

CITY OF GLENCOE, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

**CITY OF GLENCOE, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017**

INTRODUCTORY SECTION

CITY OFFICIALS	1
-----------------------	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	5
----------------------------------	----------

STATEMENT OF ACTIVITIES	6
--------------------------------	----------

FUND FINANCIAL STATEMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS	8
---	----------

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	11
--	-----------

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	13
---	-----------

STATEMENT OF NET POSITION – PROPRIETARY FUNDS	14
--	-----------

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION – PROPRIETARY FUNDS	16
--	-----------

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	18
--	-----------

NOTES TO FINANCIAL STATEMENTS	20
--------------------------------------	-----------

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES - GENERAL FUND - BUDGET AND ACTUAL	74
--	-----------

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION	80
---	-----------

**CITY OF GLENCOE, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017**

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN	81
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS	82
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	83
SCHEDULE OF CITY PENSION CONTRIBUTIONS	84
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	85
SCHEDULE OF COMMISSION PENSION CONTRIBUTIONS	86
COMBINING FUND STATEMENTS	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	87
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	89
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	91
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	93
COMBINING BALANCE SHEET – NONMAJOR DEBT SERVICE FUNDS	95
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – NONMAJOR DEBT SERVICE FUNDS	98
COMBINING BALANCE SHEET – NONMAJOR CAPITAL PROJECT FUNDS	101
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – NONMAJOR CAPITAL PROJECT FUNDS	103
SUPPLEMENTARY INFORMATION	
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS	105
OTHER REPORTS SECTION	
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	116

INTRODUCTORY SECTION

(This page intentionally left blank)

**CITY OF GLENCOE
CITY OFFICIALS
DECEMBER 31, 2017**

Elected Officials

Term Expires

Mayor	12/31/2020	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	12/31/2020	Milan Alexander
Council Member	12/31/2020	Cory Neid

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

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)

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 (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Glencoe, Minnesota, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Honorable Mayor and
Members of the City Council
City of Glencoe

Opinion

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, 2017, 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 2016 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 17, 2017, prior to the identification of an error described in the "Emphasis of a Matter" paragraph below. We express no opinion on the summarized comparative information presented herein as of and for the year ended December 31, 2016.

Emphasis of a Matter

For the year ended December 31, 2017, the City restated beginning governmental activities net position to correct errors in previously issued financial statements (see Note 22). Our auditors' opinion was not modified with respect to the restatement.

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.

Honorable Mayor and
Members of the City Council
City of Glencoe

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion 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

Austin, Minnesota
May 18, 2018

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
ASSETS				
Cash and Cash Equivalents	\$ 4,362,367	\$ 3,581,695	\$ 7,944,062	\$ 1,309,312
Cash and Investments with Escrow Agent	-	1,454,769	1,454,769	-
Interest Receivable	48	9,743	9,791	-
Taxes Receivable	45,170	2,623	47,793	-
Accounts Receivable	73,118	92,840	165,958	662,318
Special Assessments Receivable	1,696,168	5,798	1,701,966	-
Note Receivable	9,221	-	9,221	-
Lease Receivable	-	-	-	16,991
Other Receivables	-	-	-	326,892
Prepaid Expenses	-	-	-	84,797
Inventory	-	212,227	212,227	211,511
Land Held for Resale	419,590	-	419,590	-
Due from Other Governments	380,644	-	380,644	-
Due from Component Unit	-	279,414	279,414	-
Restricted Assets	-	-	-	7,067,487
Net Pension Asset	244,435	-	244,435	-
Capital Assets:				
Land	1,456,414	553,745	2,010,159	-
Construction in Progress	3,039,154	2,330,178	5,369,332	-
Other Capital Assets, Net of Depreciation	13,622,749	19,238,821	32,861,570	15,916,051
Total Assets	<u>25,349,078</u>	<u>27,761,853</u>	<u>53,110,931</u>	<u>25,595,359</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Bond Refunding	-	6,191	6,191	28,898
Pension Related	1,270,115	159,303	1,429,418	256,879
Total Deferred Outflows of Resources	<u>1,270,115</u>	<u>165,494</u>	<u>1,435,609</u>	<u>285,777</u>
LIABILITIES				
Accounts Payable	272,849	550,983	823,832	428,411
Retainages Payable	218,755	-	218,755	-
Accrued Interest Payable	212,708	72,724	285,432	-
Accrued Expenses	83,791	199,868	283,659	140,702
Customer Deposits Payable	-	-	-	111,850
Due to the Primary Government	-	-	-	279,414
Noncurrent Liabilities:				
Due Within One Year	1,853,808	1,787,000	3,640,808	642,832
Due in More Than One Year	19,643,578	4,369,479	24,013,057	5,421,608
Total Liabilities	<u>22,285,489</u>	<u>6,980,054</u>	<u>29,265,543</u>	<u>7,024,817</u>
DEFERRED INFLOWS OF RESOURCES				
Gain on Bond Refunding	861	720	1,581	-
Pension Related	1,404,409	113,553	1,517,962	215,378
Total Deferred Inflows of Resources	<u>1,405,270</u>	<u>114,273</u>	<u>1,519,543</u>	<u>215,378</u>
NET POSITION				
Net Investment in Capital Assets	7,142,746	19,015,904	26,158,650	11,301,622
Restricted for:				
Park Improvement	151,188	-	151,188	-
Street Improvement Projects	110,452	-	110,452	-
Debt Service	2,334,257	-	2,334,257	918,962
Capital Projects	1,159,915	-	1,159,915	-
Firemen's Relief Association Net Pension Asset	244,435	-	244,435	-
Unrestricted	(8,214,559)	1,817,116	(6,397,443)	6,420,357
Total Net Position	<u>\$ 2,928,434</u>	<u>\$ 20,833,020</u>	<u>\$ 23,761,454</u>	<u>\$ 18,640,941</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General Government	\$ 1,117,023	\$ 371,138	\$ -	\$ 52,050
Public Safety	1,653,920	61,909	136,940	-
Highways and Streets	1,088,324	80,372	-	1,566,290
Cemetery	22,437	-	-	-
Culture and Recreation	900,920	130,341	-	12,500
Economic Development	122,435	1,697	-	-
Interest on Long-Term Debt	484,918	-	-	-
Total Governmental Activities	<u>5,389,977</u>	<u>645,457</u>	<u>136,940</u>	<u>1,630,840</u>
Business-Type Activities:				
Water Fund	833,984	1,419,190	-	589
Wastewater Treatment Plant Fund	996,141	1,348,480	-	65
Sanitation Fund	18,838	28,990	-	-
City Center Fund	536,165	83,164	-	20,990
Municipal Liquor Fund	1,580,833	1,743,982	-	-
Airport Fund	432,036	48,545	-	114,997
Storm Water Management Fund	187,382	317,028	-	-
Total Business-Type Activities	<u>4,585,379</u>	<u>4,989,379</u>	<u>-</u>	<u>136,641</u>
Total Primary Government	<u>\$ 9,975,356</u>	<u>\$ 5,634,836</u>	<u>\$ 136,940</u>	<u>\$ 1,767,481</u>
Total Component Unit	<u>\$ 8,340,628</u>	<u>\$ 9,028,519</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Taxes
Tax Increments
Franchise Fees
Grants and Contributions Not
Restricted to Certain Purposes
Net Income from Joint Venture
Unrestricted Investment Earnings
Gain on Disposal of Capital Assets
Other
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - As Previously Stated
Restatement
Net Position - Beginning of Year
Net Position - End of Year

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Component Unit Light and Power Commission
\$ (693,835)	\$ -	\$ (693,835)	\$ -
(1,455,071)	-	(1,455,071)	-
558,338	-	558,338	-
(22,437)	-	(22,437)	-
(758,079)	-	(758,079)	-
(120,738)	-	(120,738)	-
(484,918)	-	(484,918)	-
<u>(2,976,740)</u>	<u>-</u>	<u>(2,976,740)</u>	<u>-</u>
-	585,795	585,795	-
-	352,404	352,404	-
-	10,152	10,152	-
-	(432,011)	(432,011)	-
-	163,149	163,149	-
-	(268,494)	(268,494)	-
-	129,646	129,646	-
<u>-</u>	<u>540,641</u>	<u>540,641</u>	<u>-</u>
(2,976,740)	540,641	(2,436,099)	-
			687,891
2,160,035	123,466	2,283,501	-
354,583	-	354,583	-
30,555	-	30,555	-
1,352,932	-	1,352,932	-
-	-	-	-
7,095	44,108	51,203	86,558
1,380	-	1,380	-
18,940	588,993	607,933	-
(1,463,194)	1,463,194	-	-
<u>2,462,326</u>	<u>2,219,761</u>	<u>4,682,087</u>	<u>86,558</u>
(514,414)	2,760,402	2,245,988	774,449
3,091,837	18,072,618	21,164,455	17,866,492
351,011	-	351,011	-
<u>3,442,848</u>	<u>18,072,618</u>	<u>21,515,466</u>	<u>17,866,492</u>
<u>\$ 2,928,434</u>	<u>\$ 20,833,020</u>	<u>\$ 23,761,454</u>	<u>\$ 18,640,941</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)

	2017		
	General	2015 Street Improvement	2016 Street Improvement
ASSETS			
Cash and Cash Equivalents	\$ 2,200,717	\$ 76,840	\$ 185,734
Accounts Receivable	26,275	-	-
Interest Receivable	-	-	-
Note Receivable	-	-	-
Taxes Receivable			
Current	10,968	1,059	245
Delinquent	20,646	2,015	466
Special Assessments Receivable			
Current	227	3,426	2,147
Noncurrent	17,059	754,432	751,182
Due from Other Funds	433,869	-	-
Due from Other Governments	-	-	-
Land Held for Resale	65,270	-	-
	<u>2,775,031</u>	<u>837,772</u>	<u>939,774</u>
Total Assets	<u>\$ 2,775,031</u>	<u>\$ 837,772</u>	<u>\$ 939,774</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 149,783	\$ -	\$ -
Retainages Payable	-	-	-
Accrued Expenses	83,791	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>233,574</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>37,705</u>	<u>756,447</u>	<u>751,648</u>
FUND BALANCES			
Nonspendable	65,270	-	-
Restricted for:			
Park Improvement	151,188	-	-
Street Improvement Projects	-	-	-
Debt Service	-	81,325	188,126
Capital Projects	-	-	-
Committed for:			
Aquatic Center	-	-	-
Cable TV	-	-	-
Assigned for:			
Park Improvement	104,197	-	-
Cemetery	28,800	-	-
Unassigned	2,154,297	-	-
Total Fund Balances	<u>2,503,752</u>	<u>81,325</u>	<u>188,126</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,775,031</u>	<u>\$ 837,772</u>	<u>\$ 939,774</u>

See accompanying Notes to Financial Statements.

	2017		2016	
2017 Street Improvement	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ 523,716	\$ 1,375,360	\$ 4,362,367	\$ 4,806,248	
-	46,843	73,118	115,479	
-	48	48	78	
-	9,221	9,221	12,146	
-	3,339	15,611	24,279	
-	6,432	29,559	25,274	
-	-	5,800	476	
-	167,695	1,690,368	1,042,278	
-	-	433,869	180,315	
-	380,644	380,644	351,011	
-	354,320	419,590	419,590	
<u>\$ 523,716</u>	<u>\$ 2,343,902</u>	<u>\$ 7,420,195</u>	<u>\$ 6,977,174</u>	
\$ 41,761	\$ 81,305	\$ 272,849	\$ 733,018	
183,564	35,191	218,755	215,985	
-	-	83,791	64,180	
-	433,869	433,869	180,315	
<u>225,325</u>	<u>550,365</u>	<u>1,009,264</u>	<u>1,193,498</u>	
-	554,771	2,100,571	1,418,562	
-	363,541	428,811	431,736	
-	-	151,188	158,780	
-	110,452	110,452	79,579	
-	647,532	916,983	637,090	
298,391	563,133	861,524	1,068,297	
-	1,475	1,475	1,558	
-	30,422	30,422	39,135	
-	-	104,197	78,972	
-	-	28,800	44,377	
-	(477,789)	1,676,508	1,825,590	
<u>298,391</u>	<u>1,238,766</u>	<u>4,310,360</u>	<u>4,365,114</u>	
<u>\$ 523,716</u>	<u>\$ 2,343,902</u>	<u>\$ 7,420,195</u>	<u>\$ 6,977,174</u>	

(This page intentionally left blank)

**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017**

Total Fund Balances for Governmental Funds \$ 4,310,360

Amounts Reported for Governmental Activities in the Statement of Net Position are different because:

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

Land	\$ 1,456,414	
Construction in Progress	3,039,154	
Buildings, Net of Accumulated Depreciation	3,313,644	
Vehicles, Net of Accumulated Depreciation	408,791	
Machinery and Shop Equipment, Net of Accumulated Depreciation	382,542	
Improvements Other than Buildings, Net of Accumulated Depreciation	1,618,621	
Infrastructure, Net of Accumulated Depreciation	<u>7,899,151</u>	18,118,317

Some of the City's property taxes, special assessments and state aids will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unavailable revenue in the governmental funds. 2,100,571

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

Gain on Refunding is reported as a Deferred Inflow of Resources in the Statement of Net Position. (861)

Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. (212,708)

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	244,435	
Net Pension Liability	(1,485,068)	
Deferred Outflows of Resources - Pension Related	1,270,115	
Deferred Inflows of Resources - Pension Related	<u>(1,404,409)</u>	(1,374,927)

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	(19,498,167)	
Other Postemployment Benefits Payable	(218,646)	
Compensated Absences Payable	<u>(295,505)</u>	<u>(20,012,318)</u>

Total Net Position of Governmental Activities \$ 2,928,434

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017		
	2015 Street Improvement	2016 Street Improvement	2016 Street Improvement
REVENUES			
Taxes	\$ 1,499,112	\$ 146,021	\$ 33,692
Tax Increments	109,206	-	-
Licenses and Permits	146,136	-	-
Intergovernmental	1,494,624	-	-
Charges for Services	156,434	-	-
Fines and Forfeits	31,562	-	-
Assessments	4,631	100,495	92,849
Interest Income	3,236	(211)	45
Contributions and Donations	64,050	-	-
Payment in Lieu of Taxes	90,000	-	-
Franchise Fees	12,774	-	-
Miscellaneous	132,808	-	(516)
Total Revenues	3,744,573	246,305	126,070
EXPENDITURES			
Current:			
General Government	805,744	-	-
Public Safety	1,486,706	-	-
Highways and Streets	434,725	-	-
Cemetery	22,437	-	-
Culture-Recreation	519,117	-	-
Economic Development	15,837	-	-
Miscellaneous	240,383	-	-
Capital Outlay:			
General Government	4,843	-	-
Public Safety	40,731	-	-
Highways and Streets	112,907	-	-
Culture-Recreation	30,479	-	-
Debt Service:			
Principal	233,166	410,000	190,000
Interest	24,003	166,625	108,821
Fiscal Charges	-	-	-
Total Expenditures	3,971,078	576,625	298,821
Deficiency of Revenues Under Expenditures	(226,505)	(330,320)	(172,751)
OTHER FINANCING SOURCES (USES)			
Transfers In	271,515	300,000	207,549
Transfers Out	(117,059)	-	-
Lease Proceeds	70,169	-	-
Bond Proceeds	-	-	-
Bond Discount	-	-	-
Bond Premium	-	-	-
Auction Proceeds	99	-	-
Proceeds from the Sale of Capital Assets	1,380	-	-
Insurance Proceeds	1,346	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	227,450	300,000	207,549
Net Change in Fund Balances	945	(30,320)	34,798
Fund Balances - Beginning of Year	2,502,807	111,645	153,328
Fund Balances - End of Year	\$ 2,503,752	\$ 81,325	\$ 188,126

See accompanying Notes to Financial Statements.

