# LIGHT AND POWER COMMISSION OF THE
# CITY OF GLENCOE

## FINANCIAL STATEMENTS AND
## SUPPLEMENTARY INFORMATION

## YEARS ENDED DECEMBER 31, 2015 AND 2014

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
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# INTRODUCTORY SECTION

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**ORGANIZATION SCHEDULE**
**DECEMBER 31, 2015**

| Board of Commissioners | Title | Term Expires |
|---|---|---|
| Everett Bratsch | President | 12/31/16 |
| Roger Hilgers | Vice-President | 12/31/15 |
| John Schrupp | Secretary | 12/31/19 |
| Duane Klaustermeier | Member | 12/31/18 |
| Greg Copas | Member | 12/31/17 |

| Officers | | |
|---|---|---|
| David Meyer | Manager | Appointed Annually |

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# INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Light and Power Commission of the City of Glencoe
Glencoe, Minnesota

## Report on the Financial Statements

We have audited the accompanying financial statements of the Light and Power Commission (the Commission), a component unit of the City of Glencoe, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Light and Power Commission as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of a Matter*

During the year ended December 31, 2015, the Commission adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the Commission reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that the Schedule of the Commission's Proportionate Share of the Net Pension Liability, the Schedule of the Commissions Contributions, and the Schedule of Funding Progress for Other Postemployment Benefit Plan, listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require 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 comprise the Light and Power Commission's basic financial statements. The supplementary and other information for the years ended December 31, 2015 and 2014 shown on pages 31 to 36 is presented for purposes of additional analysis and is not a required part of the financial statements.

***Other Matters (Continued)***

*Supplementary Information (Continued)*

The supplementary information presented on pages 31 and 32 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Other Information*

The other information on pages 33 to 36 has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

**CliftonLarsonAllen LLP**

Brainerd, Minnesota
February 16, 2016

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# FINANCIAL STATEMENTS

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**STATEMENTS OF NET POSITION**
**DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| **UTILITY PLANT** | | |
| Plant in Service | $ 34,712,051 | $ 34,282,123 |
| Construction Work-in-Progress | 19,523 | 204,352 |
| Total | 34,731,574 | 34,486,475 |
| Less: Accumulated Depreciation | (19,134,417) | (18,173,350) |
| Net Utility Plant | 15,597,157 | 16,313,125 |
| **OTHER PROPERTY AND RESTRICTED/DESIGNATED ASSETS** | | |
| Non-Utility Property (Net of Accumulated Depreciation) | 676,136 | 393,897 |
| Restricted/Designated Cash | 6,054,832 | 5,671,975 |
| Total Other Property and Restricted/Designated Assets | 6,730,968 | 6,065,872 |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | 1,167,644 | 160,432 |
| Trade Accounts Receivable | 584,999 | 640,578 |
| Other Receivables | 272,229 | 496,216 |
| Lease Receivable | 9,754 | 9,372 |
| Inventories | 206,970 | 113,561 |
| Prepaid Expenses | 47,211 | 87,639 |
| Total Current Assets | 2,288,807 | 1,507,798 |
| **OTHER ASSETS** | | |
| Lease Receivable | 27,077 | 36,832 |
| Total Assets | 24,644,009 | 23,923,627 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Charge on Refunding | 48,163 | 57,796 |
| Pension Related | 119,868 | - |
| Total Deferred Outflows of Resources | 168,031 | 57,796 |
| Total Assets and Deferred Outflows of Resources | $ 24,812,040 | $ 23,981,423 |

*See accompanying Notes to Financial Statements.*

| NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 2015 | 2014 |
|---|---|---|
| **NET POSITION** | | |
| Net Investment in Capital Assets | $ 10,409,351 | $ 10,232,636 |
| Restricted | 912,213 | 912,145 |
| Unrestricted | 5,470,979 | 5,188,364 |
| Total Net Position | 16,792,543 | 16,333,145 |
| **CURRENT LIABILITIES** | | |
| Current Portion of Bonds Payable | 605,000 | 590,000 |
| Current Portion of Capital Lease Payable | 4,975 | 6,843 |
| Contracts Payable | - | 64,526 |
| Accounts Payable | 381,566 | 359,520 |
| Other Deposits Payable | - | 3 |
| Accrued Expenses | 134,558 | 122,110 |
| Due to Primary Government | 246,241 | 214,250 |
| Customer Deposits | 100,850 | 93,250 |
| Total Current Liabilities | 1,473,190 | 1,450,502 |
| **LONG-TERM LIABILITIES** | | |
| Compensated Absences | 164,710 | 158,936 |
| Other Postemployment Benefits Obligation | 187,442 | 161,297 |
| Net Pension Liability | 844,751 | - |
| Bonds Payable | 5,242,946 | 5,858,273 |
| Capital Lease Payable | 11,021 | 19,270 |
| Total Long-Term Liabilities | 6,450,870 | 6,197,776 |
| Total Liabilities | 7,924,060 | 7,648,278 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflows - Pension Related | 95,437 | - |
| Total Net Position, Liabilities and Deferred Inflows of Resources | $ 24,812,040 | $ 23,981,423 |

