

CITY OF GLENCOE, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2016

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INTRODUCTORY SECTION

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**CITY OF GLENCOE, MINNESOTA
CITY OFFICIALS
DECEMBER 31, 2016**

Elected Officials

Term Expires

Mayor	12/31/2016	Randal Wilson
Council Member	12/31/2018	John Schrupp
Council Member	12/31/2018	Allen Robeck
Council Member	12/31/2018	Gary C. Ziemer
Council Member	12/31/2016	Kevin W. Dietz
Council Member	12/31/2016	Daniel F. Perschau

Appointed Officials

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Glencoe, Minnesota's basic financial statements as listed in the table of contents.

Managements Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Honorable Mayor and
Members of the City Council
City of Glencoe

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the City of Glencoe, Minnesota's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in our report dated May 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

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

Honorable Mayor and
Members of the City Council
City of Glencoe

Supplementary Information

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 17, 2017

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BASIC FINANCIAL STATEMENTS

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**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
ASSETS				
Cash and Cash Equivalents	\$ 4,806,248	\$ 2,435,708	\$ 7,241,956	\$ 764,347
Interest Receivable	78	-	78	-
Taxes Receivable	49,553	3,524	53,077	-
Accounts Receivable	115,479	124,694	240,173	633,949
Special Assessments Receivable	1,042,754	10,379	1,053,133	-
Note Receivable	12,146	-	12,146	-
Lease Receivable	-	-	-	27,109
Other Receivables	-	-	-	321,681
Prepaid Expenses	-	-	-	123,464
Inventory	-	157,373	157,373	190,979
Land Held for Resale	419,590	-	419,590	-
Due from Component Unit	-	252,720	252,720	-
Restricted Assets	-	-	-	6,564,391
Net Pension Asset	99,452	-	99,452	-
Capital Assets:				
Land	1,359,569	545,937	1,905,506	-
Construction in Progress	1,942,925	2,103,642	4,046,567	-
Other Capital Assets, Net of Depreciation	12,308,623	17,890,121	30,198,744	16,744,370
Total Assets	<u>22,156,417</u>	<u>23,524,098</u>	<u>45,680,515</u>	<u>25,370,290</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Bond Refunding	-	8,026	8,026	38,530
Pension Related	2,102,503	329,003	2,431,506	575,994
Total Deferred Outflows of Resources	<u>2,102,503</u>	<u>337,029</u>	<u>2,439,532</u>	<u>614,524</u>
LIABILITIES				
Accounts Payable	733,018	305,390	1,038,408	453,286
Retainages Payable	215,985	-	215,985	-
Accrued Interest Payable	172,753	59,231	231,984	-
Accrued Expenses	64,180	196,551	260,731	152,261
Customer Deposits Payable	-	-	-	107,650
Other Deposits Payable	-	-	-	78
Due to the Primary Government	-	-	-	252,720
Deferred Revenue	-	-	-	-
Noncurrent Liabilities:				
Due Within One Year	1,748,500	325,000	2,073,500	627,735
Due in More Than One Year	17,871,677	4,811,563	22,683,240	6,379,210
Total Liabilities	<u>20,806,113</u>	<u>5,697,735</u>	<u>26,503,848</u>	<u>7,972,940</u>
DEFERRED INFLOWS OF RESOURCES				
Gain on Bond Refunding	946	791	1,737	-
Pension Related	360,024	89,983	450,007	145,382
Total Deferred Inflows of Resources	<u>360,970</u>	<u>90,774</u>	<u>451,744</u>	<u>145,382</u>
NET POSITION				
Net Investment in Capital Assets	6,281,618	17,165,924	23,447,542	11,491,879
Restricted for:				
Park Improvement	158,780	-	158,780	-
Street Improvement Projects	79,579	-	79,579	-
Debt Service	1,471,222	-	1,471,222	913,201
Capital Projects	1,434,763	-	1,434,763	-
Unrestricted	<u>(6,334,125)</u>	<u>906,694</u>	<u>(5,427,431)</u>	<u>5,461,412</u>
Total Net Position	<u>\$ 3,091,837</u>	<u>\$ 18,072,618</u>	<u>\$ 21,164,455</u>	<u>\$ 17,866,492</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General Government	\$ 1,042,644	\$ 397,441	\$ -	\$ 26,062
Public Safety	1,906,586	90,512	127,384	-
Highways and Streets	1,020,387	92,569	-	1,964,762
Cemetery	30,196	-	-	-
Culture and Recreation	877,029	146,926	-	12,860
Economic Development	27,750	6,055	-	-
Interest on Long-Term Debt	438,645	-	-	-
Total Governmental Activities	<u>5,343,237</u>	<u>733,503</u>	<u>127,384</u>	<u>2,003,684</u>
Business-Type Activities:				
Water Fund	762,541	1,325,074	-	1,463
Wastewater Treatment Plant Fund	939,282	1,308,142	-	2,586
Sanitation Fund	17,955	30,926	-	-
City Center Fund	487,318	91,705	-	4,264
Municipal Liquor Fund	1,541,457	1,718,611	-	-
Airport Fund	334,354	50,937	-	215,267
Storm Water Management Fund	244,453	264,131	-	-
Total Business-Type Activities	<u>4,327,360</u>	<u>4,789,526</u>	<u>-</u>	<u>223,580</u>
Total Primary Government	<u>\$ 9,670,597</u>	<u>\$ 5,523,029</u>	<u>\$ 127,384</u>	<u>\$ 2,227,264</u>
Total Component Unit	<u>\$ 8,271,075</u>	<u>\$ 9,230,101</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Taxes
Franchise Fees
Grants and Contributions Not
Restricted to Certain Purposes
Net Income from Joint Venture
Unrestricted Investment Earnings
Other
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning of Year
Net Position - End of Year

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
\$ (619,141)	\$ -	\$ (619,141)	\$ -
(1,688,690)	-	(1,688,690)	-
1,036,944	-	1,036,944	-
(30,196)	-	(30,196)	-
(717,243)	-	(717,243)	-
(21,695)	-	(21,695)	-
(438,645)	-	(438,645)	-
<u>(2,478,666)</u>	<u>-</u>	<u>(2,478,666)</u>	<u>-</u>
-	563,996	563,996	-
-	371,446	371,446	-
-	12,971	12,971	-
-	(391,349)	(391,349)	-
-	177,154	177,154	-
-	(68,150)	(68,150)	-
-	19,678	19,678	-
<u>-</u>	<u>685,746</u>	<u>685,746</u>	<u>-</u>
(2,478,666)	685,746	(1,792,920)	-
			959,026
2,520,371	150,599	2,670,970	-
29,858	-	29,858	-
1,352,340	-	1,352,340	-
-	-	-	-
5,048	31,674	36,722	114,923
113,465	28,022	141,487	-
<u>(1,648,626)</u>	<u>1,648,626</u>	<u>-</u>	<u>-</u>
<u>2,372,456</u>	<u>1,858,921</u>	<u>4,231,377</u>	<u>114,923</u>
<u>(106,210)</u>	<u>2,544,667</u>	<u>2,438,457</u>	<u>1,073,949</u>
<u>3,198,047</u>	<u>15,527,951</u>	<u>18,725,998</u>	<u>16,792,543</u>
<u>\$ 3,091,837</u>	<u>\$ 18,072,618</u>	<u>\$ 21,164,455</u>	<u>\$ 17,866,492</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

	2016		
	General	2015 Street Improvement	2016 Street Improvement
ASSETS			
Cash and Cash Equivalents	\$ 2,371,058	\$ 98,531	\$ 912,847
Accounts Receivable	94,521	11,940	-
Interest Receivable	-	-	-
Note Receivable	-	-	-
Taxes Receivable			
Current	16,716	1,174	-
Delinquent	16,934	1,736	-
Special Assessments Receivable			
Current	240	-	-
Noncurrent	5,820	849,751	-
Due from Other Funds	180,315	-	-
Land Held for Resale	65,270	-	-
	<u>2,750,874</u>	<u>963,132</u>	<u>912,847</u>
Total Assets	<u>\$ 2,750,874</u>	<u>\$ 963,132</u>	<u>\$ 912,847</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 161,134	\$ -	\$ 161,703
Retainages Payable	-	-	158,544
Accrued Expenses	64,180	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>225,314</u>	<u>-</u>	<u>320,247</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>22,753</u>	<u>851,487</u>	<u>-</u>
FUND BALANCES			
Nonspendable	65,270	-	-
Restricted for:			
Park Improvement	158,780	-	-
Street Improvement Projects	-	-	-
Debt Service	-	111,645	-
Capital Projects	-	-	592,600
Committed for:			
Aquatic Center	-	-	-
Cable TV	-	-	-
Assigned for:			
Park Improvement	78,972	-	-
Cemetery	44,377	-	-
Unassigned	2,155,408	-	-
Total Fund Balances	<u>2,502,807</u>	<u>111,645</u>	<u>592,600</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,750,874</u>	<u>\$ 963,132</u>	<u>\$ 912,847</u>

See accompanying Notes to Financial Statements

2016		2015	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 1,423,812	\$ 4,806,248	\$ 3,895,258	
9,018	115,479	32,116	
78	78	95	
12,146	12,146	15,000	
6,389	24,279	25,366	
6,604	25,274	24,122	
236	476	948	
186,707	1,042,278	205,719	
-	180,315	325,595	
354,320	419,590	424,000	
<u>\$ 1,999,310</u>	<u>\$ 6,626,163</u>	<u>\$ 4,948,219</u>	
\$ 410,181	\$ 733,018	\$ 273,919	
57,441	215,985	272,839	
-	64,180	51,883	
180,315	180,315	325,595	
<u>647,937</u>	<u>1,193,498</u>	<u>924,236</u>	
<u>193,311</u>	<u>1,067,551</u>	<u>229,841</u>	
366,466	431,736	439,000	
-	158,780	206,646	
79,579	79,579	133,916	
525,445	637,090	497,334	
475,697	1,068,297	756,641	
1,558	1,558	2,017	
39,135	39,135	30,513	
-	78,972	65,945	
-	44,377	67,645	
(329,818)	1,825,590	1,594,488	
<u>1,158,062</u>	<u>4,365,114</u>	<u>3,794,145</u>	
<u>\$ 1,999,310</u>	<u>\$ 6,626,163</u>	<u>\$ 4,948,222</u>	

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**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016**

Total Fund Balance for Governmental Funds		\$ 4,365,114
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 1,359,569	
Construction in Progress	1,942,925	
Buildings, Net of Accumulated Depreciation	3,399,292	
Vehicles, Net of Accumulated Depreciation	422,701	
Machinery and Shop Equipment, Net of Accumulated Depreciation	410,927	
Improvements Other than Buildings, Net of Accumulated Depreciation	1,747,729	
Infrastructure, Net of Accumulated Depreciation	<u>6,327,974</u>	15,611,117
Some of the City's property taxes, special assessments and notes receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the governmental funds.		
		1,067,551
Gain on Refunding is reported as a Deferred Inflow of Resources in the Statement of Net Position		
		(946)
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
		(172,753)
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	99,452	
Net Pension Liability	(3,065,063)	
Deferred Outflows of Resources - Pension Related	2,102,503	
Deferred Inflows of Resources - Pension Related	<u>(360,024)</u>	(1,223,132)
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	(16,027,998)	
Other Postemployment Benefits Payable	(201,318)	
Compensated Absences Payable	<u>(325,798)</u>	<u>(16,555,114)</u>
Total Net Position of Governmental Activities		<u><u>\$ 3,091,837</u></u>

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	2016		
	General	2015 Street Improvement	2016 Street Improvement
REVENUES			
Taxes	\$ 1,437,834	\$ 145,561	\$ -
Licenses and Permits	182,642	-	-
Intergovernmental	1,489,270	-	712,500
Charges for Services	165,707	-	-
Fines and Forfeits	33,746	-	-
Assessments	4,931	124,952	-
Interest Income	2,143	(148)	1,335
Contributions and Donations	38,422	-	-
Payment in Lieu of Taxes	87,500	-	-
Franchise Fees	12,398	-	-
Miscellaneous	163,973	11,317	15,173
Total Revenues	<u>3,618,566</u>	<u>281,682</u>	<u>729,008</u>
EXPENDITURES			
Current:			
General Government	835,805	-	-
Public Safety	1,486,478	-	-
Highways and Streets	478,295	-	1,485,110
Cemetery	28,850	-	-
Culture-Recreation	501,602	-	-
Economic Development	8,445	-	-
Miscellaneous	117,772	-	-
Capital Outlay:			
General Government	3,156	-	-
Public Safety	26,973	-	-
Highways and Streets	49,162	-	2,270,852
Cemetery	-	-	-
Culture-Recreation	78,787	-	-
Debt Service:			
Principal	221,213	385,000	-
Interest	29,865	208,706	-
Fiscal Charges	-	-	75,431
Total Expenditures	<u>3,866,403</u>	<u>593,706</u>	<u>3,831,393</u>
Deficiency of Revenues Under Expenditures	(247,837)	(312,024)	(3,102,385)
OTHER FINANCING SOURCES (USES)			
Transfers In	249,570	300,000	-
Transfers Out	(39,000)	-	(50,000)
Lease Proceeds	26,883	-	-
Loan Proceeds	-	-	-
Bond Proceeds	-	-	4,025,000
Bond Premium	-	-	103,704
Auction Proceeds	478	-	-
Proceeds from the Sale of Capital Assets	1,150	-	-
Insurance Proceeds	73,892	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>312,973</u>	<u>300,000</u>	<u>4,078,704</u>
Net Change in Fund Balances	65,136	(12,024)	976,319
Fund Balances - Beginning of Year	<u>2,437,671</u>	<u>123,669</u>	<u>(383,719)</u>
Fund Balances - End of Year	<u>\$ 2,502,807</u>	<u>\$ 111,645</u>	<u>\$ 592,600</u>

See accompanying Notes to Financial Statements

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

2016		2015	
Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 920,241	\$ 2,503,636	\$ 2,367,165	
-	182,642	114,400	
100,000	2,301,770	1,607,946	
93,525	259,232	231,603	
-	33,746	32,077	
185,821	315,704	169,208	
1,718	5,048	5,567	
-	38,422	37,132	
-	87,500	85,000	
29,858	42,256	39,402	
13,156	203,619	200,548	
<u>1,344,319</u>	<u>5,973,575</u>	<u>4,890,048</u>	
-	835,805	1,061,903	
-	1,486,478	1,360,608	
470,213	2,433,618	1,079,225	
-	28,850	18,218	
136,499	638,101	543,886	
19,305	27,750	147,382	
-	117,772	140,718	
-	3,156	3,856	
-	26,973	40,196	
301,120	2,621,134	5,474,400	
-	-	5,600	
-	78,787	177,241	
765,000	1,371,213	748,940	
130,773	369,344	193,088	
20,281	95,712	130,477	
<u>1,843,191</u>	<u>10,134,693</u>	<u>11,125,738</u>	
(498,872)	(4,161,118)	(6,235,690)	
244,500	794,070	498,552	
(235,500)	(324,500)	(420,958)	
-	26,883	185,705	
-	-	82,927	
875,000	4,900,000	6,735,000	
26,410	130,114	250,465	
-	478	-	
-	1,150	3,913	
-	73,892	14,849	
<u>(870,000)</u>	<u>(870,000)</u>	<u>-</u>	
40,410	4,732,087	7,350,453	
(458,462)	570,969	1,114,763	
<u>1,616,524</u>	<u>3,794,145</u>	<u>2,679,382</u>	
<u>\$ 1,158,062</u>	<u>\$ 4,365,114</u>	<u>\$ 3,794,145</u>	

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**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Net Change in Fund Balance - Total Governmental Funds \$ 570,969

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

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

Capital Outlay	\$ 2,456,763	
Proceeds from Sales of Capital Assets	(1,150)	
Loss on Disposal of Capital Assets	(29,417)	
Depreciation Expense	<u>(686,372)</u>	1,739,824

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.