	2017		2016	
2017 Street Improvement	Other Governmental Funds	Total Governmental Funds	Total Governmental Funds	Total Governmental Funds
\$ -	\$ 460,380	\$ 2,139,205	\$ 2,147,334	
-	245,251	354,457	356,302	
-	-	146,136	182,642	
-	300,477	1,795,101	2,301,770	
-	75,971	232,405	259,232	
-	-	31,562	33,746	
-	390,116	588,091	315,704	
1,732	2,295	7,097	5,048	
-	-	64,050	38,422	
-	-	90,000	87,500	
-	30,555	43,329	42,256	
20,622	9,576	162,490	203,619	
<u>22,354</u>	<u>1,514,621</u>	<u>5,653,923</u>	<u>5,973,575</u>	
-	-	805,744	835,805	
-	-	1,486,706	1,486,478	
631,520	438,666	1,504,911	2,433,618	
-	-	22,437	28,850	
-	149,605	668,722	638,101	
-	106,598	122,435	27,750	
-	-	240,383	117,772	
-	-	4,843	3,156	
-	-	40,731	26,973	
3,702,917	451,048	4,266,872	2,621,134	
-	18,075	48,554	78,787	
-	780,000	1,613,166	1,371,213	
-	105,135	404,584	369,344	
112,810	1,981	114,791	95,712	
<u>4,447,247</u>	<u>2,051,108</u>	<u>11,344,879</u>	<u>10,134,693</u>	
(4,424,893)	(536,487)	(5,690,956)	(4,161,118)	
-	301,344	1,080,408	794,070	
(40,000)	(406,614)	(563,673)	(324,500)	
-	-	70,169	26,883	
4,934,901	99	4,935,000	4,900,000	
-	-	-	26,410	
111,473	-	111,473	103,704	
-	-	99	478	
-	-	1,380	1,150	
-	-	1,346	73,892	
-	-	-	(870,000)	
<u>5,006,374</u>	<u>(105,171)</u>	<u>5,636,202</u>	<u>4,732,087</u>	
581,481	(641,658)	(54,754)	570,969	
<u>(283,090)</u>	<u>1,880,424</u>	<u>4,365,114</u>	<u>3,794,145</u>	
<u>\$ 298,391</u>	<u>\$ 1,238,766</u>	<u>\$ 4,310,360</u>	<u>\$ 4,365,114</u>	

(This page intentionally left blank)

**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, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ (54,754)

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

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

Capital Outlay	\$ 3,323,122	
Proceeds from Sales of Capital Assets	(1,380)	
Gain on Disposal of Capital Assets	1,380	
Depreciation Expense	<u>(815,922)</u>	2,507,200

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	(111,473)	
Bond Proceeds	(4,935,000)	
Lease Proceeds	(70,169)	
Repayment of Bond, Equipment Certificates and Lease Principal	1,613,166	
Change in Accrued Interest	(39,955)	
Amortization of Bond Premiums	33,586	
Amortization of Bond Discounts	(279)	
Amortization of Gain on Bond Refunding	<u>85</u>	(3,510,039)

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

Unavailable Revenue - December 31, 2016	1,418,562	
Unavailable Revenue - December 31, 2017	<u>2,100,571</u>	682,009

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. (151,795)

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). 12,965

Change in Net Position of Governmental Activities \$ (514,414)

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,816,045	\$ 1,574,313	\$ 3,762
Cash and Investments with Escrow Agent	-	-	-
Interest Receivable	-	-	-
Accounts Receivable	8,603	14,049	3,400
Taxes Receivable	-	-	-
Special Assessments Receivable	2,719	3,079	-
Inventory	-	-	-
Due from Other Funds	228,896	-	-
Due from Component Unit	120,220	124,996	2,580
Total Current Assets	2,176,483	1,716,437	9,742
NONCURRENT ASSETS			
Capital Assets:			
Land	41,628	312,678	-
Construction in Progress	787,368	959,980	-
Other Capital Assets (Net of Accumulated Depreciation)	4,297,737	5,138,440	-
Total Capital Assets	5,126,733	6,411,098	-
Total Noncurrent Assets	5,126,733	6,411,098	-
Total Assets	7,303,216	8,127,535	9,742
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	3,912	2,279	-
Pension Related	54,457	53,641	-
Total Deferred Outflows of Resources	58,369	55,920	-
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	80,660	389,177	2,746
Accrued Interest Payable	1,166	2,618	-
Compensated Absences Payable	69,129	74,014	-
Accrued Expenses	10,479	9,835	-
Due to Other Funds	-	-	-
Revenue Bonds Payable	50,000	60,000	-
Total Current Liabilities	211,434	535,644	2,746
NONCURRENT LIABILITIES			
Other Postemployment Benefits Payable	31,491	52,934	-
Net Pension Liability	207,828	204,716	-
Revenue Bonds Payable	145,000	244,625	-
Total Noncurrent Liabilities	384,319	502,275	-
Total Liabilities	595,753	1,037,919	2,746
DEFERRED INFLOWS OF RESOURCES			
Gain on Bond Refunding	-	-	-
Pension Related	38,818	38,236	-
Total Deferred Inflows of Resources	38,818	38,236	-
NET POSITION			
Net Investment in Capital Assets	4,935,645	6,108,752	-
Unrestricted	1,791,369	998,548	6,996
Total Net Position	\$ 6,727,014	\$ 7,107,300	\$ 6,996

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2017	2016
				Total Proprietary Funds	Total Proprietary Funds
\$ 7,026	\$ 61,466	\$ -	\$ 119,083	\$ 3,581,695	\$ 2,435,708
1,454,769	-	-	-	1,454,769	-
9,743	-	-	-	9,743	-
1,355	-	64,515	918	92,840	124,694
2,619	-	4	-	2,623	3,524
-	-	-	-	5,798	10,379
-	212,227	-	-	212,227	157,373
-	-	-	-	228,896	132,157
-	-	-	31,618	279,414	252,720
<u>1,475,512</u>	<u>273,693</u>	<u>64,519</u>	<u>151,619</u>	<u>5,868,005</u>	<u>3,116,555</u>
-	30,207	169,232	-	553,745	545,937
-	-	-	582,830	2,330,178	2,103,642
<u>2,803,691</u>	<u>618,483</u>	<u>2,767,277</u>	<u>3,613,193</u>	<u>19,238,821</u>	<u>17,890,121</u>
<u>2,803,691</u>	<u>648,690</u>	<u>2,936,509</u>	<u>4,196,023</u>	<u>22,122,744</u>	<u>20,539,700</u>
<u>2,803,691</u>	<u>648,690</u>	<u>2,936,509</u>	<u>4,196,023</u>	<u>22,122,744</u>	<u>20,539,700</u>
4,279,203	922,383	3,001,028	4,347,642	27,990,749	23,656,255
-	-	-	-	6,191	8,026
<u>28,494</u>	<u>22,711</u>	<u>-</u>	<u>-</u>	<u>159,303</u>	<u>329,003</u>
<u>28,494</u>	<u>22,711</u>	<u>-</u>	<u>-</u>	<u>165,494</u>	<u>337,029</u>
7,929	57,984	2,149	10,338	550,983	305,390
60,005	666	-	8,269	72,724	59,231
22,076	4,377	-	-	169,596	168,461
5,002	4,956	-	-	30,272	28,090
202,214	-	26,682	-	228,896	132,157
<u>1,566,000</u>	<u>31,000</u>	<u>-</u>	<u>80,000</u>	<u>1,787,000</u>	<u>325,000</u>
<u>1,863,226</u>	<u>98,983</u>	<u>28,831</u>	<u>98,607</u>	<u>2,839,471</u>	<u>1,018,329</u>
22,894	8,710	-	-	116,029	103,884
108,743	86,671	-	-	607,958	791,374
<u>1,963,000</u>	<u>409,000</u>	<u>-</u>	<u>883,867</u>	<u>3,645,492</u>	<u>3,916,305</u>
<u>2,094,637</u>	<u>504,381</u>	<u>-</u>	<u>883,867</u>	<u>4,369,479</u>	<u>4,811,563</u>
<u>3,957,863</u>	<u>603,364</u>	<u>28,831</u>	<u>982,474</u>	<u>7,208,950</u>	<u>5,829,892</u>
-	-	-	720	720	791
<u>20,311</u>	<u>16,188</u>	<u>-</u>	<u>-</u>	<u>113,553</u>	<u>89,983</u>
<u>20,311</u>	<u>16,188</u>	<u>-</u>	<u>720</u>	<u>114,273</u>	<u>90,774</u>
800,434	208,690	2,936,509	4,025,874	19,015,904	17,165,924
(470,911)	116,852	35,688	(661,426)	1,817,116	906,694
<u>\$ 329,523</u>	<u>\$ 325,542</u>	<u>\$ 2,972,197</u>	<u>\$ 3,364,448</u>	<u>\$ 20,833,020</u>	<u>\$ 18,072,618</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 YEAR ENDED DECEMBER 31, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 1,390,361	\$ 1,334,975	\$ 5,492
Other Operating Revenues	28,829	13,505	23,498
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>1,419,190</u>	<u>1,348,480</u>	<u>28,990</u>
OPERATING EXPENSES			
Personal Services	306,608	341,295	7,440
Materials and Supplies	75,974	43,739	-
Repairs and Maintenance	15,395	136,477	-
Management Fees	67,366	18,243	6,699
Professional Services	50,530	78,573	1,182
Insurance	17,783	24,283	88
Utilities	59,099	93,318	600
Depreciation	130,946	216,379	-
Other	106,047	13,835	2,829
Total Operating Expenses	<u>829,748</u>	<u>966,142</u>	<u>18,838</u>
Operating Income (Loss)	589,442	382,338	10,152
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	589	65	-
Taxes	-	-	-
Federal Aid and Grants	-	-	-
State Aid and Grants	-	-	-
Donations	-	-	-
Insurance Proceeds	-	588,944	-
Interest on Investments	3,572	2,761	22
Interest Expense and Fiscal Charges	(4,236)	(12,651)	-
Auction Proceeds	-	49	-
Loss on Sale of Capital Assets	-	(17,348)	-
Total Nonoperating Revenues (Expenses)	<u>(75)</u>	<u>561,820</u>	<u>22</u>
Net Income (Loss) Before Transfers	589,367	944,158	10,174
TRANSFERS			
Transfers In	850,984	509,905	-
Transfers Out	(225,000)	(245,000)	(10,000)
Total Contributions and Transfers	<u>625,984</u>	<u>264,905</u>	<u>(10,000)</u>
Change in Net Position	1,215,351	1,209,063	174
Net Position - Beginning of Year	<u>5,511,663</u>	<u>5,898,237</u>	<u>6,822</u>
Net Position - End of Year	<u>\$ 6,727,014</u>	<u>\$ 7,107,300</u>	<u>\$ 6,996</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2017 Total Proprietary Funds	2016 Total Proprietary Funds
\$ 57,304	\$ -	\$ 40,352	\$ 317,028	\$ 3,145,512	\$ 3,002,154
25,860	-	8,193	-	99,885	68,761
-	1,743,982	-	-	1,743,982	1,718,611
-	(1,279,724)	-	-	(1,279,724)	(1,263,502)
<u>83,164</u>	<u>464,258</u>	<u>48,545</u>	<u>317,028</u>	<u>3,709,655</u>	<u>3,526,024</u>
184,621	143,510	-	-	983,474	953,450
10,154	32,869	17,155	400	180,291	181,716
19,640	8,289	7,316	29,904	217,021	165,057
-	-	1,198	-	93,506	74,812
6,695	6,365	101,060	9,859	254,264	326,045
21,428	11,587	15,097	1,444	91,710	86,994
17,198	14,170	5,124	-	189,509	183,166
71,952	42,990	278,147	124,547	864,961	723,296
64,870	24,459	6,939	-	218,979	197,243
<u>396,558</u>	<u>284,239</u>	<u>432,036</u>	<u>166,154</u>	<u>3,093,715</u>	<u>2,891,779</u>
(313,394)	180,019	(383,491)	150,874	615,940	634,245
-	-	-	-	654	4,049
123,706	-	(240)	-	123,466	150,599
-	-	87,588	-	87,588	165,296
-	-	26,909	-	26,909	49,971
20,990	-	500	-	21,490	4,264
-	-	-	-	588,944	27,685
37,570	195	(93)	81	44,108	31,674
(139,607)	(16,870)	-	(20,126)	(193,490)	(167,888)
-	-	-	-	49	337
-	-	-	(1,102)	(18,450)	(4,191)
<u>42,659</u>	<u>(16,675)</u>	<u>114,664</u>	<u>(21,147)</u>	<u>681,268</u>	<u>261,796</u>
(270,735)	163,344	(268,827)	129,727	1,297,208	896,041
132,000	-	-	677,305	2,170,194	2,318,196
-	(132,000)	-	(95,000)	(707,000)	(669,570)
<u>132,000</u>	<u>(132,000)</u>	<u>-</u>	<u>582,305</u>	<u>1,463,194</u>	<u>1,648,626</u>
(138,735)	31,344	(268,827)	712,032	2,760,402	2,544,667
<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>
<u>\$ 329,523</u>	<u>\$ 325,542</u>	<u>\$ 2,972,197</u>	<u>\$ 3,364,448</u>	<u>\$ 20,833,020</u>	<u>\$ 18,072,618</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2017
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 1,300,513	\$ 1,327,041	\$ 30,049
Cash Paid to Suppliers	(306,270)	(390,225)	(12,494)
Cash Paid to Employees	(371,461)	(353,004)	(7,440)
Net Cash Provided (Used) by Operating Activities	<u>622,782</u>	<u>583,812</u>	<u>10,115</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(225,000)	(245,000)	(10,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(225,000)</u>	<u>(245,000)</u>	<u>(10,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund Cash Borrowed	1,535	-	-
Proceeds from the Sale of Bonds	-	-	-
Principal Paid on Bonds	(40,000)	(55,000)	-
Collection of Special Assessments	2,599	2,636	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(3,013)	(12,591)	-
Acquisition of Capital Assets	-	(169,075)	-
Capital Contributions Received	-	-	-
Insurance Proceeds	-	588,944	-
Auction Proceeds	-	49	-
Purchase of Investments	-	-	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(38,879)</u>	<u>354,963</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	3,572	2,761	22
Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	362,475	696,536	137
Cash and Cash Equivalents - January 1	<u>1,453,570</u>	<u>877,777</u>	<u>3,625</u>
Cash and Cash Equivalents - December 31	<u><u>\$ 1,816,045</u></u>	<u><u>\$ 1,574,313</u></u>	<u><u>\$ 3,762</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 589,442	\$ 382,338	\$ 10,152
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	130,946	216,379	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(6,020)	(6,309)	1,232
(Increase) Decrease in Due from Other Funds	(98,274)	-	-
(Increase) Decrease in Due from Component Unit	(14,383)	(15,130)	(173)
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	18,558	-	(1,096)
Increase (Decrease) in Compensated Absences Payable	2,319	2,077	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase in OPEB Payable	2,297	3,410	-
Increase (Decrease) in Accrued Expenses	914	218	-
Pension Related	(3,017)	829	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 622,782</u></u>	<u><u>\$ 583,812</u></u>	<u><u>\$ 10,115</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Loss on Bond Refunding	\$ 1,380	\$ 455	\$ -
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>\$ 850,984</u>	<u>\$ 509,905</u>	<u>\$ -</u>
Loss on Disposal of Capital Assets	<u>\$ -</u>	<u>\$ (17,348)</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2017	2016
				Total Proprietary Funds	Total Proprietary Funds
\$ 84,872	\$ 1,743,982	\$ 44,456	\$ 316,988	\$ 4,847,901	\$ 4,747,765
(37,359)	(1,430,849)	(152,691)	(78,267)	(2,408,155)	(2,431,419)
(168,070)	(143,792)	(1,198)	-	(1,044,965)	(972,610)
(120,557)	169,341	(109,433)	238,721	1,394,781	1,343,736
132,000	-	-	58,265	190,265	200,000
-	(132,000)	-	(95,000)	(707,000)	(669,570)
132,000	(132,000)	-	(36,735)	(516,735)	(469,570)
-	-	(1,535)	-	-	-
1,516,000	-	-	-	1,516,000	-
(120,000)	(30,000)	-	(80,000)	(325,000)	(318,000)
-	-	-	-	5,235	7,153
124,486	-	(119)	-	124,367	151,428
(134,888)	(16,898)	-	(20,398)	(187,788)	(168,390)
(6,300)	-	(52,181)	-	(227,556)	(1,419,325)
20,990	-	500	-	21,490	4,264
-	-	-	-	588,944	27,685
-	-	-	-	49	337
(1,454,769)	-	-	-	(1,454,769)	-
28,386	-	-	-	28,386	29,441
-	-	133,407	-	133,407	1,380,049
-	-	29,454	-	29,454	120,374
(26,095)	(46,898)	109,526	(100,398)	252,219	(184,984)
9,184	195	(93)	81	15,722	2,233
(5,468)	(9,362)	-	101,669	1,145,987	691,415
12,494	70,828	-	17,414	2,435,708	1,744,293
\$ 7,026	\$ 61,466	\$ -	\$ 119,083	\$ 3,581,695	\$ 2,435,708
\$ (313,394)	\$ 180,019	\$ (383,491)	\$ 150,874	\$ 615,940	\$ 634,245
71,952	42,990	278,147	124,547	864,961	723,296
1,708	-	(4,089)	1,875	(11,603)	(620)
-	-	-	-	(98,274)	(34,662)
-	-	-	(1,915)	(31,601)	(6,479)
-	(54,854)	-	-	(54,854)	(10,076)
4,352	1,467	-	(36,660)	(13,379)	(49,489)
4,999	(8,260)	-	-	1,135	11,491
98,274	-	-	-	98,274	34,662
5,054	1,384	-	-	12,145	17,068
(33)	1,083	-	-	2,182	916
6,531	5,512	-	-	9,855	23,384
\$ (120,557)	\$ 169,341	\$ (109,433)	\$ 238,721	\$ 1,394,781	\$ 1,343,736
\$ -	\$ -	\$ -	\$ -	\$ 1,835	\$ 1,837
\$ -	\$ -	\$ -	\$ (71)	\$ (71)	\$ (71)
\$ -	\$ -	\$ -	\$ 112	\$ 187	\$ 186
\$ -	\$ -	\$ -	\$ 619,040	\$ 1,979,929	\$ 2,118,196
\$ -	\$ -	\$ -	\$ (1,102)	\$ (18,450)	\$ (4,191)