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**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Sales | $ 7,565,982 | $ 7,197,978 |
| Transmission Tariff Revenue | 571,113 | 208,155 |
| Other Operating Revenues | 851,528 | 896,100 |
| Total Operating Revenues | 8,988,623 | 8,302,233 |
| **OPERATING EXPENSES** | | |
| Production Plant Expenses and Purchased Power | 5,060,970 | 4,972,251 |
| Distribution System Expenses | 306,608 | 297,718 |
| Transmission Expenses | 100,736 | 74,932 |
| Customer Account Expenses | 182,711 | 177,119 |
| Administrative and General Expenses | 852,971 | 815,534 |
| Depreciation | 1,035,517 | 1,227,098 |
| Total Operating Expenses | 7,539,513 | 7,564,652 |
| **OPERATING INCOME** | 1,449,110 | 737,581 |
| **OTHER INCOME (EXPENSE)** | | |
| Interest Income | 65,648 | 62,767 |
| Interest Expense | (130,779) | (142,596) |
| Gain on Disposition of Property | 16,100 | - |
| Total Other Expense | (49,031) | (79,829) |
| **INCOME BEFORE OPERATING TRANSFERS** | 1,400,079 | 657,752 |
| **TRANSFERS TO CITY OF GLENCOE** | (140,946) | (122,606) |
| **CHANGE IN NET POSITION** | 1,259,133 | 535,146 |
| Net Position - Beginning of Year | 16,333,145 | 15,797,999 |
| Change in Accounting Principle | (799,735) | - |
| Net Position - Beginning of Year, as Restated | 15,533,410 | 15,797,999 |
| **NET POSITION - END OF YEAR** | $ 16,792,543 | $ 16,333,145 |

*See accompanying Notes to Financial Statements.*

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**STATEMENTS OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash Received from Customers | $ 7,891,353 | $ 7,065,110 |
| Cash Paid to Employees | (863,952) | (874,088) |
| Cash Paid to Suppliers | (5,655,269) | (5,433,030) |
| Other Receipts | 1,432,014 | 1,070,124 |
| Net Cash Provided by Operating Activities | 2,804,146 | 1,828,116 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Interest Paid on Customer Deposits | (194) | (88) |
| Operating Transfers to City of Glencoe | (84,940) | (82,500) |
| Net Cash Used by Noncapital Financing Activities | (85,134) | (82,588) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Capital Lease Proceeds | - | 4,440 |
| Principal Paid on Bonds | (590,000) | (580,000) |
| Principal Paid on Capital Lease | (10,117) | (6,675) |
| Interest Paid on Bonds | (150,121) | (161,923) |
| Interest Paid on Capital Lease | (1,600) | (1,600) |
| Proceeds from Deposit | - | - |
| Proceeds from the Disposition of Property | 16,100 | - |
| Construction and Acquisition of Plant | (652,635) | (884,069) |
| Net Cash Used by Capital and Related Financing Activities | (1,388,373) | (1,629,827) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest Income | 59,430 | 58,600 |
| **NET INCREASE (DECREASE) IN CASH** | 1,390,069 | 174,301 |
| Cash and Restricted Cash - Beginning of Year | 5,832,407 | 5,658,106 |
| **CASH AND RESTRICTED CASH - END OF YEAR** | $ 7,222,476 | $ 5,832,407 |