Bond Premium	(130,114)	
Bond Proceeds	(4,900,000)	
Lease Proceeds	(26,883)	
Repayment of Bond, Equipment Certificates and Lease Principal	2,241,212	
Change in Accrued Interest	(7,036)	
Amortization of Bond Premiums	25,715	
Amortization of Bond Discounts	(279)	
Amortization of Gain on Bond Refunding	<u>85</u>	(2,797,300)

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

Unavailable Revenue - December 31, 2015	229,843	
Unavailable Revenue - December 31, 2016	<u>1,067,551</u>	837,708

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses in the Statement of Activities are measured by the change in the Net Pension Asset, Net Pension Liability and the related Deferred Outflows and Inflows of Resources. (376,066)

In the Statement of Activities, compensated absences and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (81,345)

Change in Net Position of Governmental Activities \$ (106,210)

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,453,570	\$ 877,777	\$ 3,625
Accounts Receivable	2,583	2,833	4,632
Taxes Receivable	-	-	-
Special Assessments Receivable	4,729	5,650	-
Inventory	-	-	-
Due from Other Funds	132,157	-	-
Due from Component Unit	105,837	114,773	2,407
Total Current Assets	<u>1,698,876</u>	<u>1,001,033</u>	<u>10,664</u>
NONCURRENT ASSETS			
Capital Assets			
Land	41,628	312,678	-
Construction in Progress	733,543	230,167	-
Other Capital Assets (Net of Accumulated Depreciation)	3,631,524	5,119,655	-
Total Capital Assets	<u>4,406,695</u>	<u>5,662,500</u>	<u>-</u>
Total Noncurrent Assets	<u>4,406,695</u>	<u>5,662,500</u>	<u>-</u>
Total Assets	<u>6,105,571</u>	<u>6,663,533</u>	<u>10,664</u>
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	5,292	2,734	-
Pension Related	116,272	112,268	-
Total Deferred Outflows of Resources	<u>121,564</u>	<u>115,002</u>	<u>-</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	62,102	85,832	3,842
Retainages Payable	-	-	-
Accrued Interest Payable	1,323	3,088	-
Compensated Absences Payable	66,810	71,937	-
Accrued Expenses	9,565	9,617	-
Due to Other Funds	-	-	-
Revenue Bonds Payable	40,000	55,000	-
Total Current Liabilities	<u>179,800</u>	<u>225,474</u>	<u>3,842</u>
NONCURRENT LIABILITIES			
Other Postemployment Benefits Payable	29,194	49,524	-
Net Pension Liability	279,677	270,045	-
Revenue Bonds Payable	195,000	304,550	-
Total Noncurrent Liabilities	<u>503,871</u>	<u>624,119</u>	<u>-</u>
Total Liabilities	<u>683,671</u>	<u>849,593</u>	<u>3,842</u>
DEFERRED INFLOWS OF RESOURCES			
Gain on Bond Refunding	-	-	-
Pension Related	31,801	30,705	-
Total Deferred Inflows of Resources	<u>31,801</u>	<u>30,705</u>	<u>-</u>
NET POSITION			
Net Investment in Capital Assets	4,176,987	5,305,684	-
Unrestricted	1,334,676	592,553	6,822
Total Net Position	<u>\$ 5,511,663</u>	<u>\$ 5,898,237</u>	<u>\$ 6,822</u>

See accompanying Notes to Financial Statements

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2016	2015
				Total Proprietary Funds	Total Proprietary Funds
\$ 12,494	\$ 70,828	\$ -	\$ 17,414	\$ 2,435,708	\$ 1,744,293
3,063	-	108,790	2,793	124,694	1,409,230
3,399	-	125	-	3,524	4,353
-	-	-	-	10,379	13,483
-	157,373	-	-	157,373	147,297
-	-	-	-	132,157	224,055
-	-	-	29,703	252,720	246,241
<u>18,956</u>	<u>228,201</u>	<u>108,915</u>	<u>49,910</u>	<u>3,116,555</u>	<u>3,788,952</u>
-	30,207	161,424	-	545,937	545,937
-	-	-	1,139,932	2,103,642	1,900,005
<u>2,869,343</u>	<u>661,474</u>	<u>3,045,424</u>	<u>2,562,701</u>	<u>17,890,121</u>	<u>16,457,673</u>
<u>2,869,343</u>	<u>691,681</u>	<u>3,206,848</u>	<u>3,702,633</u>	<u>20,539,700</u>	<u>18,903,615</u>
<u>2,869,343</u>	<u>691,681</u>	<u>3,206,848</u>	<u>3,702,633</u>	<u>20,539,700</u>	<u>18,903,615</u>
<u>2,888,299</u>	<u>919,882</u>	<u>3,315,763</u>	<u>3,752,543</u>	<u>23,656,255</u>	<u>22,692,567</u>
-	-	-	-	8,026	9,863
<u>56,007</u>	<u>44,456</u>	<u>-</u>	<u>-</u>	<u>329,003</u>	<u>76,054</u>
<u>56,007</u>	<u>44,456</u>	<u>-</u>	<u>-</u>	<u>337,029</u>	<u>85,917</u>
3,577	56,517	46,522	46,998	305,390	1,451,464
-	-	-	-	-	77,365
45,543	694	-	8,583	59,231	61,684
17,077	12,637	-	-	168,461	156,970
5,035	3,873	-	-	28,090	27,174
103,940	-	28,217	-	132,157	224,055
120,000	30,000	-	80,000	325,000	318,000
<u>295,172</u>	<u>103,721</u>	<u>74,739</u>	<u>135,581</u>	<u>1,018,329</u>	<u>2,316,712</u>
17,840	7,326	-	-	103,884	86,816
134,718	106,934	-	-	791,374	549,867
<u>2,013,000</u>	<u>440,000</u>	<u>-</u>	<u>963,755</u>	<u>3,916,305</u>	<u>4,241,119</u>
<u>2,165,558</u>	<u>554,260</u>	<u>-</u>	<u>963,755</u>	<u>4,811,563</u>	<u>4,877,802</u>
<u>2,460,730</u>	<u>657,981</u>	<u>74,739</u>	<u>1,099,336</u>	<u>5,829,892</u>	<u>7,194,514</u>
-	-	-	791	791	862
<u>15,318</u>	<u>12,159</u>	<u>-</u>	<u>-</u>	<u>89,983</u>	<u>55,157</u>
<u>15,318</u>	<u>12,159</u>	<u>-</u>	<u>791</u>	<u>90,774</u>	<u>56,019</u>
736,343	221,681	3,206,848	3,518,381	17,165,924	15,198,166
(268,085)	72,517	34,176	(865,965)	906,694	329,785
<u>\$ 468,258</u>	<u>\$ 294,198</u>	<u>\$ 3,241,024</u>	<u>\$ 2,652,416</u>	<u>\$ 18,072,618</u>	<u>\$ 15,527,951</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 YEAR ENDED DECEMBER 31, 2016
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 1,321,367	\$ 1,302,843	\$ 7,147
Other Operating Revenues	3,707	5,299	23,779
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>1,325,074</u>	<u>1,308,142</u>	<u>30,926</u>
OPERATING EXPENSES			
Personal Services	286,635	345,779	8,924
Materials and Supplies	83,293	41,799	-
Repairs and Maintenance	19,279	79,247	-
Management Fees	57,730	13,150	2,793
Professional Services	23,771	118,320	3,792
Insurance	16,625	24,995	37
Utilities	58,423	87,348	600
Depreciation	106,735	193,097	-
Other	105,438	17,855	1,809
Total Operating Expenses	<u>757,929</u>	<u>921,590</u>	<u>17,955</u>
Operating Income (Loss)	567,145	386,552	12,971
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	1,463	2,586	-
Taxes	-	-	-
Federal Aid and Grants	-	-	-
State Aid and Grants	-	-	-
Donations	-	-	-
Insurance Proceeds	21,934	5,751	-
Interest on Investments	1,733	901	26
Interest Expense and Fiscal Charges	(4,612)	(14,272)	-
Auction Proceeds	-	248	-
Loss on Sale of Capital Assets	-	(3,420)	-
Total Nonoperating Revenues (Expenses)	<u>20,518</u>	<u>(8,206)</u>	<u>26</u>
Net Income (Loss) Before Transfers	587,663	378,346	12,997
TRANSFERS			
Transfers In	734,605	238,611	-
Transfers Out	(165,000)	(225,000)	(24,570)
Total Contributions and Transfers	<u>569,605</u>	<u>13,611</u>	<u>(24,570)</u>
Change in Net Position	1,157,268	391,957	(11,573)
Net Position - Beginning of Year	<u>4,354,395</u>	<u>5,506,280</u>	<u>18,395</u>
Net Position - End of Year	<u>\$ 5,511,663</u>	<u>\$ 5,898,237</u>	<u>\$ 6,822</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2016 Total Proprietary Funds	2015 Total Proprietary Funds
\$ 63,786	\$ -	\$ 42,905	\$ 264,106	\$ 3,002,154	\$ 2,651,867
27,919	-	8,032	25	68,761	73,180
-	1,718,611	-	-	1,718,611	1,632,685
-	(1,263,502)	-	-	(1,263,502)	(1,211,902)
<u>91,705</u>	<u>455,109</u>	<u>50,937</u>	<u>264,131</u>	<u>3,526,024</u>	<u>3,145,830</u>
184,489	127,623	-	-	953,450	982,388
10,837	31,628	14,159	-	181,716	168,175
27,606	6,437	4,168	28,320	165,057	212,537
-	-	1,139	-	74,812	70,029
4,065	4,494	77,523	94,080	326,045	155,128
20,343	6,767	16,115	2,112	86,994	75,423
17,533	14,804	4,458	-	183,166	186,262
71,476	42,990	210,697	98,301	723,296	622,707
40,372	25,674	6,095	-	197,243	233,030
<u>376,721</u>	<u>260,417</u>	<u>334,354</u>	<u>222,813</u>	<u>2,891,779</u>	<u>2,705,679</u>
(285,016)	194,692	(283,417)	41,318	634,245	440,151
-	-	-	-	4,049	7,842
150,694	-	(95)	-	150,599	180,257
-	-	165,296	-	165,296	1,752,533
-	-	49,971	-	49,971	122,609
4,264	-	-	-	4,264	15,244
-	-	-	-	27,685	833
29,103	161	(206)	(44)	31,674	31,787
(110,597)	(17,538)	-	(20,869)	(167,888)	(173,771)
89	-	-	-	337	-
-	-	-	(771)	(4,191)	(19,791)
<u>73,553</u>	<u>(17,377)</u>	<u>214,966</u>	<u>(21,684)</u>	<u>261,796</u>	<u>1,917,543</u>
(211,463)	177,315	(68,451)	19,634	896,041	2,357,694
200,000	-	-	1,144,980	2,318,196	3,132,427
-	(220,000)	-	(35,000)	(669,570)	(240,000)
<u>200,000</u>	<u>(220,000)</u>	<u>-</u>	<u>1,109,980</u>	<u>1,648,626</u>	<u>2,892,427</u>
(11,463)	(42,685)	(68,451)	1,129,614	2,544,667	5,250,121
<u>479,721</u>	<u>336,883</u>	<u>3,309,475</u>	<u>1,522,802</u>	<u>15,527,951</u>	<u>10,277,830</u>
<u>\$ 468,258</u>	<u>\$ 294,198</u>	<u>\$ 3,241,024</u>	<u>\$ 2,652,416</u>	<u>\$ 18,072,618</u>	<u>\$ 15,527,951</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2016**