(This page intentionally left blank)

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Glencoe (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

A. Financial Reporting Entity

The City of Glencoe was formed and operates pursuant to Minnesota laws and statutes. The governing body consists of a Mayor and a five-member council elected by the voters of the City.

GAAP requires that the City's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the City. In addition, the City's financial statements are to include all component units – entities for which the City is financially accountable.

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

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

Discrete Presentation

Light and Power Commission

The Light and Power Commission provides electric services to the citizens of Glencoe. The Light and Power Commission is governed by a five-member Board 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 entity are not held for the direct benefit of the City and the City is not entitled to nor does it have the ability to access the entity's economic resources.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017**

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 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 \$4,025,000 General Obligation Bonds, Series 2016A.

2017 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 2017 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 OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2017**

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.

Cash and Investments with Escrow Agent

Cash and Investments with Escrow Agent consist of State and Local Government Securities and money market accounts held for the purpose of refunding the General Obligation Taxable Capital Improvement Plan Bonds, Series 2010A. These assets are sufficient to meet the debt service requirements of the General Obligation Capital Improvement Plan Refunding Bonds, Series 2017A through the February 1, 2018 crossover refunding date of the General Obligation Taxable Capital Improvement Plan Bonds, Series 2010A.

Taxes and Special Assessments

Current taxes and special assessments receivable at December 31, 2017, 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 2017 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.

CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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)

Inventory

Inventory is valued using the latest invoice price, which approximates the first-in, first-out (FIFO) method. The cost of inventories are recorded as an expenditure/expense when consumed rather than when purchased.

Land Held for Resale

Purchased land held for resale is recorded in the fund that purchased the property at the lower of cost or market value.

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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)

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends.

Other Postemployment Benefits Payable

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

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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)

Pensions (Continued)

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.

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."

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property Tax Revenue Recognition

The City levies its property tax for the subsequent year in October. This levy is certified to the County of McLeod, as they are the collection agency for taxes within the County. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Taxes are due and payable at the County on May 15 and October 15 of each year and collections are remitted to the City in June and November. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Within the governmental fund financial statements, the City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and state credits received by the City in July, December and the following January are recognized as revenue for the current year. Taxes and credits not received at the year-end are classified as delinquent. The portion of delinquent taxes not collected by the City in January is fully offset by unavailable revenue because it is not available to finance current expenditures. Unavailable revenue in governmental activities is susceptible to full accrual on the government-wide statements.

Net Position

Net position represents the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources in the 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.

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, from which the summarized comparative information was derived. Certain amounts in the prior year financial statements have been reclassified for comparative purposes with the presentation in the current year financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2017.

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 3,560,977	\$ 3,971,078

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, 2017, as follows:

Debt Service Funds:		
1999 Swimming Pool Bond	\$	(2,634)
County State Aid Hwy #3 Bond		(57,157)
Capital Project Fund:		
2018 Storm Water Improvement		(417,998)

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

C. Deficit Fund Balances (Continued)

The deficit in the Debt Service Funds 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.

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, 2017.

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, 2017 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated “A” or better; Revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rated “A” or better.
- Banker’s acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States bank, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The City does not have a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with the debt service requirements of the General Obligation Capital Improvement Plan Refunding Bonds, Series 2017A and the crossover refunding date of the General Obligation Taxable Capital Improvement Plan Bonds, Series 2010A. Information about the sensitivity of the fair values of the City’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the City’s investments by maturity:

	<u>Total</u>	<u>12 Months or Less</u>
State and Local Government Securities (SLGS)	<u>\$ 1,454,769</u>	<u>\$ 1,454,769</u>

The deposits and investments are presented in the financial statements as follows:

Deposits		\$ 7,944,062
State and Local Government Securities (SLGS)		<u>1,454,769</u>
Total		<u>\$ 9,398,831</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Cash and Cash Equivalents - Governmental Activities	\$ 4,362,367
Cash and Cash Equivalents - Business-Type Activities	3,581,695
Cash and Investments with Escrow Agent - Business-Type Activities	1,454,769
Total	\$ 9,398,831

Fair Value Measurements

The City 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 City has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

Assets measured at fair value on a recurring basis:

	12/31/2017	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				
State and Local Government Securities (SLGS)	\$ 1,454,769	\$ -	\$ 1,454,769	\$ -

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

NOTE 5 CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,359,569	\$ 96,845	\$ -	\$ 1,456,414
Construction in Progress	<u>1,942,925</u>	<u>2,756,099</u>	<u>(1,659,870)</u>	<u>3,039,154</u>
Total Capital Assets, Not Being Depreciated	3,302,494	2,852,944	(1,659,870)	4,495,568
Capital Assets, Being Depreciated:				
Buildings	4,687,507	12,312	-	4,699,819
Improvements Other than Buildings	3,613,458	11,897	-	3,625,355
Office Equipment and Furniture	-	-	-	-
Vehicles	1,764,505	70,169	(19,000)	1,815,674
Machinery and Shop Equipment	1,022,756	34,140	(33,287)	1,023,609
Infrastructure	<u>12,200,525</u>	<u>2,001,530</u>	<u>(295,736)</u>	<u>13,906,319</u>
Total Capital Assets, Being Depreciated	23,288,751	2,130,048	(348,023)	25,070,776
Accumulated Depreciation:				
Buildings	(1,288,215)	(97,960)	-	(1,386,175)
Improvements Other than Buildings	(1,865,729)	(141,005)	-	(2,006,734)
Office Equipment and Furniture	-	-	-	-
Vehicles	(1,341,804)	(84,079)	19,000	(1,406,883)
Machinery and Shop Equipment	(611,829)	(62,525)	33,287	(641,067)
Infrastructure	<u>(5,872,551)</u>	<u>(430,353)</u>	<u>295,736</u>	<u>(6,007,168)</u>
Total Accumulated Depreciation	<u>(10,980,128)</u>	<u>(815,922)</u>	<u>348,023</u>	<u>(11,448,027)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,308,623</u>	<u>1,314,126</u>	<u>-</u>	<u>13,622,749</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,611,117</u>	<u>\$ 4,167,070</u>	<u>\$ (1,659,870)</u>	<u>\$ 18,118,317</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 20,861
Public Safety	89,689
Public Works	523,510
Culture and Recreation	181,862
Total Depreciation Expense, Governmental Activities	<u>\$ 815,922</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital Assets, not Being Depreciated				
Land	\$ 545,937	\$ 7,808	\$ -	\$ 553,745
Construction in Progress	2,103,642	2,330,178	(2,103,642)	2,330,178
Total Capital Assets, not Being Depreciated	2,649,579	2,337,986	(2,103,642)	2,883,923
Capital Assets, Being Depreciated:				
Buildings	10,765,427	-	-	10,765,427
Improvements Other than Buildings	3,806,653	-	-	3,806,653
Vehicles	181,796	-	-	181,796
Office Equipment and Furniture	63,702	-	-	63,702
Machinery and Shop Equipment	1,435,056	9,287	(5,600)	1,438,743
Infrastructure	12,694,930	2,225,812	(63,681)	14,857,061
Total Capital Assets, Being Depreciated	28,947,564	2,235,099	(69,281)	31,113,382
Accumulated Depreciation:				
Buildings	(4,823,257)	(200,605)	-	(5,023,862)
Improvements Other than Buildings	(589,411)	(289,470)	-	(878,881)
Vehicles	(98,977)	(19,632)	-	(118,609)
Office Equipment and Furniture	(25,952)	(5,215)	-	(31,167)
Machinery and Shop Equipment	(1,171,725)	(36,925)	2,612	(1,206,038)
Infrastructure	(4,348,121)	(313,114)	45,231	(4,616,004)
Total Accumulated Depreciation	(11,057,443)	(864,961)	47,843	(11,874,561)
Total Capital Assets, Being Depreciated, Net	17,890,121	1,370,138	(21,438)	19,238,821
Business-Type Capital Assets, Net	<u>\$ 20,539,700</u>	<u>\$ 3,708,124</u>	<u>\$ (2,125,080)</u>	<u>\$ 22,122,744</u>

Depreciation expense was charged to proprietary activities as follow:

Proprietary Activities:	
Water Fund	\$ 130,946
Wastewater Treatment Plant Fund	216,379
City Center Fund	71,952
Municipal Liquor Fund	42,990
Airport Fund	278,147
Storm Water Management Fund	124,547
Total Depreciation Expense, Business-Type Activities	<u>\$ 864,961</u>

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2017 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 433,869	\$ -
Nonmajor Governmental Funds	-	433,869
Water Fund	228,896	-
City Center Fund	-	202,214
Airport Fund	-	26,682
Total	<u>\$ 662,765</u>	<u>\$ 662,765</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2017:

			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	\$ 225,000	\$ -	\$ (70,000)	\$ 155,000	\$ 75,000
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$540,000 Portion These Bonds were Paid Off in 2017	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	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	190,000	-	(60,000)	130,000	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	90,000	-	(30,000)	60,000	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	210,000	-	(70,000)	140,000	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	360,000	-	(20,000)	340,000	25,000
Total General Obligation Bonds			1,160,000	-	(335,000)	825,000	260,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 99,062	\$ -	\$ (49,185)	\$ 49,877	\$ 49,877
Total General Obligation Equipment Certificates of Indebtedness			99,062	-	(49,185)	49,877	49,877
<u>Special Assessment Bonds</u>							
\$4,020,000 G.O. Refunding Bonds - Series 2011A \$760,000 Portion This Portion of these Bonds Was Paid Off in 2017	.55% - 3.45%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22	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	120,000	-	(55,000)	65,000	65,000
\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion	.55% - 2.75%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	690,000	-	(60,000)	630,000	55,000
\$1,925,000 G.O. Improvement Bonds - Series 2014A	2.00% - 2.50%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/25	1,745,000	-	(180,000)	1,565,000	180,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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>							
\$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	\$ 6,350,000	\$ -	\$ (410,000)	\$ 5,940,000	\$ 415,000
\$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	-	(190,000)	3,835,000	245,000
\$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	-	(100,000)	775,000	105,000
\$4,935,000 G.O. Bonds - Series 2017B	2.00% - 3.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/32	-	4,935,000	-	4,935,000	210,000
Total Special Assessment Bonds			<u>13,915,000</u>	<u>4,935,000</u>	<u>(1,105,000)</u>	<u>17,745,000</u>	<u>1,275,000</u>
Total Bonds Payable			15,174,062	4,935,000	(1,489,185)	18,619,877	1,584,877
<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	6,379
Total Loans			<u>82,927</u>	<u>-</u>	<u>-</u>	<u>82,927</u>	<u>6,379</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 258,848	\$ -	\$ (53,241)	\$ 205,607	\$ 55,599
2013 Bobcat Skid Steer Loader This Capital Lease was Paid Off in 2017	6.31%	Lease payments of \$10,404 due annually until 3/20/18	9,787	-	(9,787)	-	-
2014 Kubota Tractor This Capital Lease was Paid Off in 2017	5.75%	Lease payments of \$870 due monthly until 2/3/17	1,727	-	(1,727)	-	-
2015 Freightliner Plow Truck	3.28%	Lease payments of \$36,890 due annually until 1/15/19	103,791	-	(33,487)	70,304	34,585
2015 Toro Mowers This Capital Lease was Paid Off in 2017	0.00%	Lease payments of \$525 due monthly until 5/9/17	2,625	-	(2,625)	-	-
2016 Bobcat Skid Steer Loader	5.94%	Lease payments of \$9,482 due annually until 2/25/19	17,401	-	(8,449)	8,952	8,952
2017 Ford F-550 Pickup	2.25%	Lease payments of \$14,665 due annually until 2/23/21	-	70,169	(14,665)	55,504	13,416
Total Capital Leases			394,179	70,169	(123,981)	340,367	112,552
Unamortized Bond Discount			(1,656)	-	279	(1,377)	-
Unamortized Bond Premium			378,486	111,473	(33,586)	456,373	-
Compensated Absences Payable			325,798	109,101	(139,394)	295,505	150,000
Other Postemployment Benefits Payable			201,318	49,376	(32,048)	218,646	-
Net Pension Liability			3,065,063	826,178	(2,406,173)	1,485,068	-
Total Governmental Activities Long-Term Liabilities			<u>\$ 19,620,177</u>	<u>\$ 6,101,297</u>	<u>\$ (4,224,088)</u>	<u>\$ 21,497,386</u>	<u>\$ 1,853,808</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 1,615,000	\$ -	\$ (85,000)	\$ 1,530,000	\$ 1,530,000
\$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	155,000	-	(25,000)	130,000	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	205,000	-	(30,000)	175,000	35,000
\$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	235,000	-	(40,000)	195,000	50,000
\$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	1,045,000	-	(80,000)	965,000	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	518,000	-	(35,000)	483,000	36,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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	\$ 470,000	\$ -	\$ (30,000)	\$ 440,000	\$ 31,000
\$1,516,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2017A	2.60%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/31	-	1,516,000	-	1,516,000	-
Total Bonds Payable			4,243,000	1,516,000	(325,000)	5,434,000	1,787,000
Other Postemployment Benefits Payable			103,884	13,789	(1,644)	116,029	-
Unamortized Bond Discount			(1,695)	-	187	(1,508)	-
Net Pension Liability			791,374	237,628	(421,044)	607,958	-
Total Business-Type Long-Term Liabilities			<u>\$ 5,136,563</u>	<u>\$ 1,767,417</u>	<u>\$ (747,501)</u>	<u>\$ 6,156,479</u>	<u>\$ 1,787,000</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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
2018	\$ 1,584,877	\$ 487,105	\$ 1,787,000	\$ 150,921	\$ 3,371,877	\$ 638,026
2019	1,570,000	434,578	363,000	101,505	1,933,000	536,083
2020	1,345,000	401,874	360,000	92,377	1,705,000	494,251
2021	1,365,000	374,853	377,000	82,270	1,742,000	457,123
2022	1,390,000	346,912	310,000	72,881	1,700,000	419,793
2023 - 2027	6,600,000	1,229,171	1,465,000	234,514	8,065,000	1,463,685
2028 - 2032	4,765,000	376,422	772,000	36,523	5,537,000	412,945
Total	<u>\$ 18,619,877</u>	<u>\$ 3,650,915</u>	<u>\$ 5,434,000</u>	<u>\$ 770,991</u>	<u>\$ 24,053,877</u>	<u>\$ 4,421,906</u>

On March 1, 2017, the City of Glencoe issued \$1,516,000 of General Obligation Capital Improvement Plan Refunding Bonds, Series 2017A. The proceeds of the issue will be used to refund in advance of their stated maturities, the remaining maturities of the City's General Obligation Taxable Capital Improvement Plan Bonds, Series 2010A. The maturities of the General Obligation Taxable Capital Improvement Plan Bonds, Series 2010A are scheduled to mature in 2019 through 2031. This portion of the refunding is considered an advance crossover refunding. The proceeds of this portion of the refunding bonds were placed into an escrow account pending the call date of the old bonds which is February 1, 2018. The refunding resulted in an economic savings of \$69,777 for the City, with a present value of \$57,924. Assets of the City, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

On June 13, 2017, the City of Glencoe issued \$4,935,000 of General Obligation Bonds, Series 2017B. The proceeds of the issue were used to pay the costs associated with the 2017 Street Improvement Project. 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
2018	\$ 6,379	\$ 1,595
2019	6,379	1,467
2020	6,379	1,340
2021	6,379	1,212
2022	6,379	1,084
2023 - 2027	31,895	3,508
2028 - 2032	19,137	574
Total	<u>\$ 82,927</u>	<u>\$ 10,780</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

In 2017 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 \$622,686 and \$262,758 of accumulated depreciation at December 31, 2017.

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases Payable</u>
2018	\$ 112,552
2019	107,498
2020	74,659
2021	45,658
Total Minimum Lease Payments	<u>340,367</u>
Less Amount Representing Interest	25,565
Present Value of Minimum Lease Payments	<u><u>\$ 314,802</u></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, 2017, the principal amount outstanding was \$18,340,000.

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>
2018	\$ 35,515
2019	23,460
2020	13,841
2021	7,771
2022	4,479
Thereafter	7,092
Total	<u><u>\$ 92,158</u></u>

The City had \$32,430 of expenditures for these leases in 2017.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

E. Restricted for Firemen's Relief Association Pension Asset

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

NOTE 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, 2017**

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, 2017**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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, 2017**

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 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2017. The City contributions to the General Employees Fund for the year ended December 31, 2017, were \$110,431. 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 2017. The City was required to contribute 16.2% of pay for plan members in calendar year 2017. The City contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$86,985. The City contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2017, the City reported a liability of \$1,404,465 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 2017. 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 \$17,628. The net pension liability was measured as of June 30, 2017 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was .0220% which was an increase of .0007% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$195,847 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$509 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, 2017**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2017, 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	\$ 46,287	\$ 90,353
Changes in Actuarial Assumptions	233,172	140,798
Difference Between Projected and Actual Investment Earnings	9,070	-
Changes in Proportion	29,653	31,173
Contributions Paid to PERA Subsequent to the Measurement Date	49,831	-
Total	<u>\$ 368,013</u>	<u>\$ 262,324</u>

\$49,831 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, 2018. 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>
2018	\$ 47,118
2019	85,070
2020	(16,712)
2021	(59,618)

Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$688,561 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was .051% which was a decrease of .002% from its proportion measured as of June 30, 2016. The City also recognized \$4,950 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Costs (Continued)

For the year ended December 31, 2017, the City recognized pension expense of \$166,664 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, 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	\$ 15,849	\$ 184,079
Changes in Actuarial Assumptions	901,119	977,585
Difference Between Projected and Actual Investment Earnings	9,456	-
Changes in Proportion	10,800	35,025
Contributions Paid to PERA Subsequent to the Measurement Date	41,954	-
Total	<u>\$ 979,178</u>	<u>\$ 1,196,689</u>

\$41,954 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, 2018. 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>
2018	\$ 8,209
2019	8,209
2020	(17,033)
2021	(60,993)
2022	(197,857)

Actuarial Assumptions

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employee Plan through 2044 and Police and Fire Plan through 2064 and the 2.5% thereafter for both plans.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2017 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 most recent experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0 per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 % lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested deferred members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first 3 years of service. Rates beyond the select period of 3 years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be 3 years younger) and female members (husbands assumed to be 4 years older) to the assumption that males are 2 years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39 %	5.10%
International Stocks	19	5.30%
Bonds	20	0.75%
Alternative Assets	20	5.90%
Cash	2	0.00%
Totals	100 %	

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund 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 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%	\$ 770,835	8.50%	\$ 186,458
Current Discount Rate	7.50%	1,404,465	7.50%	688,561
1% Lower	6.50%	2,178,430	6.50%	1,296,761

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.

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

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.

Total contributions made by the City during 2017 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 1,506	\$ 1,506	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, 2016, membership includes 35 active participants, 8 terminated members entitled to benefit but not yet receiving them and 8 retired members currently receiving benefits. The plan issues a stand-alone financial statement.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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 \$2,500 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 \$2,500 for each year the member was an active member of the Glencoe Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

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

Contributions

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Contributions

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$46,437 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2016. 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, 2016 was \$0.00.

Pension Costs

At December 31, 2017, the City reported an asset of \$244,435 for the Association's net pension asset. The net pension asset was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

As a result of its requirement not to contribute to the Relief Association, the City recognized expense of \$17,067 for the year ended December 31, 2017. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 38,075
Changes in Actuarial Assumptions	18,022	20,874
Difference Between Projected and Actual Investment Earnings	38,705	-
City Contributions Subsequent to the Measurement Date	25,500	-
Total	<u>\$ 82,227</u>	<u>\$ 58,949</u>

The City contributions to the Association subsequent to the measurement date, \$25,500 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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	\$ 9,421
2018	9,421
2019	9,420
2020	(8,041)
2021	(4,621)
Thereafter	(17,822)

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line Closed
Actuarial Assumptions:	
Discount Rate	6.50%
Investment Rate of Return	6.50%
20-Year Municipal Bond Yield	3.78%
Inflation Rate	2.75%
Age of Service Retirement	50

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%).

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

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2016</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash and Equivalents	6.47 %	0.84%	3.59%
Fixed Income	32.22	2.27%	5.02%
Domestic Equity	61.31	5.58%	8.33%
International Equity	-	5.71%	8.46%
Real Estate and Alternatives	-	4.44%	7.19%
Total Portfolio	<u>100.00 %</u>		

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease	Selected Discount Rate	1% Increase
Net Pension Liability (Asset)	\$ (212,738)	\$ (244,435)	\$ (274,470)
Discount Rate	5.50%	6.50%	7.50%

Plan's Fiduciary Net Position

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

ASSETS

Cash and Cash Equivalents	\$	78,379
Fixed Income Securities		390,228
Mutual Funds		742,680
Accounts Receivable		
Accrued Interest		960
Total Assets	\$	1,212,247

LIABILITIES

Accounts Payable	\$	-
------------------	----	---

NET POSITION

Unrestricted	\$	1,212,247
--------------	----	-----------

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

Plan's Fiduciary Net Position (Continued)

REVENUES

Fire State Aid	\$ 43,437
State 10% Supplemental Reimbursement	3,000
Municipal Contribution	68,795
Miscellaneous	-
Investment Income	81,653
Total Revenues	<u>196,885</u>

EXPENSES

Pension Distributions	154,952
Administrative	12,535
Total Expenses	<u>167,487</u>

CHANGE IN NET POSITION

	29,398
Net Position - Beginning of Year	<u>1,182,849</u>
NET POSITION - END OF YEAR	<u>\$ 1,212,247</u>

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

	Measurement Date December 31, 2016
<u>Total Pension Liability</u>	
Service Cost	\$ 45,629
Interest	60,464
Differences Between Expected and Actual Experience	(43,098)
Changes of Assumptions	(23,628)
Benefit Payments, Including Member Contribution Refunds	(154,952)
Net Change in Total Pension Liability	(115,585)
Total Pension Liability - Beginning of Year	<u>1,083,397</u>
Total Pension Liability - End of Year (a)	967,812
Plan Fiduciary Net Position	
Municipal Contributions	68,795
State Contributions	46,437
Net Investment Income	81,653
Benefit Payments	(154,952)
Administrative Expenses	(12,535)
Net Change in Fiduciary Net Position	<u>29,398</u>
Fiduciary Net Position - Beginning of Year	<u>1,182,849</u>
Fiduciary Net Position - End of Year (b)	<u>1,212,247</u>
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	<u>\$ (244,435)</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

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 2017, the City contributed \$33,693 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	\$	66,686
Interest on Net OPEB Obligation		10,682
Adjustment to Annual Required Contribution		<u>(14,202)</u>
Annual OPEB Cost (Expense)		63,166
Contributions Made		<u>33,693</u>
Increase in Net OPEB Obligation		29,473
Net OPEB Obligation - Beginning of Year		<u>305,202</u>
Net OPEB Obligation - End of Year	\$	<u><u>334,675</u></u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 16 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2017	\$ 63,166	53.34%	\$ 334,675
December 31, 2016	61,552	6.49%	305,202
December 31, 2015	60,460	28.96%	247,645

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 16 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Methods and Assumptions (Continued)

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.