*See accompanying Notes to Financial Statements.*

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**STATEMENTS OF CASH FLOWS (CONTINUED)**
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Operating Income | $ 1,449,110 | $ 737,581 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | |
| Depreciation | 1,035,517 | 1,227,098 |
| Bad Debt Expense | 5,587 | 5,603 |
| Free Services to Primary Government | (56,006) | (40,106) |
| (Increase) Decrease in Assets: | | |
| Trade Accounts Receivable and Other Receivables | 295,350 | (186,167) |
| Inventories | (93,409) | 42,739 |
| Prepaid Expenses | 40,428 | 42,335 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 22,046 | (27,989) |
| Accrued Expenses | 39,576 | (2,249) |
| Other Deposits Payable | (3) | (938) |
| Due to Primary Government | 31,991 | 9,569 |
| Customer Deposits | 7,600 | 10,625 |
| Compensated Absences | 5,774 | 10,015 |
| Change in Pension Related Items | 20,585 | - |
| Net Cash Provided by Operating Activities | $ 2,804,146 | $ 1,828,116 |
| | | |
| **RECONCILIATION OF CASH TO THE BALANCE SHEET** | | |
| Cash | $ 1,167,644 | $ 160,432 |
| Restricted Cash | 6,054,832 | 5,671,975 |
| Total Cash and Restricted Cash | $ 7,222,476 | $ 5,832,407 |
| | | |
| **NONCASH ACTIVITIES** | | |
| Services Provided to City at No Cost | $ 56,006 | $ 40,106 |

*See accompanying Notes to Financial Statements.*

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Operation

The Light and Power Commission (Commission) is a component unit of the City of Glencoe created by the Charter of the City. The purpose of the Commission is to account for the generation and distribution of electrical services to the residents of the City. The Light and Power Commission is governed by a five-member Board of Commissioners. Board members are appointed to five-year terms. The financial statements presented here are also included in the financial statements of the City of Glencoe.

The accounting policies of the Light and Power Commission conform to generally accepted accounting principles.

### Financial Reporting Entity

The Commission's financial statements include all funds, departments, agencies, boards, commissions, and other organizations over which Commission officials exercise oversight responsibility.

Component units are legally separate entities for which the Commission (Primary Government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Primary Government misleading. The criteria used to determine if the Primary Government is financially accountable for a component unit include whether or not the Primary Government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Commission.

### Basis of Accounting

The accrual basis of accounting is used by the Commission. Under this method, revenues are recorded when earned and expenses are recorded when the related fund liability is incurred.

Proprietary funds distinguish operating revenues and expenses from other 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 revenue of the Commission is charges to customers for sales of electricity. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as other revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, and then unrestricted resources as they are needed.

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

### Utility Plant, Property, and Equipment

Utility plant, property, and equipment are recorded at cost, including cost of labor and materials on self-constructed assets. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, ranging from three to fifty years.

### Investments

Investments are carried at fair value.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both:

A. Readily convertible to known amounts of cash, or
B. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Cash and cash equivalents consist of checking, savings, money market accounts, certificates of deposit and cash on hand.

### Trade Accounts Receivable

It is management's judgment that losses from uncollectible customer receivables, if any, will be immaterial; therefore, no allowance for doubtful accounts is reflected in the financial statements. Accounts receivable are uncollateralized.

### Inventories

Inventory is stated at the lower of cost or market determined on the first-in, first-out method.

### Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses) until then.

### Bond Discounts/Premiums

Bond discounts/premiums are amortized over the life of the bonds. Bonds payable are reported net of the applicable discount.

### Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net pension 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

## NOTE 2 DETAIL OF CAPITAL ASSETS

A summary of capital asset activity for the years ended December 31, 2015 and 2014 is as follows:

| | 2015 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| **PLANT IN SERVICE** | | | | |
| Buildings, Land, and Land Improvements | $ 1,988,827 | $ - | $ - | $ 1,988,827 |
| Engines, Auxiliaries, and Switch Boards | 12,831,716 | - | | 12,831,716 |
| Distribution System | 5,622,986 | 429,927 | - | 6,052,913 |
| Transmission System | 9,702,416 | - | - | 9,702,416 |
| Street Lights | 175,454 | - | - | 175,454 |
| Substation | 3,056,480 | - | - | 3,056,480 |
| Loop Feeder | 468,366 | - | - | 468,366 |
| Meters | 435,879 | - | - | 435,879 |
| Total Plant in Service | 34,282,124 | 429,927 | - | 34,712,051 |
| Less: Accumulated Depreciation | (18,173,350) | (961,067) | - | (19,134,417) |
| Net Plant in Service | 16,108,774 | (531,140) | - | 15,577,634 |
| **CONSTRUCTION WORK-IN-PROGRESS** | 204,352 | 50,079 | (234,908) | 19,523 |
| Net Utility Plant | 16,313,126 | (481,061) | (234,908) | 15,597,157 |
| **NON-UTILITY PROPERTY** | | | | |
| Building and Improvements | 183,145 | - | - | 183,145 |
| Transportation Equipment | 885,674 | 361,090 | (171,096) | 1,075,668 |
| Plant Tools and Equipment | 178,254 | - | - | 178,254 |
| Office Equipment | 264,780 | - | (16,111) | 248,669 |
| Total Non-Utility Property | 1,511,853 | 361,090 | (187,207) | 1,685,736 |
| Less: Accumulated Depreciation | (1,117,957) | (74,450) | 182,807 | (1,009,600) |
| Net Non-Utility Property | 393,896 | 286,640 | (4,400) | 676,136 |
| Total Net Capital Assets | $ 16,707,022 | $ (194,421) | $ (239,308) | $ 16,273,293 |