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

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 1,294,761	\$ 1,312,582	\$ 31,718
Cash Paid to Suppliers	(370,541)	(384,156)	(5,239)
Cash Paid to Employees	(358,657)	(337,069)	(8,924)
Net Cash Provided (Used) by Operating Activities	565,563	591,357	17,555
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(165,000)	(225,000)	(24,570)
Net Cash Provided (Used) by Noncapital Financing Activities	(165,000)	(225,000)	(24,570)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund Cash Borrowed	126,560	-	-
Principal Paid on Bonds	(45,000)	(55,000)	-
Principal Paid on Capital Leases	-	-	-
Collection of Special Assessments	3,459	3,694	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(3,370)	(14,205)	-
Acquisition of Capital Assets	(96,103)	(25,758)	-
Capital Contributions Received	-	-	-
Insurance Proceeds	21,934	5,751	-
Auction Proceeds	-	248	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	7,480	(85,270)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	1,733	901	26
Net Increase (Decrease) in Cash and Cash Equivalents	409,776	281,988	(6,989)
Cash and Cash Equivalents - January 1	1,043,794	595,789	10,614
Cash and Cash Equivalents - December 31	<u>\$ 1,453,570</u>	<u>\$ 877,777</u>	<u>\$ 3,625</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 567,145	\$ 386,552	\$ 12,971
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	106,735	193,097	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(730)	4,877	(359)
(Increase) Decrease in Due from Other Funds	(34,662)	-	-
(Increase) Decrease in Due from Component Unit	5,079	(437)	1,151
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	(63,712)	(14,592)	3,792
Increase in Compensated Absences Payable	764	6,399	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase in OPEB Payable	806	9,061	-
Increase (Decrease) in Accrued Expenses	(1,684)	668	-
Pension Related	(14,178)	5,732	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 565,563</u>	<u>\$ 591,357</u>	<u>\$ 17,555</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Loss on Bond Refunding	\$ 1,381	\$ 456	\$ -
Amortization of Gain on Bond Refunding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of Bond Discount	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ -</u>
Transfer of Capital Assets	<u>\$ 734,605</u>	<u>\$ 238,611</u>	<u>\$ -</u>
Loss on Disposal of Capital Assets	<u>\$ -</u>	<u>\$ (3,420)</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2016	2015
				Total Proprietary Funds	Total Proprietary Funds
\$ 91,727	\$ 1,718,711	\$ 46,889	\$ 251,377	\$ 4,747,765	\$ 4,548,204
(84,927)	(1,361,181)	(122,518)	(102,857)	(2,431,419)	(2,293,854)
(153,428)	(113,393)	(1,139)	-	(972,610)	(1,004,053)
(146,628)	244,137	(76,768)	148,520	1,343,736	1,250,297
-	-	-	-	-	2,642
-	-	-	-	-	881
200,000	-	-	-	200,000	162,406
-	(220,000)	-	(35,000)	(669,570)	(240,000)
200,000	(220,000)	-	(35,000)	(469,570)	(74,071)
-	-	(126,560)	-	-	-
(114,000)	(29,000)	-	(75,000)	(318,000)	(312,000)
-	-	-	-	-	(334)
-	-	-	-	7,153	8,161
150,853	-	575	-	151,428	182,768
(112,187)	(17,566)	-	(21,062)	(168,390)	(185,282)
-	-	(1,297,464)	-	(1,419,325)	(1,089,995)
4,264	-	-	-	4,264	15,244
-	-	-	-	27,685	833
89	-	-	-	337	-
29,441	-	-	-	29,441	30,198
-	-	1,380,049	-	1,380,049	1,348,854
-	-	120,374	-	120,374	144,262
(41,540)	(46,566)	76,974	(96,062)	(184,984)	142,709
(338)	161	(206)	(44)	2,233	1,589
11,494	(22,268)	-	17,414	691,415	1,320,524
1,000	93,096	-	-	1,744,293	423,769
\$ 12,494	\$ 70,828	\$ -	\$ 17,414	\$ 2,435,708	\$ 1,744,293
\$ (285,016)	\$ 194,692	\$ (283,417)	\$ 41,318	\$ 634,245	\$ 440,151
71,476	42,990	210,697	98,301	723,296	622,707
22	100	(4,048)	(482)	(620)	107,102
-	-	-	-	(34,662)	115,361
-	-	-	(12,272)	(6,479)	(31,991)
-	(10,076)	-	-	(10,076)	(13,073)
(3,057)	2,201	-	25,879	(49,489)	81,766
2,458	1,870	-	-	11,491	5,930
38,886	-	-	(4,224)	34,662	(115,361)
5,665	1,536	-	-	17,068	16,746
1,376	556	-	-	916	4,846
21,562	10,268	-	-	23,384	16,113
\$ (146,628)	\$ 244,137	\$ (76,768)	\$ 148,520	\$ 1,343,736	\$ 1,250,297
\$ -	\$ -	\$ -	\$ -	\$ 1,837	\$ 1,837
\$ -	\$ -	\$ -	\$ (71)	\$ (71)	\$ (72)
\$ -	\$ -	\$ -	\$ 111	\$ 186	\$ 187
\$ -	\$ -	\$ -	\$ 1,144,980	\$ 2,118,196	\$ 2,970,031
\$ -	\$ -	\$ -	\$ (771)	\$ (4,191)	\$ -

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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Glencoe have been prepared in conformity with accounting principles generally accepted in the United States of America 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 require that the City's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the City. In addition, the City's financial statements are to include all component units – entities for which the City is financially accountable.

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

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

Discrete Presentation

Light and Power Commission

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

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

Excluded Units -

Glencoe Fire Department Relief Association - This association is organized as a 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 Relief are not held for the direct benefit of the City and the City is not entitled to nor does it have the ability to access the Relief's economic resources.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

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

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

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

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

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City reports the following major governmental funds:

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

2015 Street Improvement Fund – This debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and other activity related to the \$6,735,000 General Obligation Improvement Bonds, Series 2015A.

2016 Street Improvement Fund – This capital project fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, specifically the 2016 Street Improvement Project.

The City reports the following major proprietary funds:

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

Wastewater Treatment Plant Fund – This accounts for the wastewater treatment plant service charges, which are used to finance the wastewater treatment plant operating expenses.

Sanitation Fund – This accounts for the sanitation service charges, which are used to finance sanitation operating expenses.

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 enterprise funds and various other functions of government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from 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 enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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. The City currently does not hold any investments subject to the fair value levels.

Taxes and Special Assessments

Current taxes and special assessments receivable at December 31, 2016, 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 2016 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 30th of each year are certified to the County for collection with property taxes during the following year. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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)

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.

Capital Assets

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

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

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

Deferred Outflows of Resources

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

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, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Postemployment Benefits Payable

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

Long-Term Obligations

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued and premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred Inflows of Resources

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

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, 2016**

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.

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, 2015, from which the summarized comparative information was derived. Certain amounts in the prior year financial statements have been reclassified for comparative purposes with the presentation in the current year financial statements.

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2016.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 3,400,851	\$ 3,866,403

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

C. Deficit Fund Balances

Certain funds had deficit fund balances at December 31, 2016, as follows:

Debt Service Fund		
County State Aid Hwy #3 Bond	\$	(46,728)
Capital Project Fund		
2016 Street Improvement		(283,090)

The deficit in the Debt Service Fund will be reduced as taxes, intergovernmental revenue and assessments are collected. The deficit in the Capital Project Fund will be reduced through future bonds issued.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016.

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.

The City’s deposits in the depository banks at December 31, 2016 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- 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, 2016.

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

Deposits	<u>\$ 7,241,956</u>
Total Cash and Cash Equivalents	<u><u>\$ 7,241,956</u></u>

These amounts are reported are presented on the
Statement of Net Position as follows:

Cash and Cash Equivalents - Governmental Activities	\$ 4,806,248
Cash and Cash Equivalents - Business-Type Activities	<u>2,435,708</u>
Total	<u><u>\$ 7,241,956</u></u>

NOTE 4 NOTE RECEIVABLE

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,351,661	\$ 7,908	\$ -	\$ 1,359,569
Construction in Progress	-	1,942,925	-	1,942,925
Total Capital Assets, Not Being Depreciated	1,351,661	1,950,833	-	3,302,494
Capital Assets, Being Depreciated:				
Buildings	4,665,892	21,615	-	4,687,507
Improvements Other than Buildings	3,593,300	20,158	-	3,613,458
Office Equipment and Furniture	45,214	-	(45,214)	-
Vehicles	1,764,505	-	-	1,764,505
Machinery and Shop Equipment	949,359	114,997	(41,600)	1,022,756
Infrastructure	12,074,562	349,160	(223,197)	12,200,525
Total Capital Assets, Being Depreciated	23,092,832	505,930	(310,011)	23,288,751
Accumulated Depreciation:				
Buildings	(1,189,792)	(98,423)	-	(1,288,215)
Improvements Other than Buildings	(1,724,164)	(141,565)	-	(1,865,729)
Office Equipment and Furniture	(29,546)	(1,741)	31,287	-
Vehicles	(1,256,494)	(85,310)	-	(1,341,804)
Machinery and Shop Equipment	(568,990)	(67,799)	24,960	(611,829)
Infrastructure	(5,804,214)	(291,534)	223,197	(5,872,551)
Total Accumulated Depreciation	(10,573,200)	(686,372)	279,444	(10,980,128)
Total Capital Assets, Being Depreciated, Net	12,519,632	(180,442)	(30,567)	12,308,623
Governmental Activities Capital Assets, Net	<u>\$ 13,871,293</u>	<u>\$ 1,770,391</u>	<u>\$ (30,567)</u>	<u>\$ 15,611,117</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 26,639
Public Safety	96,572
Public Works	382,786
Culture and Recreation	180,375
Total Depreciation Expense, Governmental Activities	<u>\$ 686,372</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets, not Being Depreciated				
Land	\$ 545,937	\$ -	\$ -	\$ 545,937
Construction in Progress	1,900,005	2,103,642	(1,900,005)	2,103,642
Total Capital Assets, not Being Depreciated	2,445,942	2,103,642	(1,900,005)	2,649,579
Capital Assets, Being Depreciated:				
Buildings	10,765,427	-	-	10,765,427
Improvements Other than Buildings	1,783,133	2,023,520	-	3,806,653
Vehicles	164,412	67,476	(50,092)	181,796
Office Equipment and Furniture	73,787	-	(10,085)	63,702
Machinery and Shop Equipment	1,388,371	54,385	(7,700)	1,435,056
Infrastructure	12,723,631	3,263,664	(3,292,365)	12,694,930
Total Capital Assets, Being Depreciated	26,898,761	5,409,045	(3,360,242)	28,947,564
Accumulated Depreciation:				
Buildings	(4,622,124)	(201,133)	-	(4,823,257)
Improvements Other than Buildings	(367,145)	(222,266)	-	(589,411)
Vehicles	(135,060)	(14,009)	50,092	(98,977)
Office Equipment and Furniture	(30,822)	(5,215)	10,085	(25,952)
Machinery and Shop Equipment	(1,142,010)	(37,415)	7,700	(1,171,725)
Infrastructure	(4,143,927)	(243,258)	39,064	(4,348,121)
Total Accumulated Depreciation	(10,441,088)	(723,296)	106,941	(11,057,443)
Total Capital Assets, Being Depreciated, Net	16,457,673	4,685,749	(3,253,301)	17,890,121
Business-Type Capital Assets, Net	<u>\$ 18,903,615</u>	<u>\$ 6,789,391</u>	<u>\$ (5,153,306)</u>	<u>\$ 20,539,700</u>

Depreciation expense was charged to proprietary activities as follows:

Proprietary Activities:	
Water Fund	\$ 106,735
Wastewater Treatment Plant Fund	193,097
City Center Fund	71,476
Municipal Liquor Fund	42,990
Airport Fund	210,697
Storm Water Management Fund	98,301
Total Depreciation Expense, Governmental Activities	<u>\$ 723,296</u>

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2016 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 180,315	\$ -
Nonmajor Governmental Funds	-	180,315
Water Fund	132,157	-
City Center Fund	-	103,940
Airport Fund	-	28,217
Total	<u>\$ 312,472</u>	<u>\$ 312,472</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2016:

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities -							
<u>General Obligation Bonds</u>							
\$945,000 G.O. Refunding Bonds - Series 2008B \$730,000 Portion	2.75% - 4.00%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	\$ 295,000	\$ -	\$ (70,000)	\$ 225,000	\$ 70,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	160,000	-	(75,000)	85,000	85,000
\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B	1.10% - 2.85%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/19	245,000	-	(55,000)	190,000	60,000
\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B \$315,000 Portion	.50% - 2.10%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19	120,000	-	(30,000)	90,000	30,000
\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B \$410,000 Portion	.50% - 2.10%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/19	280,000	-	(70,000)	210,000	70,000
\$380,000 Taxable G.O. Tax Increment Bonds - Series 2014C	3.25% - 4.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/29	380,000	-	(20,000)	360,000	20,000
Total General Obligation Bonds			1,480,000	-	(320,000)	1,160,000	335,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities - (Continued)							
<u>General Obligation Equipment</u>							
<u>Certificates of Indebtedness</u>							
\$245,000 G.O. Equipment Certificate of Indebtedness Series 2013	3.00%	Interest and principal due annually on 2/20, until 2/20/18	\$ 146,857	\$ -	\$ (47,795)	\$ 99,062	\$ 49,185
Total General Obligation Equipment Certificates of Indebtedness			146,857	-	(47,795)	99,062	49,185
<u>Special Assessment Bonds</u>							
\$1,430,000 G.O. Street Reconstruction Bonds - Series 2008A These Bonds were Paid Off in 2016	2.85% - 4.20%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/24	960,000	-	(960,000)	-	-
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	220,000	-	(110,000)	110,000	110,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	180,000	-	(60,000)	120,000	55,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	750,000	-	(60,000)	690,000	60,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities - (Continued)							
<u>Special Assessment Bonds (Continued)</u>							
\$1,925,000 G.O. Improvement Bonds - Series 2014A	2.00% - 2.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/25	\$ 1,925,000	\$ -	\$ (180,000)	\$ 1,745,000	\$ 180,000
\$6,735,000 G.O. Improvement Bonds - Series 2015A	2.00% - 3.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/30	6,735,000	-	(385,000)	6,350,000	410,000
\$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	-	4,025,000	-	4,025,000	190,000
\$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	-	875,000	-	875,000	100,000
Total Special Assessment Bonds			<u>10,770,000</u>	<u>4,900,000</u>	<u>(1,755,000)</u>	<u>13,915,000</u>	<u>1,105,000</u>
Total Bonds Payable			12,396,857	4,900,000	(2,122,795)	15,174,062	1,489,185
<u>Loans</u>							
DEED Loan	2.00%	Interest due semi- annually on 2/15 and 8/15 and principal due annually on 2/15 until 2/15/30	82,927	-	-	82,927	-
Total Loans			82,927	-	-	82,927	-