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, 2017, 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 \$40,045 for 2017.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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.

NOTE 19 COMMITMENTS AND CONTINGENT LIABILITIES

The City has entered into a construction contract for the Armstrong Avenue Improvements Project. The estimated costs to completion of the approximately \$3.5 million project are approximately \$36,000 as of December 31, 2017. Accounts payable and retainages payable at December 31, 2017 include \$35,191 in contracts and retainages payable.

The City has entered into a construction contract for the Baxter Avenue Project. The estimated costs to completion of the approximately \$3.7 million project are approximately \$192,000 as of December 31, 2017. Accounts payable and retainages payable at December 31, 2017 include \$183,564 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 20 RECONCILIATION OF OPERATING TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Fund Types		
General Fund	\$ 271,515	\$ (133,625)
2015 Street Improvement Fund	300,000	-
2016 Street Improvement Fund	207,549	-
2017 Street Improvement Fund	-	(1,881,192)
Nonmajor Governmental Funds	<u>301,344</u>	<u>(528,785)</u>
Total Governmental Funds	1,080,408	(2,543,602)
Proprietary Fund Types		
Water Fund	850,984	(225,000)
Wastewater Treatment Plant Fund	509,905	(245,000)
Sanitation Fund	-	(10,000)
City Center Fund	132,000	-
Municipal Liquor Fund	-	(132,000)
Storm Water Management Fund	<u>677,305</u>	<u>(95,000)</u>
Total Proprietary Funds	<u>2,170,194</u>	<u>(707,000)</u>
Total Operating Transfers	<u>\$ 3,250,602</u>	<u>\$ (3,250,602)</u>

Throughout the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate. Other transfers were made between funds for deficit reduction, funding debt payments, shared services, paying for management services provided by City Administrative staff, project administration, campground improvements, equipment upgrades, Hennepin Avenue ADA Improvement Project Costs, 2016 Street Improvement Project Costs, 2017 Street Improvement Project Costs and 2018 Storm Water Improvement Project Costs. \$16,566 of the transfers out from the General Fund were for the contribution of capital assets to other funds, \$1,841,192 of the transfers out from the 2017 Street Improvement Fund were for the contribution of capital assets to other funds and \$122,171 of the transfers out from the nonmajor governmental funds were for the contribution of capital assets to other funds. Accordingly, these are recorded as transfers in of \$850,984 in the Water Fund, \$509,905 in the Wastewater Treatment Plant Fund and \$619,040 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.

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017**

NOTE 21 TAX ABATEMENTS (CONTINUED)

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

Based on the property tax abatement agreement in place at December 31, 2017, 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, 2017, the Developer has not completed the requirements for the tax abatement, therefore, there were no abated property taxes by the City in 2017 under this agreement.

NOTE 22 PRIOR PERIOD ADJUSTMENT

The City restated beginning net position of governmental activities related to a receivable for the City's unexpended State Municipal Construction Aid allocations as of December 31, 2016. In the governmental funds, the receivable would have been offset by deferred inflows of resources as the receivable was not considered available. Accordingly, it has no effect on the beginning fund balances. However, these receivables needed to be recognized as revenue in the prior year in governmental activities in the government-wide financial statements.

As a result, the City's net position as of December 31, 2017 has been restated to reflect this receivable and the recognition of the related revenues as follows:

	<u>Governmental Activities</u>
Net Position, December 31, 2016, as Previously Stated	\$ 3,091,837
State Municipal Construction Aid Receivable for Unexpended Allocations as of December 31, 2016	<u>351,011</u>
Net Position, December 31, 2016, as Restated	<u><u>\$ 3,442,848</u></u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 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, 2017.

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, 2017 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, 2017**

NOTE 23 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, 2017, the Light and Power Commission had the following investments:

	Amount
Negotiable Certificates of Deposit	\$ 1,345,489

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

Type	Total	12 Months or less	13 to 24 Months	25 to 60 Months
Negotiable CD's	\$ 1,345,489	\$ -	\$ 847,580	\$ 497,909
Total	\$ 1,345,489	\$ -	\$ 847,580	\$ 497,909

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 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, 2017 are as follows:

<u>Type</u>	<u>Amount</u>	<u>Percentage</u>
St Bk of India CD New York City NY CD	\$ 192,745	14%
Sallie Mae Bk CD Salt Lake City UT CD	246,426	18%
BMW Salt Lake City UT CD	162,653	12%
Amex Centurion Salt Lake City UT CD	245,756	18%
GE Cap Ret Bk Draper UT CD	248,354	18%
CIT Salt Lake City UT CD	249,555	19%
Total	<u>\$ 1,345,489</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 of the following:

<u>Type</u>	<u>Credit Quality Rating</u>	<u>Amount</u>
Negotiable Certificates of Deposit	Not Rated	\$ 1,345,489

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, 2017**

NOTE 23 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:

	<u>12/31/2017</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level I)</u>	<u>Significant Other Observable Inputs (Level II)</u>	<u>Significant Observable Inputs (Level III)</u>
Investments by Fair Value Level				
Negotiable Certificates of Deposits	\$ 1,345,489	\$ 1,345,489	\$ -	\$ -

Restricted Assets

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

Debt Service Account	\$ 165,903
Bond and Interest Reserve Account	753,059
Total Restricted Cash	<u>\$ 918,962</u>
Expansion Fund	\$ 4,204,317
Catastrophic Reserve Fund	1,944,208
Total Designated Cash	<u>\$ 6,148,525</u>

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, 2017**

NOTE 23 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, 2017 is as follows:

	2017			Ending Balance
	Beginning Balance	Additions	Retirements	
PLANT IN SERVICE				
Buildings, Land, and Land Improvements	\$ 1,988,827	\$ -	\$ (11,324)	\$ 1,977,503
Engines, Auxiliaries, and Switch Boards	13,743,522	19,801	-	13,763,323
Distribution System	6,063,842	-	-	6,063,842
Transmission System	9,702,416	-	-	9,702,416
Street Lights	175,454	-	-	175,454
Substation	3,078,176	20,886	-	3,099,062
Loop Feeder	468,366	-	-	468,366
Meters	435,879	-	-	435,879
Total Plant in Service	35,656,482	40,687	(11,324)	35,685,845
Less: Accumulated Depreciation	(20,102,263)	(985,481)	-	(21,087,744)
Net Plant in Service	15,554,219	(944,794)	(11,324)	14,598,101
CONSTRUCTION WORK-IN-PROGRESS				
	261,404	174,631	-	436,035
Net Utility Plant	15,815,623	(770,163)	(11,324)	15,034,136
NONUTILITY PROPERTY				
Building and Improvements	447,364	-	-	447,364
Transportation Equipment	1,101,545	55,409	(41,071)	1,115,883
Plant Tools and Equipment	178,254	-	-	178,254
Office Equipment	259,074	-	(41,132)	217,942
Total Nonutility Property	1,986,237	55,409	(82,203)	1,959,443
Less: Accumulated Depreciation	(1,057,490)	(100,156)	80,118	(1,077,528)
Net Nonutility Property	928,747	(44,747)	(2,085)	881,915
Total Net Capital Assets	\$ 16,744,370	\$ (814,910)	\$ (13,409)	\$ 15,916,051

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Capital Assets (Continued)

Capital assets that are not being depreciated (including land and construction-in-progress) totaled \$726,302 at December 31, 2017.

Long-Term Liabilities

Bonds outstanding at December 31, 2017 are comprised of the following:

Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding
Electric Revenue Bonds of 2012	2.00-2.375%	6/7/2012	12/1/2024	\$ 7,980,000	\$ 4,525,000

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

Year Ending December 31,	Principal	Interest	Total
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	630,000	42,668	672,668
2023-2024	1,300,000	45,625	1,345,625
Total	<u>\$ 4,525,000</u>	<u>\$ 388,368</u>	<u>\$ 4,913,368</u>

A summary of long-term debt activity for the year ended December 31, 2017 is as follows:

	Beginning	Additions	Retirements	Ending
Revenue Bonds Payable	\$ 5,150,000	\$ -	\$ (625,000)	\$ 4,525,000
Plus Issuance Premiums	82,619	-	(10,328)	72,291
Compensated Absences Payable	183,947	119,800	(115,395)	188,352
Capital Lease Payable	19,872	20,242	(22,976)	17,138
Total	<u>\$ 5,436,438</u>	<u>\$ 140,042</u>	<u>\$ (773,699)</u>	<u>\$ 4,802,781</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending December 31,	Amount
2018	\$ 6,730
2019	6,730
2020	6,730
2021	6,215
2022	1,169
Total Minimum Lease Payments	27,574
Less: Amount representing Interest	(10,436)
Present Value of Minimum Lease Payments	<u>\$ 17,138</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

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.

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

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 2017. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2017. The Commission's contributions to the General Employees Fund for the year ended December 31, 2016 were \$76,083. 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, 2017, the Commission reported a liability of \$1,021,429 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 2017. 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 \$12,829. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Commission's proportion was 0.016%, which was an increase of .007% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Commission recognized pension expense of \$130,868 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$371 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, 2017**

NOTE 23 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2017, 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	\$ 33,664	\$ 65,711
Changes in Actuarial Assumptions	169,579	102,398
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,597	-
Changes in Proportion and Differences Between Commission Contributions and Proportionate Share of Contributions	9,906	47,269
Commission Contributions Subsequent to the Measurement Date	37,133	-
Total	<u>\$ 256,879</u>	<u>\$ 215,378</u>

\$37,133 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, 2018. 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
2018	\$ 22,701
2019	54,252
2020	(29,227)
2021	(43,358)

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044.

Actuarial assumptions used in the June 30, 2017 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 2017:

General Employees Fund - the Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

The State 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39 %	5.1 %
International Stocks	19	5.3
Bonds	20	0.8
Alternative Assets	20	5.9
Cash	2	-
Totals	100 %	

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 23 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. 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>Measurement Date</u>	<u>1% Lower</u>	<u>Current Discount Rate</u>	<u>1% Higher</u>
June 30, 2017			
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
Commission's Proportionate Share of the GERF Net Pension Liability	\$ 1,584,313	\$ 1,021,429	\$ 560,607

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.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank)

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,506,000	\$ 1,506,000	\$ 1,499,112	\$ (6,888)	\$ 1,437,834
Tax Increments	-	-	109,206	109,206	-
Special Assessments	5,177	5,177	4,631	(546)	4,931
Franchise Taxes	10,000	10,000	12,774	2,774	12,398
Total Taxes	<u>1,521,177</u>	<u>1,521,177</u>	<u>1,625,723</u>	<u>104,546</u>	<u>1,455,163</u>
Licenses and Permits	47,000	47,000	146,136	99,136	182,642
Intergovernmental -					
Local Government Aid	1,340,311	1,340,311	1,348,421	8,110	1,347,223
Market Value Credit Aid	-	-	20	20	626
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,491
Police State Aid	62,000	62,000	66,479	4,479	66,150
Fire State Aid	44,500	44,500	45,695	1,195	46,437
Miscellaneous State Aid	6,500	6,500	17,462	10,962	11,301
Miscellaneous Federal Aid	-	-	12,056	12,056	13,042
Total Intergovernmental	<u>1,457,811</u>	<u>1,457,811</u>	<u>1,494,624</u>	<u>36,813</u>	<u>1,489,270</u>
Charges for Services -					
Special Services, Police	10,000	10,000	252	(9,748)	3,278
Special Services, Fire	39,000	39,000	31,799	(7,201)	40,539
Miscellaneous Charges	63,400	63,400	124,383	60,983	121,890
Total Charges for Services	<u>112,400</u>	<u>112,400</u>	<u>156,434</u>	<u>44,034</u>	<u>165,707</u>
Fines and Forfeits	30,000	30,000	31,562	1,562	33,746
Interest	1,500	1,500	3,236	1,736	2,143
Contributions and Donations	11,000	11,000	64,050	53,050	38,422
Payments in Lieu of Taxes	90,000	90,000	90,000	-	87,500
Miscellaneous -					
Park Fees	12,000	12,000	15,030	3,030	16,503
Reimbursements, Refunds and Miscellaneous	62,800	62,800	117,778	54,978	147,470
Total Miscellaneous	<u>74,800</u>	<u>74,800</u>	<u>132,808</u>	<u>58,008</u>	<u>163,973</u>
Total Revenues	<u>3,345,688</u>	<u>3,345,688</u>	<u>3,744,573</u>	<u>398,885</u>	<u>3,618,566</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 201,329	\$ 201,329	\$ 200,008	\$ 1,321	\$ 199,506
Employee Benefits	69,795	69,795	72,276	(2,481)	69,405
Payroll Taxes	12,483	12,483	11,650	833	11,613
Workers' Compensation	1,400	1,400	1,997	(597)	3,776
Office Supplies	6,500	6,500	5,037	1,463	4,768
Printing and Binding	6,000	6,000	4,769	1,231	7,327
Repairs and Maintenance	14,500	14,500	1,784	12,716	7,187
Professional Services	50,000	50,000	78,639	(28,639)	87,276
Auditing and Accounting	40,000	40,000	32,650	7,350	41,730
Legal Fees	20,000	20,000	17,035	2,965	13,000
Chamber	6,000	6,000	5,994	6	12,628
Computer Software	1,000	1,000	-	1,000	910
Telephone	3,500	3,500	5,032	(1,532)	6,169
Postage	4,000	4,000	3,148	852	3,426
Advertising	3,000	3,000	4,217	(1,217)	4,546
Travel	2,500	2,500	1,855	645	4,563
Training	2,000	2,000	538	1,462	1,781
Insurance	30,000	30,000	24,660	5,340	27,648
Utilities	69,000	69,000	66,950	2,050	68,710
Subscriptions	400	400	715	(315)	1,277
Continuing Education and Dues	1,500	1,500	1,177	323	1,100
League of Minnesota Cities	17,000	17,000	17,024	(24)	15,147
Capital Lease Principal	53,242	53,242	53,241	1	50,984
Capital Lease Interest	10,761	10,761	10,761	-	13,018
Capital Outlay	3,000	3,000	4,843	(1,843)	3,156
Miscellaneous	1,600	1,600	668	932	373
Total Administration	630,510	630,510	626,668	3,842	661,024
Finance:					
Salaries	131,728	131,728	133,581	(1,853)	130,838
Employee Benefits	55,791	55,791	52,187	3,604	51,378
Payroll Taxes	8,168	8,168	7,678	490	7,520
Office Supplies	2,000	2,000	1,656	344	879
Printing and Binding	500	500	557	(57)	930
Repairs and Maintenance	500	500	-	500	-
Computer Software	4,500	4,500	4,182	318	4,624
Postage	-	-	7	(7)	9
Travel	500	500	-	500	16
Continuing Education and Dues	200	200	-	200	-
Capital Outlay	1,000	1,000	-	1,000	-
Training	500	500	-	500	-
Miscellaneous	400	400	200	200	200
Total Finance	205,787	205,787	200,048	5,739	196,394