Capital assets that are not being depreciated (including land and construction-in-progress) totaled $309,790 and $494,619 at December 31, 2015 and 2014, respectively.

| | 2014 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| **PLANT IN SERVICE** | | | | |
| Buildings, Land, and Land Improvements | $ 1,988,827 | $ - | $ - | $ 1,988,827 |
| Engines, Auxiliaries, and Switch Boards | 12,225,355 | 606,361 | - | 12,831,716 |
| Distribution System | 5,596,468 | 26,518 | - | 5,622,986 |
| Transmission System | 9,702,416 | - | - | 9,702,416 |
| Street Lights | 175,454 | - | - | 175,454 |
| Substation | 2,991,326 | 65,154 | - | 3,056,480 |
| Loop Feeder | 468,366 | - | - | 468,366 |
| Meters | 435,879 | - | - | 435,879 |
| Total Plant in Service | 33,584,091 | 698,033 | - | 34,282,124 |
| Less: Accumulated Depreciation | (16,997,803) | (1,175,547) | - | (18,173,350) |
| Net Plant in Service | 16,586,288 | (477,514) | - | 16,108,774 |
| **CONSTRUCTION WORK-IN-PROGRESS** | - | 204,352 | - | 204,352 |
| Net Utility Plant | 16,586,288 | (273,162) | - | 16,313,126 |
| **NON-UTILITY PROPERTY** | | | | |
| Building and Improvements | 183,145 | - | - | 183,145 |
| Transportation Equipment | 885,674 | - | - | 885,674 |
| Plant Tools and Equipment | 178,254 | - | - | 178,254 |
| Office Equipment | 204,909 | 59,871 | - | 264,780 |
| Total Non-Utility Property | 1,451,982 | 59,871 | - | 1,511,853 |
| Less: Accumulated Depreciation | (1,066,406) | (51,551) | - | (1,117,957) |
| Net Non-Utility Property | 385,576 | 8,320 | - | 393,896 |
| Total Net Capital Assets | $ 16,971,864 | $ (264,842) | $ - | $ 16,707,022 |

## NOTE 3 RESTRICTED/DESIGNATED CASH

Commission resolutions have established the following restricted/designated cash funds to reflect conditions of bond issues and other financial considerations:

| | 2015 | 2014 |
|---|---|---|
| Debt Service Account | $ 163,544 | $ 163,476 |
| Bond and Interest Reserve Account | 748,669 | 748,669 |
| Expansion Fund | 3,358,768 | 3,047,381 |
| Catastrophic Reserve Fund | 1,783,851 | 1,712,449 |
| Total Restricted and Designated Cash | $ 6,054,832 | $ 5,671,975 |

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

**Debt Service Account - Restricted**

Monthly deposits into this fund are required in an amount equal to at least one-twelfth of the total principal and interest due in the ensuing twelve-month period.

**Bond and Interest Reserve Account - Restricted**

Funds have been accumulated in the bond and interest reserve account primarily to provide principal and interest payments in the event that monies in the sinking fund are insufficient to make such payments. The balance of this fund is required to be at least equal to the maximum amount of principal and interest to become due in any fiscal year on the bonds.

**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.

## NOTE 4 CASH 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.

## NOTE 4 CASH AND INVESTMENTS (CONTINUED)

**Deposits (Continued)**

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

Authorized collateral include: 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, 2015 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 thirteen 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.

## NOTE 4 CASH AND INVESTMENTS (CONTINUED)

**Investments (Continued)**

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

## NOTE 5 INVENTORIES

The major classes of inventory consist of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Fuels and Lubricants | $ 79,517 | $ 29,220 |
| Distribution Materials | 126,853 | 83,741 |
| Other | 600 | 600 |
| Total | $ 206,970 | $ 113,561 |

## NOTE 6 COMPENSATED ABSENCES

**Vacation and Sick Pay Benefits Payable**

Employees of the Commission earn sick pay at the rate of eight hours for each month of completed service, which is payable upon separation of service. Sick pay earned in any one month is not available for use until the next month. Employees are allowed to accumulate up to 120 days of sick pay benefits. Separation severance benefits are computed at the regular base pay hourly rate in effect at the time of the employees' retirement or position abolishment as follows:

| | | | |
|---|---|---|---|
| 5 | Years of Service or More | 30% | of Accrued Sick Leave |
| 10 | Years of Service or More | 40% | of Accrued Sick Leave |
| 15 | Years of Service or More | 50% | of Accrued Sick Leave |
| 20 | Years of Service or More | 60% | of Accrued Sick Leave |

Annual vacation benefits, ranging from 40 hours to 200 hours, are recorded as a liability in accrued expenses. Vacation earned in the current year is payable in the ensuing year.