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Governmental Activities - (Continued)							
<u>Capital Leases</u>							
Johnson Control Project	4.38%	Lease payment of \$31,001 due semi-annually until 2/25/21	\$ 309,832	\$ -	\$ (50,984)	\$ 258,848	\$ 53,241
2013 Bobcat Skid Steer Loader	6.31%	Lease payments of \$10,404 due annually until 3/20/18	18,992	-	(9,205)	9,787	9,786
2014 Kubota Tractor	5.75%	Lease payments of \$870 due monthly until 2/3/17	11,749	-	(10,022)	1,727	1,727
2015 Freightliner Plow Truck	3.28%	Lease payments of \$36,890 due annually until 1/15/19	136,215	-	(32,424)	103,791	33,487
2015 Toro Mowers	0.00%	Lease payments of \$525 due monthly until 5/9/17	8,925	-	(6,300)	2,625	2,625
2016 Bobcat Skid Steer Loader	5.94%	Lease payments of \$9,482 due annually until 2/25/19	-	26,883	(9,482)	17,401	8,449
Total Capital Leases			485,713	26,883	(118,417)	394,179	109,315
Unamortized Bond Discount			(1,935)	-	279	(1,656)	-
Unamortized Bond Premium			274,087	130,114	(25,715)	378,486	-
Compensated Absences Payable			284,941	183,806	(142,949)	325,798	150,000
Other Postemployment Benefits Payable			160,830	52,703	(12,215)	201,318	-
Net Pension Liability			1,193,488	2,842,731	(971,156)	3,065,063	-
Total Governmental Activities Long-Term Liabilities			<u>\$ 14,876,908</u>	<u>\$ 8,136,237</u>	<u>\$ (3,392,968)</u>	<u>\$ 19,620,177</u>	<u>\$ 1,748,500</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

			Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Business-Type Activities							
\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A	1.85% - 6.30%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/31	\$ 1,695,000	\$ -	\$ (80,000)	\$ 1,615,000	\$ 85,000
\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B	4.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/21	180,000	-	(25,000)	155,000	25,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	235,000	-	(30,000)	205,000	30,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$410,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	280,000	-	(45,000)	235,000	40,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	1,120,000	-	(75,000)	1,045,000	80,000
\$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	552,000	-	(34,000)	518,000	35,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

	Beginning Balance	Issuances	Payments	Ending Balance	Amount Due Within One Year
Business-Type Activities - (Continued)					
\$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		
	\$ 499,000	\$ -	\$ (29,000)	\$ 470,000	\$ 30,000
Total Bonds Payable	4,561,000	-	(318,000)	4,243,000	325,000
Other Postemployment Benefits Payable	86,816	21,310	(4,242)	103,884	-
Unamortized Bond Discount	(1,881)	-	186	(1,695)	-
Net Pension Liability	549,867	572,286	(330,779)	791,374	-
Total Business-Type Long-Term Liabilities	<u>\$ 5,195,802</u>	<u>\$ 593,596</u>	<u>\$ (652,835)</u>	<u>\$ 5,136,563</u>	<u>\$ 325,000</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending December 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,489,185	\$ 388,694	\$ 325,000	\$ 160,467	\$ 1,814,185	\$ 549,161
2018	1,374,877	335,071	342,000	152,227	1,716,877	487,298
2019	1,285,000	304,678	353,000	142,719	1,638,000	447,397
2020	1,050,000	277,674	350,000	131,871	1,400,000	409,545
2021	1,065,000	256,553	368,000	119,812	1,433,000	376,365
2022 - 2026	5,205,000	916,407	1,425,000	428,696	6,630,000	1,345,103
2027 - 2031	3,705,000	312,848	1,080,000	125,582	4,785,000	438,430
Total	<u>\$ 15,174,062</u>	<u>\$ 2,791,925</u>	<u>\$ 4,243,000</u>	<u>\$ 1,261,374</u>	<u>\$ 19,417,062</u>	<u>\$ 4,053,299</u>

On May 18, 2016, the City of Glencoe issued \$4,025,000 of General Obligation Bonds, Series 2016A. The proceeds of the issue were used to pay the costs associated with the 2016 Street Improvement Project. Assets of the City, together with scheduled ad valorem taxes and special assessments, are dedicated to retire these bonds.

On May 18, 2016, the City of Glencoe issued \$875,000 of General Obligation Refunding Bonds, Series 2016B. The proceeds of the issue were used to refund in advance of their stated maturities, the remaining maturities of the General Obligation Street Reconstruction Bonds, Series 2008A. The maturities of the General Obligation Street Reconstruction Bonds, Series 2008A were scheduled to mature in 2017 through 2024. This refunding is considered a current refunding. Assets of the City, together with scheduled ad valorem taxes and special assessments, 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. The minimum annual principal and interest payments required to retire this loan are as follows:

Year Ending December 31,	DEED Loan	
	Principal	Interest
2017	\$ -	\$ 65
2018	6,379	1,595
2019	6,379	1,467
2020	6,379	1,340
2021	6,379	1,212
2022 - 2026	31,895	4,146
2027 - 2031	25,516	1,020
Total	<u>\$ 82,927</u>	<u>\$ 10,845</u>

In 2016 and prior years, the City of Glencoe entered into lease agreements as a lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The capital assets related to the capital leases have a cost of \$622,888 and \$222,090 of accumulated depreciation at December 31, 2016.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases Payable</u>
2017	\$ 125,143
2018	110,377
2019	100,892
2020	64,003
2021	32,001
Total Minimum Lease Payments	432,416
Less Amount Representing Interest	38,237
Present Value of Minimum Lease Payments	<u>\$ 394,179</u>

Conduit Debt

On August 1, 2005, the City issued Health Care Facilities Revenue Bonds, Series 2005 in the amount of \$25,075,000. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to refund the Health Care Facilities Revenues Bonds, Series 2001 and to complete a construction project. The bonds are to be paid back solely by Glencoe Regional Health Services and the City is not obligated in any way to pay for these bonds. On February 1, 2013, the City issued Health Care Facilities Revenue Refunding Bonds, Series 2013 in the amount of \$22,190,000. The proceeds of the bonds were loaned to Glencoe Regional Health Services. Glencoe Regional Health Services used the bond proceeds to refund the Health Care Facilities Revenues Bonds, Series 2005. The bonds are to be paid back solely by Glencoe Regional Health Services and the City is not obligated in any way to pay for these bonds. As of December 31, 2016, the principal amount outstanding was \$19,320,000.

Limited Pay-As-You-Go Note

The City of Glencoe has issued a Limited Revenue Pay-As-You-Go Note for the purpose of financing a tax increment project. This note is not a general obligation of the City as it is payable only to the extent of future tax increments received. This note was paid off in 2016.

NOTE 8 OPERATING LEASES

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 22,477
2018	16,119
2019	4,064
Total	<u>\$ 42,660</u>

The City had \$35,630 of expenditures for these leases in 2016.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 RESTRICTED FUND BALANCES

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

A. Restricted for Park Improvement

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

B. Restricted for Street Improvement Projects

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

C. Restricted for Debt Service

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

D. Restricted for Capital Projects

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

NOTE 10 COMMITTED FUND BALANCES

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

A. Committed for Aquatic Center

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

B. Committed for Cable TV

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 ASSIGNED FUND BALANCES

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

A. Assigned for Park Improvement

The General Fund includes an assignment of fund balance for 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.

NOTE 12 DEFINED BENEFIT PENSION PLANS

Plan Description

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

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

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.

Benefits Provided

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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

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

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 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 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 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.

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 ten 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.

Contributions

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions (Continued)

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2016. The City contributions to the General Employees Fund for the year ended December 31, 2016, were \$104,130. The City contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.2% of pay for plan members in calendar year 2016. The City contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$84,340. The City contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$1,729,454 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 \$6 million to the fund in 2016. 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 City totaled \$22,610. The net pension liability was measured as of June 30, 2016 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 proportion 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, 2015, through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0213% which was a decrease of .0005% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$222,300 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$6,720 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2016, the City 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 140,493
Changes in Actuarial Assumptions	338,629	-
Difference Between Projected and Actual Investment Earnings	328,258	-
Changes in Proportion	-	56,154
Contributions Paid to PERA Subsequent to the Measurement Date	52,112	-
Total	<u>\$ 718,999</u>	<u>\$ 196,647</u>

\$52,112 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 123,476
2018	123,476
2019	160,817
2020	62,471

Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$2,126,982 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, 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 proportion 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, 2015, through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .053% which was a decrease of .001% from its proportion measured as of June 30, 2015.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

For the year ended December 31, 2016, the City recognized pension expense of \$370,099 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$4,770 for the year ended December 31, 2016 as pension expense (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. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 244,005
Changes in Actuarial Assumptions	1,170,571	-
Difference Between Projected and Actual Investment Earnings	324,592	-
Changes in Proportion	14,401	9,355
Contributions Paid to PERA Subsequent to the Measurement Date	43,116	-
Total	<u>\$ 1,552,680</u>	<u>\$ 253,360</u>

\$43,116 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 270,842
2018	270,842
2019	270,842
2020	244,611
2021	199,067

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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 the General Employees Plan and RP-2000 tables for the Police and Fire Pan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% per year for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016 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 2015. The experience study for Police and Fire Plan was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- 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.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 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 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. 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 position 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

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:

Sensitivity of Net Pension Liability at Current Single Discount Rate				
	General Employees Fund		Police and Fire Fund	
1% Higher	8.50%	\$ 1,130,700	6.60%	\$ 1,432,050
Current Discount Rate	7.50%	1,729,454	5.60%	2,126,982
1% Lower	6.50%	2,456,338	4.60%	2,977,493

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.

NOTE 13 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (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 5% 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 2% of employer contributions and twenty-five hundredths of 1% (0.0025) of the assets in each member's account annually.

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 13 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (DEFINED CONTRIBUTION PLAN) (CONTINUED)

Total contributions made by the City during 2016 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 10,950	\$ 10,950	5%	5%	5%

NOTE 14 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, 2015, membership includes 34 active participants, seven terminated members entitled to benefit but not yet receiving them and nine retired members currently receiving benefits. The plan issues a stand-alone financial statement.

Benefits Provided

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

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

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

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 14 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

Benefits Provided (Continued)

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

Contributions

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

	Normal Cost	
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change	
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Char	
+	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 \$43,134 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2015. 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, 2015 was \$0.00.

Pension Costs

At December 31, 2016, the City reported an asset of \$99,452 for the Association’s net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Costs (Continued)

As a result of its requirement not to contribute to the Relief Association, the City recognized expense of \$109,430 for the year ended December 31, 2016. At December 31, 2016, 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>
Changes in Actuarial Assumptions	\$ 21,178	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	69,855	-
City Contributions Subsequent to the Measurement Date	68,795	-
Total	<u>\$ 159,828</u>	<u>\$ -</u>

The City contributions to the Association subsequent to the measurement date, \$68,795 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. 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>
2017	\$ 20,620
2018	20,620
2019	20,620
2020	20,619
2021	3,156
Thereafter	5,398

Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT

Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	5.75%
Investment Rate of Return	5.75%
20-Year Municipal Bond Yield	3.57%
Age of Service Retirement	50

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

Actuarial Assumptions (Continued)

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

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

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2015</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash and Equivalents	6.07%	0.25%	3.00%
Fixed Income	32.50%	1.75%	4.50%
Equities	61.43%	5.25%	8.00%
Real Estate	0.00%	3.75%	6.50%
Total Portfolio	<u>100.00%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 5.75%. 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 5.75%, 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 (4.75%) or one percentage point higher (6.75%) than the current rate:

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14 DEFINED BENEFIT PENSION PLAN – FIRE RELIEF ASSOCIATION (CONTINUED)

Pension Liability Sensitivity (Continued)

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ (63,570)	\$ (99,452)	\$ (133,426)
Discount Rate	4.75%	5.75%	6.75%

Plan's Fiduciary Net Position

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

ASSETS

Cash and Cash Equivalents	\$ 104,234
Fixed Income Securities	117,515
Mutual Funds	962,398
Accrued Interest	1,096
Total Assets	<u><u>\$ 1,185,243</u></u>

LIABILITIES

Accounts Payable	<u>2,394</u>
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NET POSITION

Unrestricted	<u><u>\$ 1,182,849</u></u>
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REVENUES

Fire State Aid	\$ 43,134
Municipal Contribution	68,795
Miscellaneous	25
Investment Income	(11,916)
Total Revenues	<u>100,038</u>

EXPENSES

Pension Distributions	28,404
Administrative	14,116
Total Expenses	<u>42,520</u>

CHANGE IN NET POSITION

	57,518
Net Position - Beginning of Year	<u>1,125,331</u>

NET POSITION - END OF YEAR	<u><u>\$ 1,182,849</u></u>
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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 14 DEFINED BENEFIT PENSION PLAN – FIRE ASSOCIATION (CONTINUED)

Plan's Fiduciary Net Position (Continued)

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

	Measurement Date <u>December 31, 2016</u>
<u>Total Pension Liability</u>	
Service Cost	\$ 35,804
Interest	62,332
Changes of Assumptions	24,334
Changes of Benefit Terms	51,986
Benefit Payments, Including Member Contribution Refunds	<u>(28,404)</u>
Net Change in Total Pension Liability	146,052
Total Pension Liability - Beginning of Year	<u>937,345</u>
Total Pension Liability - End of Year (a)	1,083,397
Plan Fiduciary Net Position	
Municipal Contributions	68,795
State Contributions	43,134
Net Investment Income	(11,916)
Miscellaneous	25
Benefit Payments	(28,404)
Administrative Expenses	<u>(14,116)</u>
Net Change in Fiduciary Net Position	57,518
Fiduciary Net Position - Beginning of Year	<u>1,125,331</u>
Fiduciary Net Position - End of Year (b)	<u>1,182,849</u>
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	<u><u>\$ (99,452)</u></u>

NOTE 15 DEFERRED COMPENSATION PLAN

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 16 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

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

B. Funding Policy

Contributions requirements are also negotiated between the City and union representatives. The City contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2016, the City contributed \$3,995 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$	65,345
Interest on Net OPEB Obligation		8,668
Adjustment to Annual Required Contribution		<u>(12,461)</u>
Annual OPEB Cost (Expense)		61,552
Contributions Made		<u>3,995</u>
Increase in Net OPEB Obligation		57,557
Net OPEB Obligation - Beginning of Year		<u>247,645</u>
Net OPEB Obligation - End of Year	\$	<u><u>305,202</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2016	\$ 61,552	6.49%	\$ 305,202
December 31, 2015	60,460	28.96%	247,645
December 31, 2014	51,511	32.83%	204,692

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 16 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress

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

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

E. Methods and Assumptions

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

The following simplifying assumptions were made:

Retirement Age for Active Employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the latest of age 50, the Rule of 85 or current age for Police and the latest of age 60, the Rule of 85 or current age for Non-Police Employees.