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
EXPENDITURES - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 26,100	\$ 26,100	\$ 30,100	\$ (4,000)	\$ 26,100
Employee Benefits	1,356	1,356	1,507	(151)	1,334
Payroll Taxes	379	379	436	(57)	400
Workers' Compensation	60	60	63	(3)	62
Office Supplies	500	500	171	329	80
Travel	1,000	1,000	1,665	(665)	20
Training	2,000	2,000	1,385	615	1,135
Capital Outlay	-	-	8,338	(8,338)	-
Miscellaneous	6,650	6,650	4,178	2,472	16,384
Total City Council	<u>38,545</u>	<u>38,545</u>	<u>47,873</u>	<u>(9,328)</u>	<u>45,545</u>
Total General Government	874,842	874,842	874,589	253	902,963
Public Safety -					
Police Department:					
Salaries	628,149	628,149	670,884	(42,735)	621,313
Employee Benefits	258,812	258,812	269,641	(10,829)	251,721
Payroll Taxes	5,741	5,741	6,340	(599)	5,776
Unemployment Insurance	-	-	14	(14)	64
Workers' Compensation	14,000	14,000	25,519	(11,519)	24,232
Supplies	9,700	9,700	9,306	394	6,978
Motor Fuels	21,000	21,000	18,853	2,147	16,601
Repairs and Maintenance	27,500	27,500	31,544	(4,044)	35,109
Training	11,000	11,000	12,121	(1,121)	10,812
Continuing Education and Dues	750	750	618	132	685
Investigation	3,000	3,000	1,864	1,136	2,232
Vaccinations	500	500	-	500	-
Telephone	9,000	9,000	8,532	468	9,086
Insurance	17,000	17,000	15,065	1,935	16,819
Legal Fees	27,000	27,000	40,827	(13,827)	39,854
Uniforms	6,500	6,500	5,437	1,063	8,745
Animal Control	2,500	2,500	1,325	1,175	410
Operating Leases	47,000	47,000	35,329	11,671	38,505
Capital Outlay	15,000	15,000	15,368	(368)	5,619
Utilities	15,500	15,500	14,170	1,330	14,804
Miscellaneous	3,100	3,100	6,703	(3,603)	12,393
Total Police Department	<u>1,122,752</u>	<u>1,122,752</u>	<u>1,189,460</u>	<u>(66,708)</u>	<u>1,121,758</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
EXPENDITURES - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 22,349	\$ 22,349	\$ 21,291	\$ 1,058	\$ 16,348
Employee Benefits	852	852	1,192	(340)	851
State Fire Aid	47,000	47,000	45,695	1,305	46,437
Municipal Fire Aid Contribution	25,500	25,500	25,500	-	68,795
Payroll Taxes	1,282	1,282	1,629	(347)	1,251
Workers' Compensation	8,000	8,000	13,404	(5,404)	12,927
Office Supplies	3,000	3,000	5,681	(2,681)	5,608
Motor Fuels	7,000	7,000	4,275	2,725	4,089
Repairs and Maintenance	26,500	26,500	12,361	14,139	25,699
Training	9,000	9,000	6,367	2,633	11,604
Telephone	1,200	1,200	1,013	187	2,025
Travel	800	800	678	122	493
Advertising	1,300	1,300	1,388	(88)	1,850
Insurance	7,000	7,000	6,204	796	6,202
Utilities	6,800	6,800	6,651	149	6,538
Continuing Education and Dues	4,000	4,000	5,138	(1,138)	1,504
Capital Lease Principal	49,185	49,185	49,185	-	47,795
Capital Lease Interest	3,028	3,028	3,028	-	4,418
Capital Outlay	12,500	24,900	25,363	(463)	21,354
Miscellaneous	4,500	4,500	14,372	(9,872)	7,615
Total Fire Department	<u>240,796</u>	<u>253,196</u>	<u>250,415</u>	<u>2,781</u>	<u>293,403</u>
Code Enforcement:					
Office Supplies	400	400	577	(177)	-
Building Inspector	35,000	35,000	139,198	(104,198)	150,503
Total Code Enforcement	<u>35,400</u>	<u>35,400</u>	<u>139,775</u>	<u>(104,375)</u>	<u>150,503</u>
Total Public Safety	1,398,948	1,411,348	1,579,650	(168,302)	1,565,664
Streets and Highways -					
Salaries	216,130	216,130	186,631	29,499	193,548
Employee Benefits	68,842	68,842	58,940	9,902	55,469
Payroll Taxes	13,401	13,401	10,974	2,427	13,357
Workers' Compensation	8,100	8,100	17,305	(9,205)	14,494
Supplies	1,000	1,000	2,395	(1,395)	1,875
Motor Fuels	25,000	25,000	21,998	3,002	20,259
Repairs and Maintenance	68,400	68,400	82,748	(14,348)	57,906
Professional Services	1,800	1,800	1,523	277	2,123
Street Maintenance	20,000	20,000	13,835	6,165	57,423
Landscaping	2,000	2,000	609	1,391	1,737
Telephone	1,000	1,000	1,340	(340)	1,855

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
EXPENDITURES - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 8,500	\$ 8,500	\$ 8,876	\$ (376)	\$ 8,284
Insurance	10,000	10,000	9,737	263	7,968
Utilities	11,000	11,000	7,530	3,470	7,416
Capital Lease Principal	35,214	35,214	49,879	(14,665)	42,446
Capital Lease Interest	3,416	3,416	3,412	4	4,881
Maintenance Facility Principal	60,000	60,000	60,000	-	55,000
Maintenance Facility Interest	5,085	5,085	5,085	-	6,350
Capital Outlay	56,500	56,500	112,907	(56,407)	49,162
Miscellaneous	51,800	51,800	10,284	41,516	34,581
Total Street and Highways	<u>667,188</u>	<u>667,188</u>	<u>666,008</u>	<u>1,180</u>	<u>636,134</u>
Cemetery					
Current Expenditures	22,584	22,584	22,437	147	28,850
Capital Lease Principal	1,167	1,167	1,167	-	2,800
Total Cemetery	<u>23,751</u>	<u>23,751</u>	<u>23,604</u>	<u>147</u>	<u>31,650</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	224,130	224,130	233,626	(9,496)	219,034
Employee Benefits	68,960	68,960	71,517	(2,557)	64,513
Payroll Taxes	13,997	13,997	13,583	414	12,710
Workers' Compensation	5,100	5,100	9,809	(4,709)	8,599
Supplies	9,600	9,600	16,220	(6,620)	11,858
Motor Fuels	11,000	11,000	8,576	2,424	8,807
Repairs and Maintenance	21,200	21,200	21,481	(281)	22,320
Telephone	1,700	1,700	2,151	(451)	1,634
Insurance	19,500	19,500	17,835	1,665	17,984
Utilities	8,000	8,000	6,461	1,539	6,612
Capital Lease Principal	19,694	19,694	19,694	-	22,188
Capital Lease Interest	1,652	1,652	1,652	-	1,198
Capital Outlay	17,800	17,800	28,729	(10,929)	75,590
Miscellaneous	6,200	6,200	8,999	(2,799)	20,805
Total Park and Recreation	<u>428,533</u>	<u>428,533</u>	<u>460,333</u>	<u>(31,800)</u>	<u>493,852</u>
Library and Community Center:					
Supplies	3,000	3,000	3,045	(45)	3,552
Repairs and Maintenance	3,000	3,000	1,933	1,067	3,315
Management Fees	84,000	84,000	84,000	-	80,000
Janitorial	-	-	10	(10)	-
Telephone	1,000	1,000	761	239	672
Insurance	1,600	1,600	1,912	(312)	1,654
Utilities	16,900	16,900	17,198	(298)	17,533
Capital Outlay	5,000	5,000	1,750	3,250	3,197
Total Library and Community Center	<u>114,500</u>	<u>114,500</u>	<u>110,609</u>	<u>3,891</u>	<u>109,923</u>
Total Culture and Recreation	<u>543,033</u>	<u>543,033</u>	<u>570,942</u>	<u>(27,909)</u>	<u>603,775</u>

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Original Budget	Final Budget	2017 Actual	Variance with Final Budget Positive (Negative)	2016 Actual
EXPENDITURES - (Cont'd.)					
Economic Development	\$ 10,000	\$ 10,000	\$ 15,837	\$ (5,837)	\$ 8,445
Miscellaneous -					
Sales Tax	1,750	1,750	3,564	(1,814)	3,172
State Surcharge	4,000	4,000	4,501	(501)	8,554
Vehicle Towing	4,000	4,000	3,859	141	5,213
Refunds and Reimbursements	21,000	21,000	211,642	(190,642)	94,317
Capital Lease Interest	65	65	65	-	-
Other	-	-	16,817	(16,817)	6,516
Total Miscellaneous	<u>30,815</u>	<u>30,815</u>	<u>240,448</u>	<u>(209,633)</u>	<u>117,772</u>
Total Expenditures	<u>3,548,577</u>	<u>3,560,977</u>	<u>3,971,078</u>	<u>(410,101)</u>	<u>3,866,403</u>
Deficiency of Revenues Under Expenditures	(202,889)	(215,289)	(226,505)	(11,216)	(247,837)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	260,000	260,000	271,515	11,515	249,570
Operating Transfers Out	-	-	(117,059)	(117,059)	(39,000)
Lease Proceeds	-	-	70,169	70,169	26,883
Proceeds from the Sale of Capital Assets	4,500	4,500	1,479	(3,021)	1,628
Insurance Proceeds	14,000	14,000	1,346	(12,654)	73,892
Total Other Financing Sources (Uses)	<u>278,500</u>	<u>278,500</u>	<u>227,450</u>	<u>(51,050)</u>	<u>312,973</u>
Net Change in Fund Balances	75,611	63,211	945	(62,266)	65,136
Fund Balances - Beginning of Year	<u>2,502,807</u>	<u>2,502,807</u>	<u>2,502,807</u>	<u>-</u>	<u>2,437,671</u>
Fund Balances - End of Year	<u>\$ 2,578,418</u>	<u>\$ 2,566,018</u>	<u>\$ 2,503,752</u>	<u>\$ (62,266)</u>	<u>\$ 2,502,807</u>

**CITY OF GLENCOE, MINNESOTA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017**

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 2017.

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,560,977	\$ 3,971,078

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, 2017

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
SCHEDULE OF CHANGES IN THE NET PENSION ASSET AND RELATED RATIOS**

	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
<u>Total Pension Liability</u>			
Service Cost	\$ 45,629	\$ 35,804	\$ 31,824
Interest	60,464	62,332	54,683
Differences Between Expected and Actual Experience	(43,098)	-	-
Changes in Assumptions	(23,628)	24,334	-
Changes in Benefit Terms	-	51,986	49,874
Benefit Payments, Including Member Contribution Refunds	(154,952)	(28,404)	(16,980)
Net Change in Total Pension Liability	<u>(115,585)</u>	<u>146,052</u>	<u>119,401</u>
Total Pension Liability - Beginning of Year	1,083,397	937,345	817,944
Total Pension Liability - End of Year (a)	<u>967,812</u>	<u>1,083,397</u>	<u>937,345</u>
<u>Plan Fiduciary Net Position</u>			
Municipal Contributions	68,795	68,795	68,774
State Contributions	46,437	43,134	40,108
Net Investment Income	81,653	(11,916)	72,568
Miscellaneous	-	25	-
Benefit Payments	(154,952)	(28,404)	(16,980)
Administrative Expenses	(12,535)	(14,116)	(8,658)
Net Change in Fiduciary Net Position	<u>29,398</u>	<u>57,518</u>	<u>155,812</u>
Fiduciary Net Position - Beginning of Year	<u>1,182,849</u>	<u>1,125,331</u>	<u>969,519</u>
Fiduciary Net Position - End of Year (b)	<u>1,212,247</u>	<u>1,182,849</u>	<u>1,125,331</u>
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	<u>\$ (244,435)</u>	<u>\$ (99,452)</u>	<u>\$ (187,986)</u>
Fiduciary Net Position as a Percentage of the Total Pension Asset	125.26%	109.18%	120.06%
Covered-Employee Payroll	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A

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

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

Calendar Year	2017	2016	2015
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015
PERA - General Employees Retirement Plan - City			
City's Proportion of the Net Pension Liability	0.0220%	0.0213%	0.0218%
City's Proportionate Share of the Net Pension Liability	\$ 1,404,465	\$ 1,729,454	\$ 1,129,789
State's Proportionate Share of the Net Pension Liability	<u>17,628</u>	<u>22,610</u>	<u>-</u>
Total City's Proportionate Share of the Net Pension Liability	\$ 1,422,093	\$ 1,752,064	\$ 1,129,789
City's Covered-Employee Payroll	\$ 1,414,709	\$ 1,323,518	\$ 1,276,439
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	99.28%	130.67%	88.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.90%	78.20%
PERA - Public Employees Police and Fire Plan - City			
City's Proportion of the Net Pension Liability	0.0510%	0.0530%	0.0540%
City's Proportionate Share of the Net Pension Liability	\$ 688,561	\$ 2,126,982	\$ 613,566
City's Covered-Employee Payroll	\$ 522,873	\$ 514,958	\$ 482,740
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	131.69%	413.04%	127.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	63.90%	86.60%