## NOTE 7 LONG-TERM DEBT

Bonds outstanding at December 31, 2015 and 2014 are comprised of the following:

| | | | | | December 31, | |
|---|---|---|---|---|---|---|
| Description of Issue | Interest Rate | Issue Date | Final Maturity | Original Issue | Principal Outstanding 2015 | Principal Outstanding 2014 |
| Electric Revenue Bonds of 2012 | 2.00-2.375 % | 6/7/2012 | 12/1/2024 | $ 7,980,000 | $ 5,755,000 | $ 6,345,000 |

## NOTE 7 LONG-TERM DEBT (CONTINUED)

Principal and Interest payments required on existing long-term debt are:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2016 | $ 605,000 | $ 119,169 | $ 724,169 |
| 2017 | 625,000 | 107,069 | 732,069 |
| 2018 | 640,000 | 94,569 | 734,569 |
| 2019 | 655,000 | 81,769 | 736,769 |
| 2020 | 680,000 | 68,668 | 748,668 |
| 2020-2024 | 2,550,000 | 143,362 | 2,693,362 |
| Total | $ 5,755,000 | $ 614,606 | $ 6,369,606 |

A summary of long-term debt activity for the year ended December 31, 2015 is as follows:

| | Beginning | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Revenue Bonds Payable | $ 6,345,000 | $ - | $ (590,000) | $ 5,755,000 |
| Plus Issuance Premiums | 103,273 | - | (10,327) | 92,946 |
| OPEB | 161,297 | 26,145 | - | 187,442 |
| Compensated Absences Payable | 158,936 | 95,223 | (89,449) | 164,710 |
| Capital Lease Payable | 26,113 | - | (10,117) | 15,996 |
| Total | $ 6,794,619 | $ 121,368 | $ (699,893) | $ 6,216,094 |

A summary of long-term debt activity for the year ended December 31, 2014 is as follows:

| | Beginning | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Revenue Bonds Payable | $ 6,925,000 | $ - | $ (580,000) | $ 6,345,000 |
| Plus Issuance Premiums | 113,601 | - | (10,328) | 103,273 |
| OPEB | 130,899 | 30,398 | - | 161,297 |
| Compensated Absences Payable | 148,921 | 92,652 | (82,637) | 158,936 |
| Capital Lease Payable | 28,348 | 4,440 | (6,675) | 26,113 |
| Total | $ 7,346,769 | $ 127,490 | $ (679,640) | $ 6,794,619 |

In 2013, the Commission entered into a capital lease agreement for financing an inserter machine. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The asset cost was $24,988 with related accumulated depreciation of $10,829.

## NOTE 7 LONG-TERM DEBT (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

| Year Ended December 31, | | |
|---|---|---|
| 2016 | $ | 5,943 |
| 2017 | | 5,943 |
| 2018 | | 5,943 |
| Total Minimum Lease Payments | | 17,829 |
| Less: Amount representing Interest | | (1,833) |
| Present Value of Minimum Lease Payments | $ | 15,996 |

## NOTE 8 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; error or omissions; injuries to employees; or natural disasters. The Commission participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for all its insurance except for employee health insurance which is through HealthPartners. The LMCIT operates as a common risk management and insurance program for Minnesota cities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Commission has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements taken as a whole.

## NOTE 9 PENSION PLANS

**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'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.

All full-time and certain part-time employees of the Commission are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**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.

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

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

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

## NOTE 9 PENSION PLANS (CONTINUED)

### Contributions

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The Commission's contributions to the GERF for the year ended December 31, 2015, were $70,549. The Commission's contributions were equal to the required contributions as set by state statute.

### Pension Costs

At December 31, 2015, the Commission reported a liability of $844,751 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Commission's proportion was 0.016 percent.

For the year ended December 31, 2015, the Commission recognized pension expense of $53,422 for its proportionate share of the GERF's pension expense.