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

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

Healthcare Cost Trend Rate – The expected rate of increase in healthcare insurance premiums used was 7.25% initially, reduced to an ultimate rate of 5% after seven years.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 16 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Methods and Assumptions (Continued)

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

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

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.50% was used. In addition, the Projected Unit Credit cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at December 31, 2016, did not exceed 30 years.

NOTE 17 FRANCHISE TO CITY

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

Beginning in 1998, the Commission and the City of Glencoe agreed that the annual transfers in lieu of taxes would be \$50,000. Starting in 2011, this amount increased to \$75,000. In addition, the Commission approved a \$2,500 increase starting in 2012 for five consecutive years. In addition, the Commission provided, at no cost to the City, street lights and street light maintenance in the amount of \$46,113 for 2016.

NOTE 18 RISK MANAGEMENT

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 19 COMMITMENTS AND CONTINGENT LIABILITIES

The City has entered into a construction contract for the Lincoln Park Area Street and Utility Improvement Project. The estimated costs to completion of the approximately \$5.9 million project are approximately \$300,000 as of December 31, 2016. Accounts payable and retainages payable at December 31, 2016 include \$254,813 in contracts and retainages payable.

The City has entered into a construction contract for the Armstrong Avenue Improvements Project. The estimated costs to completion of the approximately \$3.6 million project are approximately \$600,000 as of December 31, 2016. Accounts payable and retainages payable at December 31, 2016 include \$320,247 in contracts and retainages payable.

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

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

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

NOTE 20 RECONCILIATION OF OPERATING TRANSFERS

	Transfers In	Transfers Out
Governmental Fund Types		
General Fund	\$ 249,570	\$ (39,000)
2015 Street Improvement Fund	300,000	-
2016 Street Improvement Fund	-	(2,153,641)
Nonmajor Governmental Funds	244,500	(250,055)
Total Governmental Funds	794,070	(2,442,696)
Proprietary Fund Types		
Water Fund	734,605	(165,000)
Wastewater Treatment Plant Fund	238,611	(225,000)
City Center Fund	200,000	-
Municipal Liquor Fund	-	(220,000)
Storm Water Management Fund	1,144,980	(35,000)
Total Proprietary Funds	2,318,196	(669,570)
Total Operating Transfers	\$ 3,112,266	\$ (3,112,266)

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 20 RECONCILIATION OF OPERATING TRANSFERS (CONTINUED)

Throughout the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. Other transfers were made between funds for deficit reduction, funding debt payments, equipment purchases, paying for management services provided by City Administrative staff, project administration, campground improvements, equipment upgrades, additional 2015 Street Improvement Project Costs and 2016 Street Improvement Project Costs. \$2,118,196 of the transfers out from the 2015 Street Improvement Fund and 2016 Street Improvement fund were for the contribution of capital assets to other funds. Accordingly, these are recorded as transfers in of \$734,605 in the Water Fund, \$238,611 in the Wastewater Treatment Plant Fund and \$1,144,980 in the Storm Water Management Fund, respectively.

NOTE 21 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.

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, 2016, 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, 2016, the Developer has not completed the requirements for the tax abatement, therefore, there were no abated property taxes by the City in 2016 under this agreement.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

Deposits and Investments

Deposits

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. The Commission’s deposits were not exposed to custodial credit risk at December 31, 2016.

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.

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.

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, 2016 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

- 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.

At December 31, 2016, the Light and Power Commission had the following investments:

	Amount
Negotiable Certificates of Deposit	\$ 1,452,441
Money Market	16,534

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
Money Market	\$ 16,534	\$ 16,534	\$ -	\$ -
Negotiable CD's	1,452,441	87,101	-	1,365,340
Government Agencies	-	-	-	-
Mutual Fund	-	-	-	-
Total	\$ 1,468,975	\$ 103,635	\$ -	\$ 1,365,340

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

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, 2016 are as follows:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
Goldman Sachs Bank USA New York NY CD	\$ 87,101	6 %
St Bk of India CD New York City NY CD	195,560	13
Sallie Mae Bk CD Salt Lake City UT CD	249,781	17
BMW BK North Amer Salt Lake City UT CD	165,055	11
Amex Centurion Salt Lake City UT CD	249,781	17
GE Cap Ret Bk Draper UT CD	252,588	17
CIT BANK Salt Lake City UT CD	252,576	17
Total	<u>\$ 1,452,441</u>	

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 the following:

<u>Type</u>	<u>Credit Quality Rating</u>	<u>Amount</u>
Negotiable Certificates of Deposit	Not Rated	\$ 1,452,441
Money Market	Not Rated	16,534
Total		<u>\$ 1,468,975</u>

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Fair Value Measurements (Continued)

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:

	12/31/2016	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by Fair Value Level				
Negotiable Certification of Deposits	\$ 1,452,441	\$ 1,452,441	\$ -	\$ -
Investments Measured at Amortized Cost				
Money Market funds	16,534			
Total Investments	\$ 1,468,975			

Restricted Assets

Commission resolutions have established the following restricted assets to reflect conditions of bond issues and other financial considerations:

Debt Service Account	\$ 164,431
Bond and Interest Reserve Account	748,770
Total Restricted Cash	\$ 913,201
Expansion Fund	\$ 3,773,092
Catastrophic Reserve Fund	1,878,098
Total Designated Cash	\$ 5,651,190

A summary of the significant purposes of the restricted assets 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 12-month period.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Restricted Assets (Continued)

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.

Capital Assets

A summary of capital asset activity for the year ended December 31, 2016 is as follows:

	2016			
	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	911,806	-	13,743,522
Distribution System	6,052,913	10,929	-	6,063,842
Transmission System	9,702,416	-	-	9,702,416
Street Lights	175,454	-	-	175,454
Substation	3,056,480	21,696	-	3,078,176
Loop Feeder	468,366	-	-	468,366
Meters	435,879	-	-	435,879
Total Plant in Service	34,712,051	944,431	-	35,656,482
Less: Accumulated Depreciation	(19,134,417)	(967,846)	-	(20,102,263)
Net Plant in Service	15,577,634	(23,415)	-	15,554,219
CONSTRUCTION WORK-IN-PROGRESS				
	19,523	244,781	(2,900)	261,404
Net Utility Plant	15,597,157	221,366	(2,900)	15,815,623
NONUTILITY PROPERTY				
Building and Improvements	183,145	264,219	-	447,364
Transportation Equipment	1,075,668	52,605	(26,728)	1,101,545
Plant Tools and Equipment	178,254	-	-	178,254
Office Equipment	248,669	35,433	(25,028)	259,074
Total Nonutility Property	1,685,736	352,257	(51,756)	1,986,237
Less: Accumulated Depreciation	(1,009,600)	(88,529)	40,639	(1,057,490)
Net Nonutility Property	676,136	263,728	(11,117)	928,747
Total Net Capital Assets	\$ 16,273,293	\$ 485,094	\$ (14,017)	\$ 16,744,370

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Capital Assets (Continued)

Capital assets that are not being depreciated (including land and construction-in-progress) totaled \$551,671 at December 31, 2016.

Long-Term Liabilities

Bonds outstanding at December 31, 2016 are comprised of the following:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Principal Outstanding</u>
Electric Revenue Bonds of 2012	2.00-2.375%	6/7/2012	12/1/2024	\$ 7,980,000	\$ 5,150,000

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021	620,000	55,069	675,069
2022-2024	1,930,000	88,294	2,018,294
Total	<u>\$ 5,150,000</u>	<u>\$ 495,437</u>	<u>\$ 5,645,437</u>

A summary of long-term debt activity for the year ended December 31, 2016 is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Revenue Bonds Payable	\$ 5,755,000	\$ -	\$ (605,000)	\$ 5,150,000
Plus Issuance Premiums	92,946	-	(10,327)	82,619
Compensated Absences Payable	164,710	115,009	(95,772)	183,947
Capital Lease Payable	15,996	20,242	(16,366)	19,872
Total	<u>\$ 6,028,652</u>	<u>\$ 135,251</u>	<u>\$ (727,465)</u>	<u>\$ 5,436,438</u>

In 2016, the Commission entered into a capital lease agreement for financing a stuffer and postage 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 \$20,242 with related accumulated depreciation of \$560.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Long-Term Liabilities (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 6,730
2018	6,730
2019	6,730
2020	6,730
2021	6,215
2022	1,168
Total Minimum Lease Payments	<u>34,303</u>
Less: Amount representing Interest	(14,431)
Present Value of Minimum Lease Payments	<u>\$ 19,872</u>

Defined Benefit Pension Plan

Plan Description

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

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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 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% 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

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 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 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 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.

Contributions

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

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2016. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2016. The Commission's contributions to the General Employees Fund for the year ended December 31, 2016 were \$76,316. The Commission's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the Commission reported a liability of \$1,355,957 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 \$6 million to the fund in 2016. 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 \$17,795. The net pension liability was measured as of June 30, 2016, 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Commission's proportion was 0.0167%, which was an increase of .0004% from its proportion measured as of June 30, 2015.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2016, the Commission recognized pension expense of \$198,831 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$5,306 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, 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	\$ -	\$ 110,151
Changes in Actuarial Assumptions	265,498	-
Difference Between Projected and Actual Investment Earnings	257,366	-
Changes in Proportion	14,860	35,231
Contributions Paid to PERA Subsequent to the Measurement Date	38,270	-
Total	<u>\$ 575,994</u>	<u>\$ 145,382</u>

\$38,270 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expenses Amount
2017	\$ 103,734
2018	103,734
2019	135,894
2020	48,980

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.50% per Year
Salary Increases	3.25% per Year
Investment Rate of Return	7.50%

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 the General Employees Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, 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 2015.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund - 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.

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

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

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5%, a reduction from the 7.9% used in 2015. 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 position 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>1% Lower</u>	<u>Current Discount Rate</u>	<u>1% Higher</u>
Sensitivity of Net Pension Liability at Current Single Discount Rate General Employees	6.50%	7.50%	8.50%
Commission's Proportionate Share of the Net Pension Liability	\$ 1,925,861	\$ 1,355,957	\$ 886,511

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)	2015 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,425,000	\$ 1,425,000	\$ 1,437,834	\$ 12,834	\$ 1,440,921
Special Assessments	5,413	5,413	4,931	(482)	6,508
Franchise Taxes	9,000	9,000	12,398	3,398	10,746
Total Taxes	<u>1,439,413</u>	<u>1,439,413</u>	<u>1,455,163</u>	<u>15,750</u>	<u>1,458,175</u>
Licenses and Permits	48,000	48,000	182,642	134,642	114,400
Intergovernmental -					
Local Government Aid	1,335,716	1,335,716	1,347,223	11,507	1,330,562
Market Value Credit Aid	-	-	626	626	325
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,485
Police State Aid	61,000	61,000	66,150	5,150	62,476
Fire State Aid	43,000	43,000	46,437	3,437	43,134
Miscellaneous State Aid	3,000	3,000	11,301	8,301	7,806
Miscellaneous Federal Aid	-	-	13,042	13,042	8,966
Total Intergovernmental	<u>1,447,216</u>	<u>1,447,216</u>	<u>1,489,270</u>	<u>42,054</u>	<u>1,457,754</u>
Charges for Services -					
Special Services, Police	10,000	10,000	3,278	(6,722)	11,478
Special Services, Fire	39,000	39,000	40,539	1,539	38,978
Miscellaneous Charges	57,400	57,400	121,890	64,490	98,966
Total Charges for Services	<u>106,400</u>	<u>106,400</u>	<u>165,707</u>	<u>59,307</u>	<u>149,422</u>
Fines and Forfeits	30,000	30,000	33,746	3,746	32,077
Interest	1,580	1,580	2,143	563	2,088
Contributions and Donations	11,000	11,000	38,422	27,422	37,132
Payments in Lieu of Taxes	87,500	87,500	87,500	-	85,000
Miscellaneous -					
Park Fees	13,000	13,000	16,503	3,503	15,087
Reimbursements, Refunds and Miscellaneous	60,900	60,900	147,470	86,570	135,059
Total Miscellaneous	<u>73,900</u>	<u>73,900</u>	<u>163,973</u>	<u>90,073</u>	<u>150,146</u>
Total Revenues	3,245,009	3,245,009	3,618,566	373,557	3,486,194

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)	2015 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 196,504	\$ 196,504	\$ 199,506	\$ (3,002)	\$ 195,909
Employee Benefits	69,363	69,363	69,405	(42)	64,945
Payroll Taxes	12,184	12,184	11,613	571	11,427
Workers' Compensation	1,400	1,400	3,776	(2,376)	1,375
Office Supplies	6,000	6,000	4,768	1,232	4,948
Printing and Binding	5,000	5,000	7,327	(2,327)	7,787
Repairs and Maintenance	14,000	14,000	7,187	6,813	3,217
Professional Services	38,000	38,000	87,276	(49,276)	51,335
Auditing and Accounting	40,000	40,000	41,730	(1,730)	37,565
Legal Fees	19,000	19,000	13,000	6,000	13,609
Chamber	34,000	34,000	12,628	21,372	32,835
Computer Software	1,000	1,000	910	90	311
Telephone	3,600	3,600	6,169	(2,569)	5,634
Postage	3,500	3,500	3,426	74	3,358
Advertising	2,000	2,000	4,546	(2,546)	2,853
Travel	2,400	2,400	4,563	(2,163)	1,254
Training	2,000	2,000	1,781	219	517
Insurance	27,000	27,000	27,648	(648)	29,287
Utilities	73,000	73,000	68,710	4,290	68,721
Subscriptions	400	400	1,277	(877)	367
Continuing Education and Dues	1,000	1,000	1,100	(100)	1,473
League of Minnesota Cities	14,500	14,500	15,147	(647)	16,487
Capital Lease Principal	50,984	50,984	50,984	-	48,822
Capital Lease Interest	13,019	13,019	13,018	1	15,180
Capital Outlay	3,000	3,000	3,156	(156)	3,576
Miscellaneous	1,600	1,600	373	1,227	1,217
Total Administration	634,454	634,454	661,024	(26,570)	624,009
Finance:					
Salaries	128,524	128,524	130,838	(2,314)	127,637
Employee Benefits	55,504	55,504	51,378	4,126	48,350
Payroll Taxes	7,969	7,969	7,520	449	7,368
Office Supplies	2,000	2,000	879	1,121	858
Printing and Binding	500	500	930	(430)	557
Repairs and Maintenance	500	500	-	500	-
Computer Software	4,500	4,500	4,624	(124)	4,360
Postage	-	-	9	(9)	6
Travel	500	500	16	484	47
Continuing Education & Dues	200	200	-	200	-
Capital Outlay	1,000	1,000	-	1,000	280
Training	500	500	-	500	89
Miscellaneous	400	400	200	200	200
Total Finance	202,097	202,097	196,394	5,703	189,752