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

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

	2017	2016	2015	2014
PERA - General Employees Retirement Plan - City				
Contractually Required Contribution	\$ 110,431	\$ 104,130	\$ 99,983	\$ 92,542
Contributions in Relation to the Contractually Required Contribution	(110,431)	(104,130)	(99,983)	(92,542)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 1,472,414	\$ 1,388,399	\$ 1,333,108	\$ 1,276,439
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.50%	7.25%
PERA - Public Employees Police and Fire Plan - City				
Contractually Required Contribution	\$ 86,985	\$ 84,340	\$ 81,649	\$ 73,859
Contributions in Relation to the Contractually Required Contribution	(86,985)	(84,340)	(81,649)	(73,859)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 536,943	\$ 520,616	\$ 504,004	\$ 482,740
Contributions as a Percentage of Covered Employee Payroll	16.20%	16.20%	16.20%	15.30%
Fire Relief Association				
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ 54,094
Contributions in Relation to the Statutorily Required Contribution	(25,500)	(68,795)	(68,795)	(68,774)
Contribution Deficiency (Excess)	<u>\$ (25,500)</u>	<u>\$ (68,795)</u>	<u>\$ (68,795)</u>	<u>\$ (14,680)</u>
City's Covered-Employee Payroll	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A

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

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

	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
Commission's Proportion of the Net Pension Liability	0.0160%	0.0167%	0.0160%
Commission's Proportionate Share of the Net Pension Liability	\$ 1,021,429	\$ 1,355,957	\$ 844,751
State's Proportionate Share of the Net Pension Liability	12,829	-	-
Total Commission's Proportionate Share of the Net Pension Liability	<u>\$ 1,034,258</u>	<u>\$ 1,355,957</u>	<u>\$ 844,751</u>
Commission's Covered-Employee Payroll	\$ 1,029,614	\$ 1,039,261	\$ 960,028
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	99.21%	130.47%	87.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.91%	78.20%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA				
Contractually Required Contribution	\$ 76,083	\$ 76,316	\$ 70,549	\$ 67,852
Contributions in Relation to the Contractually Required Contribution	(76,083)	(76,316)	(70,549)	(67,852)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Commission's Covered-Employee Payroll	 \$ 1,014,440	 \$ 1,017,546	 \$ 940,653	 \$ 947,462
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.50%	 7.50%	 7.16%

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

(This page intentionally left blank)

COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

		<u>Other Governmental Funds</u>		
		<u>2017</u>		
		<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$	154,195	\$ 646,510	\$ 574,655
Accounts Receivable		7,666	-	39,177
Due from Other Governments		380,644	-	-
Interest Receivable		-	-	48
Note Receivable		-	-	9,221
Taxes Receivable:				
Current		-	3,339	-
Delinquent		-	6,306	126
Special Assessments Receivable:				
Current		-	-	-
Noncurrent		-	167,695	-
Land Held for Resale		-	-	354,320
		<u>-</u>	<u>-</u>	<u>354,320</u>
Total Assets	<u>\$</u>	<u>542,505</u>	<u>\$ 823,850</u>	<u>\$ 977,547</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$	19,512	\$ 1,000	\$ 60,793
Retainages Payable		-	-	35,191
Due to Other Funds		-	61,108	372,761
Total Liabilities		<u>19,512</u>	<u>62,108</u>	<u>468,745</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue		<u>380,644</u>	<u>174,001</u>	<u>126</u>
FUND BALANCES				
Nonspendable		-	-	363,541
Restricted for:				
Street Improvement Projects		110,452	-	-
Debt Service		-	647,532	-
Capital Projects		-	-	563,133
Committed for:				
Aquatic Center		1,475	-	-
Cable TV		30,422	-	-
Unassigned		-	(59,791)	(417,998)
Total Fund Balances		<u>142,349</u>	<u>587,741</u>	<u>508,676</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$</u>	<u>542,505</u>	<u>\$ 823,850</u>	<u>\$ 977,547</u>

Other Governmental Funds	
2017	2016
Total	Total
Other	Other
Governmental	Governmental
Funds	Funds
\$ 1,375,360	\$ 2,183,272
46,843	8,202
380,644	351,011
48	78
9,221	12,146
3,339	6,389
6,432	6,604
-	236
167,695	186,707
<u>354,320</u>	<u>354,320</u>
<u>\$ 2,343,902</u>	<u>\$ 3,108,965</u>

\$ 81,305	\$ 420,543
35,191	215,985
<u>433,869</u>	<u>47,691</u>
550,365	684,219
<u>554,771</u>	<u>544,322</u>
363,541	366,466
110,452	79,579
647,532	372,117
563,133	1,068,297
1,475	1,558
30,422	39,135
<u>(477,789)</u>	<u>(46,728)</u>
<u>1,238,766</u>	<u>1,880,424</u>
<u>\$ 2,343,902</u>	<u>\$ 3,108,965</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Other Governmental Funds		
	2017		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 5,054	\$ 455,326	\$ -
Tax Increments	-	-	245,251
Intergovernmental	254,783	-	45,694
Charges for Services	75,971	-	-
Assessments	-	390,116	-
Interest Income	332	161	1,802
Franchise Taxes	30,555	-	-
Miscellaneous	5,259	811	3,506
Total Revenues	<u>371,954</u>	<u>846,414</u>	<u>296,253</u>
EXPENDITURES			
Current:			
Highways and Streets	32,037	1,000	405,629
Culture-Recreation	149,605	-	-
Economic Development	-	-	106,598
Capital Outlay:			
Highways and Streets	-	-	451,048
Culture-Recreation	18,075	-	-
Debt Service:			
Principal	85,000	695,000	-
Interest	1,955	103,180	-
Fiscal Charges	-	1,981	-
Total Expenditures	<u>286,672</u>	<u>801,161</u>	<u>963,275</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	85,282	45,253	(667,022)
OTHER FINANCING SOURCES (USES)			
Transfers In	84,344	217,000	-
Transfers Out	(147,549)	-	(259,065)
Bond Proceeds	-	99	-
Bond Premium	-	-	-
Bond Discount	-	-	-
Payments to Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>(63,205)</u>	<u>217,099</u>	<u>(259,065)</u>
Net Change in Fund Balances	22,077	262,352	(926,087)
Fund Balances - Beginning of Year	<u>120,272</u>	<u>325,389</u>	<u>1,434,763</u>
Fund Balances - End of Year	<u>\$ 142,349</u>	<u>\$ 587,741</u>	<u>\$ 508,676</u>

Other Governmental Funds	
2017	2016
Total Other Governmental Funds	Total Other Governmental Funds
\$ 460,380	\$ 563,939
245,251	356,302
300,477	812,500
75,971	93,525
390,116	32,471
2,295	3,051
30,555	29,858
9,576	27,513
<u>1,514,621</u>	<u>1,919,159</u>
438,666	1,671,393
149,605	136,499
106,598	19,305
451,048	2,571,972
18,075	-
780,000	765,000
105,135	130,773
1,981	95,712
<u>2,051,108</u>	<u>5,390,654</u>
(536,487)	(3,471,495)
301,344	244,500
(406,614)	(285,500)
99	4,900,000
-	103,704
-	26,410
-	(870,000)
<u>(105,171)</u>	<u>4,119,114</u>
(641,658)	647,619
<u>1,880,424</u>	<u>1,232,805</u>
<u>\$ 1,238,766</u>	<u>\$ 1,880,424</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

		Special Revenue Funds	
		2017	
		Aquatic Center	Cable TV
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 4,719	\$ 22,932
Accounts Receivable		76	7,590
Due from Other Governments		-	-
Total Assets		\$ 4,795	\$ 30,522
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable		\$ 3,320	\$ 100
Total Liabilities		3,320	100
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue		-	-
FUND BALANCES			
Restricted		-	-
Committed		1,475	30,422
Total Fund Balances		1,475	30,422
Total Liabilities and Fund Balances		\$ 4,795	\$ 30,522

Special Revenue Funds

2017		2016
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ 126,544	\$ 154,195	\$ 172,663
-	7,666	8,202
<u>380,644</u>	<u>380,644</u>	<u>351,011</u>
<u>\$ 507,188</u>	<u>\$ 542,505</u>	<u>\$ 531,876</u>
<u>\$ 16,092</u>	<u>\$ 19,512</u>	<u>\$ 60,593</u>
16,092	19,512	60,593
<u>380,644</u>	<u>380,644</u>	<u>351,011</u>
110,452	110,452	79,579
-	31,897	40,693
<u>110,452</u>	<u>142,349</u>	<u>120,272</u>
<u>\$ 507,188</u>	<u>\$ 542,505</u>	<u>\$ 531,876</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, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Special Revenue Funds	
	2017	
	Aquatic Center	Cable TV
REVENUES		
Taxes	\$ 5,054	\$ -
Intergovernmental	-	-
Charges for Services	75,971	-
Interest Income	(33)	78
Franchise Fees	-	30,555
Miscellaneous	5,239	20
Total Revenues	<u>86,231</u>	<u>30,653</u>
EXPENDITURES		
Current:		
Highways and Streets	-	-
Culture-Recreation	148,314	1,291
Capital Outlay:		
Culture-Recreation	-	18,075
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	<u>148,314</u>	<u>19,366</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(62,083)	11,287
OTHER FINANCING SOURCES (USES)		
Transfers In	62,000	-
Transfers Out	-	(20,000)
Total Other Financing Sources (Uses)	<u>62,000</u>	<u>(20,000)</u>
Net Change in Fund Balances	(83)	(8,713)
Fund Balances - Beginning of Year	<u>1,558</u>	<u>39,135</u>
Fund Balances - End of Year	<u>\$ 1,475</u>	<u>\$ 30,422</u>

Special Revenue Funds

Special Revenue Funds		
2017	2016	
Municipal State Aid	Total Special Revenue	Total Special Revenue
\$ -	\$ 5,054	\$ 6,168
254,783	254,783	100,000
-	75,971	93,525
287	332	223
-	30,555	29,858
-	5,259	6,070
<u>255,070</u>	<u>371,954</u>	<u>235,844</u>
32,037	32,037	76,026
-	149,605	136,499
-	18,075	-
85,000	85,000	75,000
1,955	1,955	3,493
<u>118,992</u>	<u>286,672</u>	<u>291,018</u>
136,078	85,282	(55,174)
22,344	84,344	29,000
<u>(127,549)</u>	<u>(147,549)</u>	<u>(20,000)</u>
<u>(105,205)</u>	<u>(63,205)</u>	<u>9,000</u>
30,873	22,077	(46,174)
<u>79,579</u>	<u>120,272</u>	<u>166,446</u>
<u>\$ 110,452</u>	<u>\$ 142,349</u>	<u>\$ 120,272</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

	Debt Service Funds			
	2017			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 675	\$ -	\$ -	\$ 1,476
Taxes Receivable				
Current	7	760	558	-
Delinquent	-	1,439	1,056	-
Special Assessments Receivable				
Current	-	-	-	-
Noncurrent	-	-	-	-
Total Assets	<u>\$ 682</u>	<u>\$ 2,199</u>	<u>\$ 1,614</u>	<u>\$ 1,476</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	411	3,192	-
Total Liabilities	<u>-</u>	<u>411</u>	<u>3,192</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>-</u>	<u>1,439</u>	<u>1,056</u>	<u>-</u>
FUND BALANCES				
Restricted	682	349	-	1,476
Unassigned	-	-	(2,634)	-
Total Fund Balances	<u>682</u>	<u>349</u>	<u>(2,634)</u>	<u>1,476</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 682</u>	<u>\$ 2,199</u>	<u>\$ 1,614</u>	<u>\$ 1,476</u>

Debt Service Funds

2017					
County State Aid Hwy #3 Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond	2017 Street Improvement Bond
\$ -	\$ 4,504	\$ 7,036	\$ 66	\$ 262,178	\$ 370,575
348	-	726	-	940	-
658	-	1,371	-	1,782	-
-	-	-	-	-	-
<u>586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,109</u>	<u>-</u>
<u>\$ 1,592</u>	<u>\$ 4,504</u>	<u>\$ 9,133</u>	<u>\$ 66</u>	<u>\$ 432,009</u>	<u>\$ 370,575</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000
<u>57,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
57,505	-	-	-	-	1,000
<u>1,244</u>	<u>-</u>	<u>1,371</u>	<u>-</u>	<u>168,891</u>	<u>-</u>
-	4,504	7,762	66	263,118	369,575
<u>(57,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(57,157)</u>	<u>4,504</u>	<u>7,762</u>	<u>66</u>	<u>263,118</u>	<u>369,575</u>
<u>\$ 1,592</u>	<u>\$ 4,504</u>	<u>\$ 9,133</u>	<u>\$ 66</u>	<u>\$ 432,009</u>	<u>\$ 370,575</u>

(This page intentionally left blank)

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

	Debt Service Funds	
	2017	2016
	Total	Total
	Debt Service	Debt Service
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 646,510	\$ 367,330
Taxes Receivable		
Current	3,339	6,389
Delinquent	6,306	6,604
Special Assessments Receivable		
Current	-	236
Noncurrent	167,695	186,707
	<u>\$ 823,850</u>	<u>\$ 567,266</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 1,000	\$ 875
Due to Other Funds	61,108	47,691
Total Liabilities	<u>62,108</u>	<u>48,566</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	<u>174,001</u>	<u>193,311</u>
FUND BALANCES		
Restricted	647,532	372,117
Unassigned	(59,791)	(46,728)
Total Fund Balances	<u>587,741</u>	<u>325,389</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 823,850</u>	<u>\$ 567,266</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Debt Service Funds			
	2017			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
REVENUES				
Taxes	\$ (309)	\$ 104,009	\$ 76,253	\$ -
Assessments	-	-	-	-
Interest Income	1	46	20	(52)
Miscellaneous	-	-	-	-
Total Revenues	<u>(308)</u>	<u>104,055</u>	<u>76,273</u>	<u>(52)</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Debt Service:				
Principal	-	110,000	70,000	30,000
Interest	-	2,530	9,000	1,373
Fiscal Charges	-	-	495	248
Total Expenditures	<u>-</u>	<u>112,530</u>	<u>79,495</u>	<u>31,621</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(308)	(8,475)	(3,222)	(31,673)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	32,800
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Payments to Bond Escrow Agent	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,800</u>
Net Change in Fund Balances	(308)	(8,475)	(3,222)	1,127
Fund Balances - Beginning of Year	<u>990</u>	<u>8,824</u>	<u>588</u>	<u>349</u>
Fund Balances - End of Year	<u>\$ 682</u>	<u>\$ 349</u>	<u>\$ (2,634)</u>	<u>\$ 1,476</u>