## NOTE 9 PENSION PLANS (CONTINUED)

**Pension Costs (Continued)**

At December 31, 2015, the Commission reported its proportionate share of the GERF'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 | $ - | $ 42,590 |
| Changes in Actuarial Assumptions | - | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 79,969 | - |
| Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions | - | 52,847 |
| Commissions Contributions Subsequent to the Measurement Date | 39,899 | - |
| Total | $ 119,868 | $ 95,437 |

$39,899 is 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | Pension Expenses Amount |
|---|---|
| 2016 | $ (11,820) |
| 2017 | (11,820) |
| 2018 | (11,820) |
| 2019 | 19,992 |

## NOTE 9 PENSION PLANS (CONTINUED)

### Actuarial Assumptions

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

| Assumptions | GERF |
|---|---|
| Inflation | 2.75% per Year |
| Salary Increases | 3.50% per Year |
| Investment Rate of Return | 7.90% |

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

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

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

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

## NOTE 9 PENSION PLANS (CONTINUED)

### Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Stocks | 45 % | 5.5 |
| International Stocks | 15 | 6.0 |
| Bonds | 18 | 1.5 |
| Alternative Assets | 20 | 6.4 |
| Cash | 2 | 0.5 |
| Totals | 100 % | |

### Discount Rate

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

### Pension Liability Sensitivity

The following presents the 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:

| Description | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| GERF Discount Rate | 6.90% | 7.90% | 8.90% |
| Commission's Proportionate Share of the GERF Net Pension Liability | $ 1,328,248 | $ 844,751 | $ 445,456 |

## NOTE 9 PENSION PLANS (CONTINUED)

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), which addresses how state and local governments must account for and report their obligations related to postemployment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB"). GASB 45 requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they do for pensions.

**Plan Description**

The Commission operates a single-employer retiree benefit plan that provides health insurance to eligible employees through the Commission's health insurance plan. There are 14 active 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.

**Funding Policy**

The Commission provides healthcare coverage for retired employees who are eligible under the earlier of age 62 and 20 years of service or age 63 and 15 years of service. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For the year ended December 31, 2015, there were no retirees, or contributions to the plan.

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Annual OPEB Cost and Net OPEB Obligation**

The Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Commission's annual OPEB cost of the year, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation to the plan.

| | |
|---|---|
| Annual Required Contribution (ARC) | $ 29,021 |
| Interest on Net OPEB Obligation | 6,452 |
| Adjustment to ARC | (9,328) |
| Annual OPEB Cost | 26,145 |
| Contributions During the Year | - |
| Increase in Net OPEB Obligation | 26,145 |
| Net OPEB - Beginning of the Year | 161,297 |
| Net OPEB - End of the Year | $ 187,442 |

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and each of the preceding two years were as follows:

| Year Ended | Annual OPEB Cost | Employer Contribution | Percentage Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| December 31, 2013 | $ 29,386 | $ - | - % | $ 130,899 |
| December 31, 2014 | 30,398 | - | - | 161,297 |
| December 31, 2015 | 26,145 | - | - | 187,442 |

**Funded Status and Funding Progress**

As of January 1, 2015, the most recent actuarial valuation date, the Commission had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $242,626 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $242,626. The annual payroll of active employees covered by the plan was $946,300 and the ratio of the UAAL to the covered payroll was 25.60%.

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Funded Status and Funding Progress (Continued)**

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

**Actuarial Methods and Assumptions**

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

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the rate of the expected long-term investment returns on the employer’s own investments. The initial healthcare trend rate was 7.2%, reduced by decrements to an ultimate rate of 5% after seven years. The UAAL is being amortized as a level dollar amount over a 30-year period on an open basis.

## NOTE 11 JOINT VENTURE

Under authorization of state statutes, the Commission joined Central Minnesota Municipal Power Agency (CMMPA) with other municipal utilities to purchase electrical power through contracts for the mutual advantage of the governments. The governing body consists of members from each of the member utilities who are appointed by the respective local utility commissions. Complete financial statements may be obtained by contacting CMMPA at 459 South Grove Street, Blue Earth, Minnesota 56013.

The Commission purchases electrical power from Xcel Energy under a contract which extends to the year 2016.

## NOTE 11 JOINT VENTURE (CONTINUED)

In September 2003, the Commission signed a power sales agreement with CMMPA to purchase electrical power from a new power plant, constructed by the Omaha Public Power District (OPPD), and to provide a share of the construction funding. This new plant came on line on May 1, 2009. The life of the contract is 40 years after the date of completion. The Commission has committed to purchase 3 megawatts from this plant which has been rated at 683 megawatts. The Commission expects its share of construction costs to be approximately $5,000,000. These construction costs will be paid to CMMPA via electricity purchase rates over the life of the 40 year contract. If other participants in this project were to default, the Commission could be held responsible to take up to 160 percent of its stated commitment.