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)	2015 Actual
EXPENDITURES - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 26,100	\$ 26,100	\$ 26,100	\$ -	\$ 26,275
Employee Benefits	1,356	1,356	1,334	22	1,364
Payroll Taxes	379	379	400	(21)	381
Workers' Compensation	60	60	62	(2)	57
Office Supplies	500	500	80	420	86
Travel	1,000	1,000	20	980	716
Training	1,500	1,500	1,135	365	1,431
Dues and Subscriptions	500	500	30	470	325
Miscellaneous	13,650	13,650	16,384	(2,734)	4,635
Total City Council	<u>45,045</u>	<u>45,045</u>	<u>45,545</u>	<u>(500)</u>	<u>35,270</u>
Total General Government	881,596	881,596	902,963	(21,367)	849,031
Public Safety -					
Police Department:					
Salaries	606,687	606,687	621,313	(14,626)	613,774
Employee Benefits	255,541	255,541	251,721	3,820	242,520
Payroll Taxes	5,314	5,314	5,776	(462)	6,299
Unemployment Insurance	-	-	64	(64)	27
Workers' Compensation	14,000	14,000	24,232	(10,232)	13,433
Supplies	9,700	9,700	6,978	2,722	8,681
Motor Fuels	21,000	21,000	16,601	4,399	17,661
Repairs and Maintenance	24,000	24,000	35,109	(11,109)	30,610
Training	11,000	11,000	10,812	188	9,595
Continuing Education and Dues	750	750	685	65	809
Investigation	3,000	3,000	2,232	768	2,562
Vaccinations	500	500	-	500	-
Telephone	7,500	7,500	9,086	(1,586)	9,088
Insurance	19,000	19,000	16,819	2,181	16,615
Legal Fees	22,000	22,000	39,854	(17,854)	28,627
Uniforms	6,500	6,500	8,745	(2,245)	6,449
Animal Control	2,500	2,500	410	2,090	364
Operating Leases	45,000	45,000	38,505	6,495	42,559
Capital Outlay	12,000	12,000	5,619	6,381	15,553
Utilities	19,000	19,000	14,804	4,196	15,358
Miscellaneous	3,100	3,100	12,393	(9,293)	6,270
Total Police Department	<u>1,088,092</u>	<u>1,088,092</u>	<u>1,121,758</u>	<u>(33,666)</u>	<u>1,086,854</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)	2015 Actual
EXPENDITURES - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 16,749	\$ 16,749	\$ 16,348	\$ 401	\$ 16,748
Employee Benefits	852	852	851	1	851
State Fire Aid	40,000	40,000	46,437	(6,437)	43,134
Municipal Fire Aid Contribution	69,000	69,000	68,795	205	68,795
Payroll Taxes	1,282	1,282	1,251	31	1,281
Workers' Compensation	8,000	8,000	12,927	(4,927)	7,959
Office Supplies	3,000	3,000	5,608	(2,608)	5,561
Motor Fuels	7,000	7,000	4,089	2,911	4,267
Repairs and Maintenance	23,000	23,000	25,699	(2,699)	10,512
Training	9,000	9,000	11,604	(2,604)	5,882
Telephone	1,000	1,000	2,025	(1,025)	1,316
Travel	800	800	493	307	2,307
Advertising	1,300	1,300	1,850	(550)	918
Insurance	7,200	7,200	6,202	998	6,994
Utilities	7,200	7,200	6,538	662	6,152
Continuing Education and Dues	4,000	4,000	1,504	2,496	3,662
Capital Lease Principal	47,741	47,741	47,795	(54)	46,430
Capital Lease Interest	4,472	4,472	4,418	54	5,782
Capital Outlay	12,500	30,900	21,354	9,546	24,643
Miscellaneous	4,500	4,500	7,615	(3,115)	6,355
Total Fire Department	268,596	286,996	293,403	(6,407)	269,549
Code Enforcement:					
Office Supplies	400	400	-	400	312
Building Inspector	30,000	30,000	150,503	(120,503)	96,301
Total Code Enforcement	30,400	30,400	150,503	(120,103)	96,613
Total Public Safety	1,387,088	1,405,488	1,565,664	(160,176)	1,453,016
Streets and Highways -					
Salaries	184,198	184,198	193,548	(9,350)	149,737
Employee Benefits	65,986	65,986	55,469	10,517	53,090
Payroll Taxes	11,421	11,421	13,357	(1,936)	8,597
Workers' Compensation	8,500	8,500	14,494	(5,994)	8,047
Supplies	700	700	1,875	(1,175)	1,445
Motor Fuels	30,000	30,000	20,259	9,741	18,531
Repairs and Maintenance	57,400	57,400	57,906	(506)	58,455
Professional Services	1,500	1,500	2,123	(623)	1,854
Street Maintenance	20,000	20,000	57,423	(37,423)	28,731
Landscaping	2,000	2,000	1,737	263	1,784
Telephone	1,000	1,000	1,855	(855)	1,262

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)	2015 Actual
EXPENDITURES - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 6,500	\$ 6,500	\$ 8,284	\$ (1,784)	\$ 2,661
Insurance	10,200	10,200	7,968	2,232	6,733
Utilities	11,200	11,200	7,416	3,784	9,903
Capital Lease Principal	42,447	42,447	42,446	1	46,354
Capital Lease Interest	4,881	4,881	4,881	-	973
Maintenance Facility Principal	55,000	55,000	55,000	-	55,000
Maintenance Facility Interest	6,350	6,350	6,350	-	7,285
Capital Outlay	500	500	49,162	(48,662)	207,974
Miscellaneous	42,000	42,000	34,581	7,419	63,972
Total Street and Highways	<u>573,783</u>	<u>573,783</u>	<u>636,134</u>	<u>(62,351)</u>	<u>732,388</u>
Cemetery					
Current Expenditures	17,551	17,551	28,850	(11,299)	18,218
Capital Lease Principal	2,800	2,800	2,800	-	1,633
Capital Outlay	-	-	-	-	5,600
Total Cemetery	<u>20,351</u>	<u>20,351</u>	<u>31,650</u>	<u>(11,299)</u>	<u>25,451</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	199,198	199,198	219,034	(19,836)	163,047
Employee Benefits	66,729	66,729	64,513	2,216	57,951
Payroll Taxes	14,151	14,151	12,710	1,441	9,245
Workers' Compensation	5,200	5,200	8,599	(3,399)	5,063
Supplies	9,200	9,200	11,858	(2,658)	10,846
Motor Fuels	11,000	11,000	8,807	2,193	10,099
Repairs and Maintenance	20,750	20,750	22,320	(1,570)	28,606
Telephone	1,500	1,500	1,634	(134)	1,715
Insurance	18,000	18,000	17,984	16	19,497
Utilities	5,500	5,500	6,612	(1,112)	5,599
Capital Lease Principal	12,706	12,706	22,188	(9,482)	10,701
Capital Lease Interest	1,199	1,199	1,198	1	1,745
Capital Outlay	6,000	6,000	75,590	(69,590)	175,015
Miscellaneous	5,300	5,300	20,805	(15,505)	10,459
Total Park and Recreation	<u>376,433</u>	<u>376,433</u>	<u>493,852</u>	<u>(117,419)</u>	<u>509,588</u>
Library and Community Center:					
Supplies	3,000	3,000	3,552	(552)	3,010
Repairs and Maintenance	3,500	3,500	3,315	185	2,733
Management Fees	80,000	80,000	80,000	-	80,000
Telephone	-	-	672	(672)	959
Insurance	1,700	1,700	1,654	46	1,534
Utilities	18,500	18,500	17,533	967	16,403
Capital Outlay	5,000	5,000	3,197	1,803	2,226
Total Library and Community Center	<u>111,700</u>	<u>111,700</u>	<u>109,923</u>	<u>1,777</u>	<u>106,865</u>
Total Culture and Recreation	<u>488,133</u>	<u>488,133</u>	<u>603,775</u>	<u>(115,642)</u>	<u>616,453</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Original Budget	Final Budget	2016 Actual	Variance with Final Budget Positive (Negative)	2015 Actual
EXPENDITURES - (Cont'd.)					
Economic Development	\$ 5,000	\$ 5,000	\$ 8,445	\$ (3,445)	\$ 9,645
Miscellaneous -					
Sales Tax	1,500	1,500	3,172	(1,672)	1,723
State Surcharge	4,000	4,000	8,554	(4,554)	6,450
Vehicle Towing	2,000	2,000	5,213	(3,213)	4,260
Refunds and Reimbursements	19,000	19,000	94,317	(75,317)	128,285
Other	-	-	6,516	(6,516)	-
Total Miscellaneous	<u>26,500</u>	<u>26,500</u>	<u>117,772</u>	<u>(91,272)</u>	<u>140,718</u>
Total Expenditures	<u>3,382,451</u>	<u>3,400,851</u>	<u>3,866,403</u>	<u>(465,552)</u>	<u>3,826,702</u>
Deficiency of Revenues Under Expenditures	(137,442)	(155,842)	(247,837)	(91,995)	(340,508)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	125,000	125,000	249,570	124,570	180,000
Operating Transfers Out	-	-	(39,000)	(39,000)	(23,000)
Lease Proceeds	-	-	26,883	26,883	185,705
Loan Proceeds	-	-	-	-	82,927
Proceeds from the Sale of Capital Assets	5,000	5,000	1,628	(3,372)	3,913
Insurance Proceeds	14,000	14,000	73,892	59,892	14,849
Total Other Financing Sources (Uses)	<u>144,000</u>	<u>144,000</u>	<u>312,973</u>	<u>168,973</u>	<u>444,394</u>
Net Change in Fund Balances	6,558	(11,842)	65,136	76,978	103,886
Fund Balances - Beginning of Year	<u>2,437,671</u>	<u>2,437,671</u>	<u>2,437,671</u>	<u>-</u>	<u>2,333,785</u>
Fund Balances - End of Year	<u>\$ 2,444,229</u>	<u>\$ 2,425,829</u>	<u>\$ 2,502,807</u>	<u>\$ 76,978</u>	<u>\$ 2,437,671</u>

**CITY OF GLENCOE, MINNESOTA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

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 2016.

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,400,851	\$ 3,866,403

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

**CITY OF GLENCOE, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
 DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2015	\$ -	\$ 564,149	\$ 564,149	0.00%	\$ 1,730,260	32.60%
1/1/2012	-	502,069	502,069	0.00%	1,574,620	31.89%
1/1/2009	-	176,054	176,054	0.00%	1,851,808	9.51%

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

	<u>Measurement Date December 31, 2015</u>
<u>Total Pension Liability</u>	
Service Cost	\$ 35,804
Interest	62,332
Changes in Assumptions	24,334
Changes in Benefit Terms	51,986
Benefit Payments, Including Member Refunds	<u>(28,404)</u>
Net Change in Total Pension Liability	146,052
Total Pension Liability - Beginning of Year	<u>937,345</u>
Total Pension Liability - End of Year (a)	<u>1,083,397</u>
<u>Plan Fiduciary Net Position</u>	
Municipal Contributions	68,795
State Contributions	43,134
Net Investment Income	(11,916)
Miscellaneous	25
Benefit Payments	(28,404)
Administrative Expenses	<u>(14,116)</u>
Net Change in Fiduciary Net Position	57,518
Fiduciary Net Position - Beginning of Year	<u>1,125,331</u>
Fiduciary Net Position - End of Year (b)	<u>1,182,849</u>
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	<u>\$ (99,452)</u>
Fiduciary Net Position as a Percentage of the Total Pension Asset	109.18%
Covered-Employee Payroll	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A

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

Calendar Year	2016	2015
Measurement Date	June 30, 2016	June 30, 2015
PERA - General Employees Retirement Plan - City		
City's Proportion of the Net Pension Liability	0.0213%	0.0218%
City's Proportionate Share of the Net Pension Liability	\$ 1,729,454	\$ 1,129,789
City's Covered-Employee Payroll	\$ 1,323,518	\$ 1,276,439
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	130.67%	88.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%
PERA - Public Employees Police and Fire Plan - City		
City's Proportion of the Net Pension Liability	0.0530%	0.0540%
City's Proportionate Share of the Net Pension Liability	\$ 2,126,982	\$ 613,566
City's Covered-Employee Payroll	\$ 514,958	\$ 482,740
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	413.04%	127.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.90%	86.60%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA - General Employees Retirement Plan - City			
Contractually Required Contribution	\$ 104,130	\$ 99,983	\$ 92,542
Contributions in Relation to the Contractually Required Contribution	<u>(104,130)</u>	<u>(99,983)</u>	<u>(92,542)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,388,399	\$ 1,333,108	\$ 1,276,439
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.25%
PERA - Public Employees Police and Fire Plan - City			
Contractually Required Contribution	\$ 84,340	\$ 81,649	\$ 73,859
Contributions in Relation to the Contractually Required Contribution	<u>(84,340)</u>	<u>(81,649)</u>	<u>(73,859)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 520,616	\$ 504,004	\$ 482,740
Contributions as a Percentage of Covered Employee Payroll	16.20%	16.20%	15.30%
Fire Relief Association			
Statutorily Required Contribution	\$ -	\$ -	\$ 54,094
Contributions in Relation to the Statutorily Required Contribution	<u>(68,795)</u>	<u>(68,795)</u>	<u>(68,774)</u>
Contribution Deficiency (Excess)	<u>\$ (68,795)</u>	<u>\$ (68,795)</u>	<u>\$ (14,680)</u>
City's Covered-Employee Payroll	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

