022-001 – FINANCIAL STATEMENT PREPARATION**

**Type of Finding:** Material weakness in internal control over financial reporting

**Condition:** The Council and management share the ultimate responsibility for the City's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The City engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the City has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the City's activities and operations.

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, 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.

**Criteria:** City management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with Governmental Accounting Standards Board Statement No. 34.

**Effect:** The design of the controls over the financial reporting process would affect the ability of the City to report its financial data consistently with the assertions of management in the financial statements.

**Cause:** The City's limited personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City's financial statements and related disclosures.

**Repeat Finding:** The finding was identified in the prior year. See 2021-001.

**Recommendation:** The City should evaluate the cost/benefit of obtaining further training for the Finance Director in order to enhance financial reporting abilities.

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with this comment. The City will continue to evaluate whether an internal control policy over financial reporting would be beneficial.

**CITY OF GLENCOE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

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***Part I: Findings Related to the Basic Financial Statements***

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**FINDING: 2022-002 – PROPOSED ADJUSTING JOURNAL ENTRIES**

**Type of Finding:** Material weakness in internal control over financial reporting

**Condition:** The audit firm proposed and the City posted to its general ledger journal entries to correct certain year-end account balances.

**Criteria:** The City is responsible for establishing and maintaining a system of internal controls in which it enables City personnel to be able to fully adjust all relevant accounts.

**Context:** While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.

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

**Cause:** The City engages the audit firm to propose such adjustments as are necessary to adjust accounts in accordance with accounting principles generally accepted in the United States of America. However, the entries are reviewed and approved prior to recording them.

**Repeat Finding:** The finding was identified in the prior year. See 2021-002.

**Recommendation:** The City should continue to evaluate their internal 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 accounting principles generally accepted in the United States of America.

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with this finding. The City will evaluate whether additional internal control policies should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with accounting principles generally accepted in the United States of America.



**CITY OF GLENCOE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2022**

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***Part II: Minnesota Legal Compliance Findings***

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There were no Minnesota Legal Compliance findings in the current year.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.