## NOTE 12 MAJOR CUSTOMER

During the years ended December 31, 2015 and 2014, net sales to one customer totaled $2,035,762 and $1,524,708, representing 26.9 percent and 21.2 percent of total sales, respectively.

A concentration of the Commission's accounts receivable from one customer at December 31, 2015 and 2014 consisted of approximately 13.0 and 12.0 percent, respectively, of the total accounts receivable.

## NOTE 13 TRANSFERS TO CITY

Beginning in 1998, the Commission and the City of Glencoe agreed that the annual transfers in lieu of taxes would be $50,000. Starting in 2011, this amount was $75,000. In addition, the Commission approved a $2,500 increase starting in 2012 for five consecutive years. In 2015, the amount of the transfer was $85,000. In addition, the Commission provided, at no charge to the City, street lights and street light maintenance totaling $56,006 and $40,106 for the years ended December 31, 2015 and 2014, respectively.

## NOTE 14 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

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

| | Business-Type Activities |
|---|---|
| Net Position, December 31, 2014, as Previously Reported | $16,333,145 |
| Cumulative Affect of Application of GASB 68, Net Pension Liability | (836,155) |
| Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for the Commission Contributions Made During the Measurement Period (7/1/14 - 12/31/14) | 36,420 |
| Net Position, December 31, 2014, as Restated | $15,533,410 |

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# REQUIRED SUPPLEMENTARY INFORMATION

# LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
## SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY
## DECEMBER 31, 2015

| | Measurement Date June 30, 2015 |
|---|---|
| Commission's Proportion of the Net Pension Liability | 0.016% |
| Commission's Proportionate Share of the Net Pension Liability | $ 844,751 |
| Commission's Covered-Employee Payroll | $ 960,028 |
| Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll | 87.99% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.20% |

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULE OF COMMISSON CONTRIBUTIONS**
**DECEMBER 31, 2015**

| | 2015 | 2014 |
|---|---|---|
| **PERA** | | |
| Contractually Required Contribution | $ 70,549 | $ 67,852 |
| Contributions in Relation to the Contractually Required Contribution | (70,549) | (67,852) |
| Contribution Deficiency (Excess) | $ - | $ - |
| Commission's Covered-Employee Payroll | $ 960,028 | $ 947,462 |
| Contributions as a Percentage of Covered Employee Payroll | 7.35% | 7.16% |

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN**
**DECEMBER 31, 2015**

| Actuarial Valuation Date | OPEB Trust Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 1/1/2015 | $ - | $ 242,626 | $ 242,626 | - | $ 946,300 | 25.6 % |
| 1/1/2012 | - | 242,771 | 242,771 | - | 860,782 | 28.2 |
| 1/1/2009 | - | 227,983 | 227,983 | - | 1,011,987 | 22.5 |

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# SUPPLEMENTARY INFORMATION

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULES OF OPERATING EXPENSES**
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| **PRODUCTION PLANT EXPENSES AND PURCHASED POWER** | | |
| Salaries | $ 375,827 | $ 365,745 |
| Purchased Power | 4,510,857 | 4,317,013 |
| Fuel Oil, Natural Gas, and Other | 86,068 | 185,048 |
| Maintenance of Buildings | 11,985 | 21,102 |
| Maintenance of Engine/Generators | 76,233 | 83,343 |
| Total Production Plant Expenses and Purchased Power | 5,060,970 | 4,972,251 |
| **DISTRIBUTION SYSTEM EXPENSES** | | |
| Salaries | 249,273 | 239,115 |
| Supplies and Other Charges | 17,590 | 17,966 |
| Maintenance | 39,745 | 40,637 |
| Total Distribution System Expenses | 306,608 | 297,718 |
| **TRANSMISSION EXPENSES** | | |
| Salaries and Wages | 11,711 | 5,782 |
| Maintenance | 33,967 | 35,422 |
| Outside Labor | 42,814 | 18,936 |
| Consulting Services | 12,244 | 14,266 |
| Other | - | 526 |
| Total Transmission Expenses | 100,736 | 74,932 |
| **CUSTOMERS ACCOUNT EXPENSES** | | |
| Salaries | 177,124 | 171,516 |
| Uncollectible Accounts and Miscellaneous | 5,587 | 5,603 |
| Total Customer Account Expenses | 182,711 | 177,119 |
| **ADMINISTRATIVE AND GENERAL EXPENSES** | | |
| Salaries | 117,035 | 99,338 |
| Office Expense | 73,000 | 69,150 |
| Outside Services | 27,477 | 36,489 |
| Insurance | 34,666 | 50,172 |
| Employee Pensions and Benefits | 381,577 | 347,718 |
| General Maintenance | 8,523 | 9,352 |
| Transportation | 35,814 | 27,812 |
| Conservation Improvement Program | 118,604 | 121,479 |
| Miscellaneous | 56,275 | 54,024 |
| Total Administrative and General Expenses | 852,971 | 815,534 |
| **DEPRECIATION** | 1,035,517 | 1,227,098 |
| Total Operating Expenses | $ 7,539,513 | $ 7,564,652 |