**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 <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>
Commission's Proportion of the Net Pension Liability	0.0167%	0.0160%
Liability	\$ 1,355,957	\$ 844,751
Commission's Covered-Employee Payroll	\$ 1,039,261	\$ 960,028
 Commission's Proportionate Share of the Net Pension Payroll	 130.47%	 87.99%
Pension Liability	68.91%	78.20%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA			
Contractually Required Contribution	\$ 76,316	\$ 70,549	\$ 67,852
Contributions in Relation to the Contractually Required	(76,316)	(70,549)	(67,852)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Commission's Covered-Employee Payroll	 \$ 1,017,546	 \$ 940,653	 \$ 947,462
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.50%	 7.16%

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COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

		Other Governmental Funds		
		2016		
		Special Revenue	Debt Service	Capital Projects
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents		\$ 172,663	\$ 520,717	\$ 730,432
Accounts Receivable		8,202	816	-
Interest Receivable		-	-	78
Note Receivable		-	-	12,146
Taxes Receivable				
Current		-	6,389	-
Delinquent		-	6,604	-
Special Assessments Receivable				
Current		-	236	-
Noncurrent		-	186,707	-
Land Held for Resale		-	-	354,320
		<u>\$ 180,865</u>	<u>\$ 721,469</u>	<u>\$ 1,096,976</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable		\$ 60,593	\$ 1,750	\$ 347,838
Retainages Payable		-	-	57,441
Due to Other Funds		-	47,691	132,624
Total Liabilities		<u>60,593</u>	<u>49,441</u>	<u>537,903</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue		-	193,311	-
FUND BALANCES				
Nonspendable		-	-	366,466
Restricted for:				
Street Improvement Projects		79,579	-	-
Debt Service		-	525,445	-
Capital Projects		-	-	475,697
Committed for:				
Aquatic Center		1,558	-	-
Cable TV		39,135	-	-
Unassigned		-	(46,728)	(283,090)
Total Fund Balances		<u>120,272</u>	<u>478,717</u>	<u>559,073</u>
		<u>\$ 180,865</u>	<u>\$ 721,469</u>	<u>\$ 1,096,976</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances		<u>\$ 180,865</u>	<u>\$ 721,469</u>	<u>\$ 1,096,976</u>

<u>2016</u>	<u>2015</u>
Total Other Governmental Funds	Total Other Governmental Funds
\$ 1,423,812	\$ 1,623,992
9,018	7,244
78	95
12,146	15,000
6,389	8,031
6,604	7,454
236	639
186,707	196,539
354,320	358,730
<u>\$ 1,999,310</u>	<u>\$ 2,217,724</u>
\$ 410,181	\$ 68,663
57,441	272,839
180,315	55,705
<u>647,937</u>	<u>397,207</u>
<u>193,311</u>	<u>203,993</u>
366,466	373,730
79,579	133,916
525,445	373,665
475,697	756,641
1,558	2,017
39,135	30,513
(329,818)	(53,958)
<u>1,158,062</u>	<u>1,616,524</u>
<u>\$ 1,999,310</u>	<u>\$ 2,217,724</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016**

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

	Other Governmental Funds		
	2016		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 6,168	\$ 557,771	\$ 356,302
Intergovernmental	100,000	-	-
Charges for Services	93,525	-	-
Assessments	-	185,821	-
Interest Income	223	13	1,482
Franchise Taxes	29,858	-	-
Miscellaneous	6,070	816	6,270
Total Revenues	<u>235,844</u>	<u>744,421</u>	<u>364,054</u>
EXPENDITURES			
Current:			
Highways and Streets	76,026	1,750	392,437
Culture-Recreation	136,499	-	-
Economic Development	-	-	19,305
Capital Outlay:			
Highways and Streets	-	-	301,120
Debt Service:			
Principal	75,000	690,000	-
Interest	3,493	127,280	-
Fiscal Charges	-	20,281	-
Total Expenditures	<u>291,018</u>	<u>839,311</u>	<u>712,862</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(55,174)	(94,890)	(348,808)
OTHER FINANCING SOURCES (USES)			
Transfers In	29,000	215,500	-
Transfers Out	(20,000)	-	(215,500)
Bond Proceeds	-	875,000	-
Bond Premium	-	26,410	-
Payments to Bond Escrow Agent	-	(870,000)	-
Total Other Financing Sources (Uses)	<u>9,000</u>	<u>246,910</u>	<u>(215,500)</u>
Net Change in Fund Balances	(46,174)	152,020	(564,308)
Fund Balances - Beginning of Year	<u>166,446</u>	<u>326,697</u>	<u>1,123,381</u>
Fund Balances - End of Year	<u>\$ 120,272</u>	<u>\$ 478,717</u>	<u>\$ 559,073</u>

<u>2016</u>		<u>2015</u>	
Total Other Governmental Funds		Total Other Governmental Funds	
\$	920,241	\$	926,244
	100,000		150,192
	93,525		82,181
	185,821		41,625
	1,718		3,582
	29,858		28,656
	13,156		47,832
	<u>1,344,319</u>		<u>1,280,312</u>
	470,213		664,423
	136,499		117,120
	19,305		137,737
	301,120		5,266,426
	765,000		540,000
	130,773		162,123
	20,281		130,477
	<u>1,843,191</u>		<u>7,018,306</u>
	(498,872)		(5,737,994)
	244,500		318,552
	(235,500)		(295,096)
	875,000		6,735,000
	26,410		250,465
	(870,000)		-
	<u>40,410</u>		<u>7,008,921</u>
	(458,462)		1,270,927
	1,616,524		345,597
\$	<u>1,158,062</u>	\$	<u>1,616,524</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

		Special Revenue Funds	
		2016	
		Aquatic Center	Cable TV
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 1,499	\$ 31,544
Accounts Receivable		511	7,691
Total Assets		\$ 2,010	\$ 39,235
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable		\$ 452	\$ 100
Total Liabilities		452	100
FUND BALANCES			
Restricted		-	-
Committed		1,558	39,135
Total Fund Balances		1,558	39,135
Total Liabilities and Fund Balances		\$ 2,010	\$ 39,235

Special Revenue Funds		
2016		2015
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ 139,620	\$ 172,663	\$ 185,697
-	8,202	7,244
<u>\$ 139,620</u>	<u>\$ 180,865</u>	<u>\$ 192,941</u>
\$ 60,041	\$ 60,593	\$ 26,495
60,041	60,593	26,495
79,579	79,579	133,916
-	40,693	32,530
<u>79,579</u>	<u>120,272</u>	<u>166,446</u>
<u>\$ 139,620</u>	<u>\$ 180,865</u>	<u>\$ 192,941</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES – SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2016**

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

	Special Revenue Funds	
	2016	
	Aquatic Center	Cable TV
REVENUES		
Taxes	\$ 6,168	\$ -
Intergovernmental	-	-
Charges for Services	93,525	-
Interest Income	(7)	48
Franchise Fees	-	29,858
Miscellaneous	6,050	20
Total Revenues	105,736	29,926
EXPENDITURES		
Current:		
Highways and Streets	-	-
Culture-Recreation	135,195	1,304
Capital Outlay:		
Highways and Streets	-	-
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	135,195	1,304
Excess (Deficiency) of Revenue Over (Under) Expenditures	(29,459)	28,622
OTHER FINANCING SOURCES (USES)		
Transfers In	29,000	-
Transfers Out	-	(20,000)
Total Other Financing Sources (Uses)	29,000	(20,000)
Net Change in Fund Balances	(459)	8,622
Fund Balances - Beginning of Year	2,017	30,513
Fund Balances - End of Year	\$ 1,558	\$ 39,135

Special Revenue Funds		
2016		2015
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ -	\$ 6,168	\$ 5,507
100,000	100,000	150,192
-	93,525	82,181
182	223	175
-	29,858	28,656
-	6,070	5,315
100,182	235,844	272,026
76,026	76,026	6,376
-	136,499	117,120
-	-	31,596
75,000	75,000	75,000
3,493	3,493	4,805
154,519	291,018	234,897
(54,337)	(55,174)	37,129
-	29,000	87,696
-	(20,000)	-
-	9,000	87,696
(54,337)	(46,174)	124,825
133,916	166,446	41,621
\$ 79,579	\$ 120,272	\$ 166,446

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

	Debt Service Funds			
	2016			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 540	\$ 7,588	\$ -	\$ 349
Accounts Receivable	-	-	-	-
Taxes Receivable				
Current	450	1,236	853	-
Delinquent	-	1,367	917	-
Special Assessments Receivable				
Current	-	-	-	-
Noncurrent	-	-	-	-
Total Assets	<u>\$ 990</u>	<u>\$ 10,191</u>	<u>\$ 1,770</u>	<u>\$ 349</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	265	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>265</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>-</u>	<u>1,367</u>	<u>917</u>	<u>-</u>
FUND BALANCES				
Restricted	990	8,824	588	349
Unassigned	-	-	-	-
Total Fund Balances	<u>990</u>	<u>8,824</u>	<u>588</u>	<u>349</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 990</u>	<u>\$ 10,191</u>	<u>\$ 1,770</u>	<u>\$ 349</u>

Debt Service Funds

2016					
County State Aid Hwy #3 Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond	2016 Street Improvement Bond
\$ -	\$ 1,885	\$ 29,756	\$ 619	\$ 326,593	\$ 153,387
-	-	-	-	-	816
698	-	1,410	-	1,742	-
764	-	1,524	-	2,032	-
-	-	-	-	236	-
586	-	-	-	186,121	-
<u>\$ 2,048</u>	<u>\$ 1,885</u>	<u>\$ 32,690</u>	<u>\$ 619</u>	<u>\$ 516,724</u>	<u>\$ 154,203</u>
\$ -	\$ -	\$ 875	\$ -	\$ -	\$ 875
47,426	-	-	-	-	-
47,426	-	875	-	-	875
1,350	-	1,524	-	188,153	-
-	1,885	30,291	619	328,571	153,328
(46,728)	-	-	-	-	-
<u>(46,728)</u>	<u>1,885</u>	<u>30,291</u>	<u>619</u>	<u>328,571</u>	<u>153,328</u>
<u>\$ 2,048</u>	<u>\$ 1,885</u>	<u>\$ 32,690</u>	<u>\$ 619</u>	<u>\$ 516,724</u>	<u>\$ 154,203</u>

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**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

	Debt Service Funds	
	2016	2015
	Total	Total
	Debt Service	Debt Service
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 520,717	\$ 367,411
Investments	-	-
Interest Receivable	-	-
Current	6,389	7,362
Delinquent	6,604	7,454
Special Assessments Receivable		
Current	236	639
Noncurrent	186,707	196,539
Total Assets	\$ 721,469	\$ 579,405
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 1,750	\$ -
Due to Other Funds	47,691	48,715
Total Liabilities	49,441	48,715
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	193,311	203,993
Deposits	-	-
FUND BALANCES		
Reserved for Library Improvement	-	-
Unassigned	(46,728)	(46,968)
Total Fund Balances	478,717	326,697
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 721,469	\$ 579,405

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2016**

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

	Debt Service Funds			
	2016			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
REVENUES				
Taxes	\$ 847	\$ 115,278	\$ 77,415	\$ -
Assessments	-	-	-	-
Interest Income	(1)	30	17	(32)
Miscellaneous	-	-	-	-
Total Revenues	<u>846</u>	<u>115,308</u>	<u>77,432</u>	<u>(32)</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Debt Service:				
Principal	-	110,000	70,000	30,000
Interest	-	4,785	11,800	1,770
Fiscal Charges	-	-	495	248
Total Expenditures	<u>-</u>	<u>114,785</u>	<u>82,295</u>	<u>32,018</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	846	523	(4,863)	(32,050)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	29,500
Transfers Out	-	-	-	-
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Payments to Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,500</u>
Net Change in Fund Balances	846	523	(4,863)	(2,550)
Fund Balances - Beginning of Year	<u>144</u>	<u>8,301</u>	<u>5,451</u>	<u>2,899</u>
Fund Balances - End of Year	<u>\$ 990</u>	<u>\$ 8,824</u>	<u>\$ 588</u>	<u>\$ 349</u>

Debt Service Funds

2016					
County State Aid Hwy #3 Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond	2016 Street Improvement Bond
\$ 64,408	\$ -	\$ 128,581	\$ -	\$ 171,242	\$ -
-	-	-	-	32,471	153,350
(48)	(163)	(71)	(8)	252	37
-	-	-	-	-	816
<u>64,360</u>	<u>(163)</u>	<u>128,510</u>	<u>(8)</u>	<u>203,965</u>	<u>154,203</u>
-	-	875	-	-	875
60,000	130,000	90,000	20,000	180,000	-
4,120	17,833	32,779	15,390	38,803	-
-	742	18,796	-	-	-
<u>64,120</u>	<u>148,575</u>	<u>142,450</u>	<u>35,390</u>	<u>218,803</u>	<u>875</u>
240	(148,738)	(13,940)	(35,398)	(14,838)	153,328
-	150,000	-	36,000	-	-
-	-	-	-	-	-
-	-	875,000	-	-	-
-	-	26,410	-	-	-
-	-	(870,000)	-	-	-
-	150,000	31,410	36,000	-	-
240	1,262	17,470	602	(14,838)	153,328
(46,968)	623	12,821	17	343,409	-
<u>\$ (46,728)</u>	<u>\$ 1,885</u>	<u>\$ 30,291</u>	<u>\$ 619</u>	<u>\$ 328,571</u>	<u>\$ 153,328</u>

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**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	<u>Debt Service Funds</u>	
	<u>2016</u>	<u>2015</u>
	<u>Total Debt Service</u>	<u>Total Debt Service</u>
REVENUES		
Taxes	\$ 557,771	\$ 639,788
Assessments	185,821	41,625
Interest Income	13	(74)
Miscellaneous	816	1,365
Total Revenues	<u>744,421</u>	<u>682,704</u>
EXPENDITURES		
Current:		
Highways and Streets	1,750	1,500
Debt Service:		
Principal	690,000	465,000
Interest	127,280	157,318
Fiscal Charges	20,281	1,486
Total Expenditures	<u>839,311</u>	<u>625,304</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(94,890)	57,400
OTHER FINANCING SOURCES (USES)		
Transfers In	215,500	195,096
Transfers Out	-	(9,096)
Bond Proceeds	875,000	-
Bond Premium	26,410	-
Payments to Bond Escrow Agent	<u>(870,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>246,910</u>	<u>186,000</u>
Net Change in Fund Balances	152,020	243,400
Fund Balances - Beginning of Year	<u>326,697</u>	<u>83,297</u>
Fund Balances - End of Year	<u>\$ 478,717</u>	<u>\$ 326,697</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)**