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULES OF OPERATING REVENUES**
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | 2014 |
|---|---|---|
| Sales | $ 7,511,107 | $ 7,168,258 |
| Network Recovery - Nine Revenue | 510,479 | 208,155 |
| Point to Point - Seven Revenue | 27,619 | - |
| Pass Through - Eight Revenue | 33,015 | - |
| Capacity Sales | 54,875 | 16,673 |
| Penalties | 41,082 | 43,782 |
| Rent | 4,270 | 4,298 |
| City Billing revenue | 36,045 | 36,200 |
| CIP | 225,096 | 214,560 |
| Transmission Facility Credit | 515,049 | 515,049 |
| Utilities Plus Revenue | - | 13,047 |
| Miscellaneous Revenue | 28,583 | 81,225 |
| New Meter Revenue | 1,403 | 986 |
| Total Operating Revenues | $ 8,988,623 | $ 8,302,233 |

# OTHER INFORMATION
# (UNAUDITED)

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULES OF ELECTRIC METER CONNECTIONS**
**LAST TEN YEARS**
**(UNAUDITED)**

Number of meter connections as of December 31st of each year was as follows:

| Year | Electric |
|---|---|
| 2015 | 2,766 |
| 2014 | 2,763 |
| 2013 | 2,773 |
| 2012 | 2,772 |
| 2011 | 2,770 |
| 2010 | 2,766 |
| 2009 | 2,773 |
| 2008 | 2,784 |
| 2007 | 2,835 |
| 2006 | 2,846 |

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULES OF ELECTRICITY PRODUCED AND PURCHASED**
**LAST TEN YEARS**
**(UNAUDITED)**

| Calendar Year | KWH Produced | KWH Purchased |
|---|---|---|
| 2015 | 286,210 | 81,320,758 |
| 2014 | 350,340 | 75,164,076 |
| 2013 | 333,880 | 75,851,195 |
| 2012 | 182,480 | 75,360,417 |
| 2011 | 109,050 | 76,006,283 |
| 2010 | 57,860 | 78,794,361 |
| 2009 | 143,220 | 75,815,499 |
| 2008 | 19,670 | 78,939,375 |
| 2007 | 448,900 | 78,174,443 |
| 2006 | 816,010 | 78,685,513 |

# LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
## SCHEDULES OF PEAK DEMAND
## LAST TEN YEARS
### (UNAUDITED)

| Calendar Year | Peak Demand (KW) |
| --- | --- |
| 2015 | 21,700 |
| 2014 | 20,100 |
| 2013 | 22,300 |
| 2012 | 21,474 |
| 2011 | 19,800 |
| 2010 | 23,300 |
| 2009 | 21,400 |
| 2008 | 25,000 |
| 2007 | 22,000 |
| 2006 | 23,300 |

**LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE**
**SCHEDULE OF LARGEST UTILITY USERS**
**YEAR ENDED DECEMBER 31, 2015**
**(UNAUDITED)**

| Customer | Revenues | % of Total Sales |
|---|---|---|
| Customer 1 | $ 2,035,762 | 26.9 % |
| Customer 2 | 531,478 | 7.0 |
| Customer 3 | 378,669 | 5.0 |
| Customer 4 | 221,125 | 2.9 |
| Customer 5 | 215,342 | 2.8 |
| Customer 6 | 208,077 | 2.8 |
| Customer 7 | 154,352 | 2.0 |
| Customer 8 | 111,609 | 1.5 |
| Customer 9 | 84,726 | 1.1 |
| Customer 10 | 66,448 | 0.9 |

# OTHER REPORTS SECTION

**INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE**

Board of Commissioners
Light and Power Commission of the City of Glencoe
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Light and Power Commission (Commission), a component unit of the City of Glencoe, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise of the Commission's basic financial statements as listed in the table of contents and have issued our report thereon dated February 16, 2016.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to Minn. § 6.65 contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, political subdivision miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Light and Power Commission of the City of Glencoe, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Light and Power Commission of the City of Glencoe, Minnesota'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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Brainerd, Minnesota
February 16, 2016

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