	Capital Project Funds			
	2016			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 65,234	\$ 14,334	\$ 50,698	\$ 106,598
Interest Receivable	-	-	78	-
Note Receivable	-	-	12,146	-
Taxes Receivable				
Current	-	-	-	-
Land Held for Resale	-	10,000	180,496	-
Total Assets	<u>\$ 65,234</u>	<u>\$ 24,334</u>	<u>\$ 243,418</u>	<u>\$ 106,598</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	10,000	192,642	-
Restricted	65,234	14,334	50,776	106,598
Unassigned	-	-	-	-
Total Fund Balances	<u>65,234</u>	<u>24,334</u>	<u>243,418</u>	<u>106,598</u>
Total Liabilities and Fund Balances	<u>\$ 65,234</u>	<u>\$ 24,334</u>	<u>\$ 243,418</u>	<u>\$ 106,598</u>

Capital Project Funds

		2016			2015	
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2015 Street Improvement	2017 Street Improvement	Total Capital Projects	Total Capital Projects	
\$ 50,048	\$ 16,100	\$ 427,420	\$ -	\$ 730,432	\$ 1,070,884	
-	-	-	-	78	95	
-	-	-	-	12,146	15,000	
-	-	-	-	-	669	
-	163,824	-	-	354,320	358,730	
<u>\$ 50,048</u>	<u>\$ 179,924</u>	<u>\$ 427,420</u>	<u>\$ -</u>	<u>\$ 1,096,976</u>	<u>\$ 1,445,378</u>	
\$ -	\$ -	\$ 197,372	\$ 150,466	\$ 347,838	\$ 42,168	
-	-	57,441	-	57,441	272,839	
-	-	-	132,624	132,624	6,990	
-	-	254,813	283,090	537,903	321,997	
-	163,824	-	-	366,466	373,730	
50,048	16,100	172,607	-	475,697	756,641	
-	-	-	(283,090)	(283,090)	(6,990)	
<u>50,048</u>	<u>179,924</u>	<u>172,607</u>	<u>(283,090)</u>	<u>559,073</u>	<u>1,123,381</u>	
<u>\$ 50,048</u>	<u>\$ 179,924</u>	<u>\$ 427,420</u>	<u>\$ -</u>	<u>\$ 1,096,976</u>	<u>\$ 1,445,378</u>	

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES – CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2016**

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

	Capital Project Funds			
	2016			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows
REVENUES				
Taxes	\$ 147,154	\$ 13,675	\$ 38,738	\$ 97,548
Interest Income	64	6	505	45
Miscellaneous	-	-	-	-
Total Revenues	<u>147,218</u>	<u>13,681</u>	<u>39,243</u>	<u>97,593</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Economic Development	5,850	-	-	12,868
Capital Outlay:				
Highways and Streets	-	-	-	-
Debt Service:				
Fiscal Charges	-	-	-	-
Total Expenditures	<u>5,850</u>	<u>-</u>	<u>-</u>	<u>12,868</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	141,368	13,681	39,243	84,725
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(79,500)	-	(100,000)	-
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Total Other Financing Sources (Uses)	<u>(79,500)</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balances	61,868	13,681	(60,757)	84,725
Fund Balances - Beginning of Year	3,366	10,653	304,175	21,873
Fund Balances - End of Year	<u>\$ 65,234</u>	<u>\$ 24,334</u>	<u>\$ 243,418</u>	<u>\$ 106,598</u>

Capital Project Funds

		2016			2015	
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2015 Street Improvement	2017 Street Improvement	Total Capital Projects	Total Capital Projects	
\$ 57,029	\$ 2,158	\$ -	\$ -	\$ 356,302	\$ 280,949	
9	52	836	(35)	1,482	3,481	
-	6,270	-	-	6,270	41,152	
<u>57,038</u>	<u>8,480</u>	<u>836</u>	<u>(35)</u>	<u>364,054</u>	<u>325,582</u>	
-	-	109,382	283,055	392,437	656,547	
-	587	-	-	19,305	137,737	
-	-	301,120	-	301,120	5,234,830	
-	-	-	-	-	128,991	
<u>-</u>	<u>587</u>	<u>410,502</u>	<u>283,055</u>	<u>712,862</u>	<u>6,158,105</u>	
57,038	7,893	(409,666)	(283,090)	(348,808)	(5,832,523)	
-	-	-	-	-	35,760	
-	(36,000)	-	-	(215,500)	(286,000)	
-	-	-	-	-	6,735,000	
-	-	-	-	-	250,465	
<u>-</u>	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>(215,500)</u>	<u>6,735,225</u>	
57,038	(28,107)	(409,666)	(283,090)	(564,308)	902,702	
(6,990)	208,031	582,273	-	1,123,381	220,679	
<u>\$ 50,048</u>	<u>\$ 179,924</u>	<u>\$ 172,607</u>	<u>\$ (283,090)</u>	<u>\$ 559,073</u>	<u>\$ 1,123,381</u>	

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SUPPLEMENTARY INFORMATION

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2016

	\$945,000 G.O. Refunding Bonds - Series 2008B		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion	
	Principal	Interest 220,000	Principal	Interest
2017	\$ 70,000	\$ 9,000	\$ 85,000	\$ 1,955
2018	75,000	6,200	-	-
2019	80,000	3,200	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 225,000</u>	<u>\$ 18,400</u>	<u>\$ 85,000</u>	<u>\$ 1,955</u>

\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B		\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B - \$315,000 Portion		\$725,000 Taxable G.O. Tax Increment Refunding Bonds - Series 2012B - \$410,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 60,000	\$ 5,085	\$ 30,000	\$ 1,373	\$ 70,000	\$ 3,203
60,000	3,705	30,000	892	70,000	2,082
70,000	1,995	30,000	315	70,000	735
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 190,000</u>	<u>\$ 10,785</u>	<u>\$ 90,000</u>	<u>\$ 2,580</u>	<u>\$ 210,000</u>	<u>\$ 6,020</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)
DECEMBER 31, 2016

	\$380,000 Taxable G.O. Tax Increment Bonds - Series 2014C		\$245,000 G.O. Equipment Certificates of Indebtedness Series 2013	
	Principal	Interest	Principal	Interest
2017	\$ 20,000	\$ 14,740	\$ 49,185	\$ 3,028
2018	25,000	14,090	49,877	1,683
2019	25,000	13,277	-	-
2020	25,000	12,465	-	-
2021	25,000	11,653	-	-
2022	25,000	10,590	-	-
2023	25,000	9,527	-	-
2024	30,000	8,465	-	-
2025	30,000	7,190	-	-
2026	30,000	5,915	-	-
2027	30,000	4,550	-	-
2028	35,000	3,185	-	-
2029	35,000	1,593	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 360,000</u>	<u>\$ 117,240</u>	<u>\$ 99,062</u>	<u>\$ 4,711</u>

\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion		\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 110,000	\$ 2,530	\$ 55,000	\$ 2,890	\$ 60,000	\$ 13,193
-	-	65,000	1,625	55,000	12,591
-	-	-	-	55,000	11,904
-	-	-	-	55,000	11,106
-	-	-	-	55,000	10,198
-	-	-	-	60,000	9,118
-	-	-	-	55,000	7,940
-	-	-	-	55,000	6,744
-	-	-	-	60,000	5,420
-	-	-	-	60,000	3,980
-	-	-	-	55,000	2,516
-	-	-	-	65,000	894
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 110,000</u>	<u>\$ 2,530</u>	<u>\$ 120,000</u>	<u>\$ 4,515</u>	<u>\$ 690,000</u>	<u>\$ 95,604</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)
DECEMBER 31, 2016

	\$1,925,000 G.O. Improvement Bonds - Series 2014A		\$6,735,000 G.O. Improvement Bonds, Series 2015A	
	Principal	Interest	Principal	Interest
2017	\$ 180,000	\$ 35,202	\$ 410,000	\$ 166,625
2018	180,000	31,603	415,000	158,425
2019	185,000	27,952	420,000	150,125
2020	190,000	24,203	425,000	141,725
2021	190,000	20,402	430,000	133,225
2022	195,000	16,504	435,000	124,625
2023	200,000	12,355	440,000	115,925
2024	210,000	7,790	455,000	98,325
2025	215,000	2,687	465,000	88,997
2026	-	-	470,000	78,535
2027	-	-	480,000	64,435
2028	-	-	490,000	52,675
2029	-	-	500,000	35,525
2030	-	-	515,000	18,025
2031	-	-	-	-
	<u>\$ 1,745,000</u>	<u>\$ 178,698</u>	<u>\$ 6,350,000</u>	<u>\$ 1,427,192</u>

<u>\$4,025,000 G.O. Bonds Series 2016A</u>		<u>\$875,000 G.O. Refunding Bonds - Series 2016B</u>		<u>Capital Lease Johnson Controls Project</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$ 190,000	\$ 108,821	\$ 100,000	\$ 21,049	\$ 53,241	\$ 10,761
245,000	86,675	105,000	15,500	55,599	8,403
245,000	81,775	105,000	13,400	58,061	5,941
245,000	76,875	110,000	11,300	60,632	3,371
255,000	71,975	110,000	9,100	31,315	686
255,000	66,875	115,000	6,900	-	-
265,000	61,775	105,000	4,600	-	-
270,000	56,475	125,000	2,500	-	-
275,000	51,075	-	-	-	-
280,000	45,575	-	-	-	-
280,000	39,975	-	-	-	-
290,000	33,675	-	-	-	-
300,000	27,150	-	-	-	-
305,000	18,900	-	-	-	-
325,000	9,750	-	-	-	-
<u>\$ 4,025,000</u>	<u>\$ 837,346</u>	<u>\$ 875,000</u>	<u>\$ 84,349</u>	<u>\$ 258,848</u>	<u>\$ 29,162</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)
DECEMBER 31, 2016

	Capital Lease 2013 Bobcat Skid Steer Loader		Capital Lease 2014 Kubota Tractor	
	Principal	Interest	Principal	Interest
2017	\$ 9,786	\$ 618	\$ 1,727	\$ 12
2018	1	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 9,787</u>	<u>\$ 618</u>	<u>\$ 1,727</u>	<u>\$ 12</u>

Capital Lease 2015 Freightliner Plow Truck		Capital Lease 2015 Toro Mowers		Capital Lease 2016 Bobcat Skid Steer Loader	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 33,487	\$ 3,403	\$ 2,625	\$ -	\$ 8,449	\$ 1,034
34,585	2,305	-	-	8,952	532
35,719	1,171	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
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-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 103,791</u>	<u>\$ 6,879</u>	<u>\$ 2,625</u>	<u>\$ -</u>	<u>\$ 17,401</u>	<u>\$ 1,566</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)
DECEMBER 31, 2016

	DEED Loan		\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ 65	\$ 85,000	\$ 86,991
2018	6,379	1,595	85,000	83,336
2019	6,379	1,467	90,000	79,330
2020	6,379	1,340	90,000	75,010
2021	6,379	1,212	95,000	70,406
2022	6,379	1,084	100,000	65,408
2023	6,379	957	100,000	60,158
2024	6,379	829	105,000	54,646
2025	6,379	702	105,000	48,845
2026	6,379	574	115,000	42,628
2027	6,379	446	120,000	35,840
2028	6,379	319	120,000	28,730
2029	6,379	191	125,000	21,318
2030	6,379	64	135,000	13,320
2031	-	-	145,000	4,567
	<u>\$ 82,927</u>	<u>\$ 10,845</u>	<u>\$ 1,615,000</u>	<u>\$ 770,533</u>

\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion		\$2,415,000 G.O. Refunding Bonds - Series 2012A \$410,000 Portion	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 25,000	\$ 5,700	\$ 30,000	\$ 6,395	\$ 40,000	\$ 3,012
25,000	4,700	35,000	5,705	50,000	2,535
30,000	3,600	35,000	4,830	50,000	1,910
35,000	2,300	35,000	3,623	45,000	1,224
40,000	800	30,000	2,415	50,000	438
-	-	40,000	1,380	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 155,000</u>	<u>\$ 17,100</u>	<u>\$ 205,000</u>	<u>\$ 24,348</u>	<u>\$ 235,000</u>	<u>\$ 9,119</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS (CONTINUED)
DECEMBER 31, 2016

	\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion		\$626,000 Gross Revenue Event Facility Refunding Bonds - Series 2013A	
	Principal	Interest	Principal	Interest
2017	\$ 80,000	\$ 20,400	\$ 35,000	\$ 21,070
2018	80,000	19,560	36,000	20,183
2019	80,000	18,560	37,000	18,993
2020	75,000	17,439	38,000	17,493
2021	80,000	16,158	40,000	15,932
2022	85,000	14,607	42,000	14,292
2023	90,000	12,813	43,000	12,592
2024	90,000	10,855	45,000	10,664
2025	95,000	8,726	47,000	8,479
2026	90,000	6,507	49,000	6,199
2027	95,000	4,146	52,000	3,800
2028	105,000	1,444	54,000	1,282
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
	<u>\$ 1,045,000</u>	<u>\$ 151,215</u>	<u>\$ 518,000</u>	<u>\$ 150,979</u>

\$517,000 Liquor Store Revenue Bonds - Series 2014		Total	
Principal	Interest	Principal	Interest
\$ 30,000	\$ 16,899	\$ 1,923,500	\$ 565,054
31,000	16,208	1,822,393	500,133
31,000	15,496	1,738,159	455,976
32,000	14,782	1,467,011	414,256
33,000	13,663	1,470,694	378,263
34,000	12,507	1,392,379	343,890
35,000	11,318	1,364,379	309,960
37,000	10,092	1,428,379	267,385
38,000	8,798	1,336,379	230,919
40,000	7,182	1,140,379	197,095
41,000	5,483	1,159,379	161,191
43,000	3,740	1,208,379	125,944
45,000	1,912	1,011,379	87,689
-	-	961,379	50,309
-	-	470,000	14,317
<u>\$ 470,000</u>	<u>\$ 138,080</u>	<u>\$ 19,894,168</u>	<u>\$ 4,102,381</u>

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OTHER REPORTS SECTION

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, Minnesota as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated May 17, 2017.

The Minnesota Legal Compliance Audit Guide for Cities promulgated by the state auditor pursuant to Minn. Stat. §6.65, covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 17, 2017