Debt Service Funds

2017					
County State Aid Hwy #3 Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond	2017 Street Improvement Bond
\$ 47,535	\$ -	\$ 99,018	\$ -	\$ 128,820	\$ -
-	-	-	-	20,605	369,511
(74)	(243)	(3)	(13)	325	154
-	-	-	-	-	811
<u>47,461</u>	<u>(243)</u>	<u>99,015</u>	<u>(13)</u>	<u>149,750</u>	<u>370,476</u>
-	-	-	-	-	1,000
55,000	130,000	100,000	20,000	180,000	-
2,890	16,395	21,049	14,740	35,203	-
-	743	495	-	-	-
<u>57,890</u>	<u>147,138</u>	<u>121,544</u>	<u>34,740</u>	<u>215,203</u>	<u>1,000</u>
(10,429)	(147,381)	(22,529)	(34,753)	(65,453)	369,476
-	150,000	-	34,200	-	-
-	-	-	-	-	99
-	-	-	-	-	-
<u>-</u>	<u>150,000</u>	<u>-</u>	<u>34,200</u>	<u>-</u>	<u>99</u>
(10,429)	2,619	(22,529)	(553)	(65,453)	369,575
<u>(46,728)</u>	<u>1,885</u>	<u>30,291</u>	<u>619</u>	<u>328,571</u>	<u>-</u>
<u>\$ (57,157)</u>	<u>\$ 4,504</u>	<u>\$ 7,762</u>	<u>\$ 66</u>	<u>\$ 263,118</u>	<u>\$ 369,575</u>

(This page intentionally left blank)

**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, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)**

	Debt Service Funds	
	2017	2016
	Total Debt Service	Total Debt Service
REVENUES		
Taxes	\$ 455,326	\$ 557,771
Assessments	390,116	32,471
Interest Income	161	(24)
Miscellaneous	811	-
Total Revenues	846,414	590,218
EXPENDITURES		
Current:		
Highways and Streets	1,000	875
Debt Service:		
Principal	695,000	690,000
Interest	103,180	127,280
Fiscal Charges	1,981	20,281
Total Expenditures	801,161	838,436
Excess (Deficiency) of Revenue Over (Under) Expenditures	45,253	(248,218)
OTHER FINANCING SOURCES (USES)		
Transfers In	217,000	215,500
Bond Proceeds	99	875,000
Bond Premium	-	26,410
Payments to Bond Escrow Agent	-	(870,000)
Total Other Financing Sources (Uses)	217,099	246,910
Net Change in Fund Balances	262,352	(1,308)
Fund Balances - Beginning of Year	325,389	326,697
Fund Balances - End of Year	\$ 587,741	\$ 325,389

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016)**

	Capital Project Funds			
	2017			
ASSETS	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 138,035	\$ 96	\$ 2,671	\$ -
Accounts Receivable	-	-	1,677	-
Interest Receivable	-	-	48	-
Note Receivable	-	-	9,221	-
Taxes Receivable				
Delinquent	126	-	-	-
Land Held for Resale	-	10,000	180,496	-
	<u>-</u>	<u>10,000</u>	<u>180,496</u>	<u>-</u>
Total Assets	<u>\$ 138,161</u>	<u>\$ 10,096</u>	<u>\$ 194,113</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	126	-	-	-
	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	10,000	189,717	-
Restricted	138,035	96	4,396	-
Unassigned	-	-	-	-
Total Fund Balances	<u>138,035</u>	<u>10,096</u>	<u>194,113</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 138,161</u>	<u>\$ 10,096</u>	<u>\$ 194,113</u>	<u>\$ -</u>

Capital Project Funds

2017						2016
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2015 Street Improvement	2016 Street Improvement	2018 Storm Water Improvement	Total Capital Projects	Total Capital Projects
\$ 104,979	\$ 453	\$ 148,353	\$ 180,068	\$ -	\$ 574,655	\$ 1,643,279
-	-	-	37,500	-	39,177	-
-	-	-	-	-	48	78
-	-	-	-	-	9,221	12,146
-	-	-	-	-	126	-
-	163,824	-	-	-	354,320	354,320
<u>\$ 104,979</u>	<u>\$ 164,277</u>	<u>\$ 148,353</u>	<u>\$ 217,568</u>	<u>\$ -</u>	<u>\$ 977,547</u>	<u>\$ 2,009,823</u>
\$ -	\$ -	\$ 950	\$ 14,606	\$ 45,237	\$ 60,793	\$ 359,075
-	-	-	35,191	-	35,191	215,985
-	-	-	-	372,761	372,761	-
-	-	950	49,797	417,998	468,745	575,060
-	-	-	-	-	126	-
-	163,824	-	-	-	363,541	366,466
104,979	453	147,403	167,771	-	563,133	1,068,297
-	-	-	-	(417,998)	(417,998)	-
<u>104,979</u>	<u>164,277</u>	<u>147,403</u>	<u>167,771</u>	<u>(417,998)</u>	<u>508,676</u>	<u>1,434,763</u>
<u>\$ 104,979</u>	<u>\$ 164,277</u>	<u>\$ 148,353</u>	<u>\$ 217,568</u>	<u>\$ -</u>	<u>\$ 977,547</u>	<u>\$ 2,009,823</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, 2017**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016)

	Capital Project Funds			
	2017			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #16- Grand Meadows
REVENUES				
Tax Increments	\$ 137,589	\$ 13,528	\$ 37,229	\$ -
Intergovernmental	-	-	-	-
Interest Income	212	34	389	-
Miscellaneous	-	-	3,077	-
Total Revenues	<u>137,801</u>	<u>13,562</u>	<u>40,695</u>	<u>-</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	106,598
Capital Outlay:				
Highways and Streets	-	-	-	-
Debt Service:				
Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,598</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	137,801	13,562	40,695	(106,598)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(65,000)	(27,800)	(90,000)	-
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>(27,800)</u>	<u>(90,000)</u>	<u>-</u>
Net Change in Fund Balances	72,801	(14,238)	(49,305)	(106,598)
Fund Balances - Beginning of Year	<u>65,234</u>	<u>24,334</u>	<u>243,418</u>	<u>106,598</u>
Fund Balances - End of Year	<u>\$ 138,035</u>	<u>\$ 10,096</u>	<u>\$ 194,113</u>	<u>\$ -</u>

Capital Project Funds

2017						2016	
Tax Increment #17- Miller Mfg.	Tax Increment #18- West Industrial Park	2015 Street Improvement	2016 Street Improvement	2018 Storm Water Improvement	Total Capital Projects	Total Capital Projects	
\$ 54,812	\$ 2,093	\$ -	\$ -	\$ -	\$ 245,251	\$ 356,302	
-	-	-	45,694	-	45,694	712,500	
119	31	392	858	(233)	1,802	2,852	
-	229	-	-	200	3,506	21,443	
<u>54,931</u>	<u>2,353</u>	<u>392</u>	<u>46,552</u>	<u>(33)</u>	<u>296,253</u>	<u>1,093,097</u>	
-	-	24,112	106,141	275,376	405,629	1,594,492	
-	-	-	-	-	106,598	19,305	
-	-	1,484	365,240	84,324	451,048	2,571,972	
-	-	-	-	-	-	75,431	
<u>-</u>	<u>-</u>	<u>25,596</u>	<u>471,381</u>	<u>359,700</u>	<u>963,275</u>	<u>4,261,200</u>	
54,931	2,353	(25,204)	(424,829)	(359,733)	(667,022)	(3,168,103)	
-	(18,000)	-	-	(58,265)	(259,065)	(265,500)	
-	-	-	-	-	-	4,025,000	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,704</u>	
<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>(58,265)</u>	<u>(259,065)</u>	<u>3,863,204</u>	
54,931	(15,647)	(25,204)	(424,829)	(417,998)	(926,087)	695,101	
<u>50,048</u>	<u>179,924</u>	<u>172,607</u>	<u>592,600</u>	<u>-</u>	<u>1,434,763</u>	<u>739,662</u>	
<u>\$ 104,979</u>	<u>\$ 164,277</u>	<u>\$ 147,403</u>	<u>\$ 167,771</u>	<u>\$ (417,998)</u>	<u>\$ 508,676</u>	<u>\$ 1,434,763</u>	

(This page intentionally left blank)

SUPPLEMENTARY INFORMATION

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2017**

	\$945,000 G.O. Refunding Bonds - Series 2008B		\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B	
	Principal	Interest	Principal	Interest
2018	\$ 75,000	\$ 6,200	\$ 60,000	\$ 3,705
2019	80,000	3,200	70,000	1,995
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
	<u>\$ 155,000</u>	<u>\$ 9,400</u>	<u>\$ 130,000</u>	<u>\$ 5,700</u>

\$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		\$380,000 Taxable G.O. Tax Increment Bonds - Series 2014C	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 30,000	\$ 892	\$ 70,000	\$ 2,082	\$ 25,000	\$ 14,090
30,000	315	70,000	735	25,000	13,277
-	-	-	-	25,000	12,465
-	-	-	-	25,000	11,653
-	-	-	-	25,000	10,590
-	-	-	-	25,000	9,527
-	-	-	-	30,000	8,465
-	-	-	-	30,000	7,190
-	-	-	-	30,000	5,915
-	-	-	-	30,000	4,550
-	-	-	-	35,000	3,185
-	-	-	-	35,000	1,593
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 60,000</u>	<u>\$ 1,207</u>	<u>\$ 140,000</u>	<u>\$ 2,817</u>	<u>\$ 340,000</u>	<u>\$ 102,500</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2017

	\$245,000 G.O. Equipment Certificates of Indebtedness Series 2013		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$460,000 Portion	
	Principal	Interest	Principal	Interest
2018	\$ 49,877	\$ 1,737	\$ 65,000	\$ 1,625
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
	<u>\$ 49,877</u>	<u>\$ 1,737</u>	<u>\$ 65,000</u>	<u>\$ 1,625</u>

\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion		\$1,925,000 G.O. Improvement Bonds - Series 2014A		\$6,735,000 G.O. Improvement Bonds, Series 2015A	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 55,000	\$ 12,591	\$ 180,000	\$ 31,603	\$ 415,000	\$ 158,425
55,000	11,904	185,000	27,952	420,000	150,125
55,000	11,106	190,000	24,203	425,000	141,725
55,000	10,198	190,000	20,402	430,000	133,225
60,000	9,118	195,000	16,504	435,000	124,625
55,000	7,940	200,000	12,355	440,000	115,925
55,000	6,744	210,000	7,790	455,000	98,325
60,000	5,420	215,000	2,687	465,000	88,997
60,000	3,980	-	-	470,000	78,535
55,000	2,516	-	-	480,000	64,435
65,000	894	-	-	490,000	52,675
-	-	-	-	500,000	35,525
-	-	-	-	515,000	18,025
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 630,000</u>	<u>\$ 82,411</u>	<u>\$ 1,565,000</u>	<u>\$ 143,496</u>	<u>\$ 5,940,000</u>	<u>\$ 1,260,567</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2017**

	\$4,025,000 G.O. Bonds Series 2016A		\$875,000 G.O. Refunding Bonds - Series 2016B	
	Principal	Interest	Principal	Interest
2018	\$ 245,000	\$ 86,675	\$ 105,000	\$ 15,500
2019	245,000	81,775	105,000	13,400
2020	245,000	76,875	110,000	11,300
2021	255,000	71,975	110,000	9,100
2022	255,000	66,875	115,000	6,900
2023	265,000	61,775	105,000	4,600
2024	270,000	56,475	125,000	2,500
2025	275,000	51,075	-	-
2026	280,000	45,575	-	-
2027	280,000	39,975	-	-
2028	290,000	33,675	-	-
2029	300,000	27,150	-	-
2030	305,000	18,900	-	-
2031	325,000	9,750	-	-
2032	-	-	-	-
	<u>\$ 3,835,000</u>	<u>\$ 728,525</u>	<u>\$ 775,000</u>	<u>\$ 63,300</u>

\$4,935,000 G.O. Bonds Series 2017B		Capital Lease Johnson Controls Project		Capital Lease 2015 Freightliner Plow Truck	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 210,000	\$ 151,980	\$ 55,599	\$ 8,403	\$ 34,585	\$ 2,305
285,000	129,900	58,061	5,941	35,719	1,171
295,000	124,200	60,632	3,371	-	-
300,000	118,300	31,315	686	-	-
305,000	112,300	-	-	-	-
310,000	106,200	-	-	-	-
315,000	96,900	-	-	-	-
325,000	87,450	-	-	-	-
335,000	77,700	-	-	-	-
350,000	67,650	-	-	-	-
360,000	57,150	-	-	-	-
365,000	46,350	-	-	-	-
380,000	35,400	-	-	-	-
395,000	24,000	-	-	-	-
405,000	12,150	-	-	-	-
<u>\$ 4,935,000</u>	<u>\$ 1,247,630</u>	<u>\$ 205,607</u>	<u>\$ 18,401</u>	<u>\$ 70,304</u>	<u>\$ 3,476</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2017**

	Capital Lease 2016 Bobcat Skid Steer Loader		Capital Lease 2017 Ford F-550 Pickup	
	Principal	Interest	Principal	Interest
2018	\$ 8,952	\$ 532	\$ 13,416	\$ 1,249
2019	-	-	13,718	947
2020	-	-	14,027	638
2021	-	-	14,343	322
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
	<u>\$ 8,952</u>	<u>\$ 532</u>	<u>\$ 55,504</u>	<u>\$ 3,156</u>

DEED Loan		\$2,000,000 G.O. Taxable Capital Improvement Bonds - Series 2010A		\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 6,379	\$ 1,595	\$ 1,530,000	\$ 42,614	\$ 25,000	\$ 4,700
6,379	1,467	-	-	30,000	3,600
6,379	1,340	-	-	35,000	2,300
6,379	1,212	-	-	40,000	800
6,379	1,084	-	-	-	-
6,379	957	-	-	-	-
6,379	829	-	-	-	-
6,379	702	-	-	-	-
6,379	574	-	-	-	-
6,379	446	-	-	-	-
6,379	319	-	-	-	-
6,379	191	-	-	-	-
6,379	64	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 82,927</u>	<u>\$ 10,780</u>	<u>\$ 1,530,000</u>	<u>\$ 42,614</u>	<u>\$ 130,000</u>	<u>\$ 11,400</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2017**

	\$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
2018	\$ 35,000	\$ 5,705	\$ 50,000	\$ 2,535
2019	35,000	4,830	50,000	1,910
2020	35,000	3,623	45,000	1,224
2021	30,000	2,415	50,000	438
2022	40,000	1,380	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
	<u>\$ 175,000</u>	<u>\$ 17,953</u>	<u>\$ 195,000</u>	<u>\$ 6,107</u>

\$2,415,000 G.O. Refunding Bonds - Series 2012A \$1,195,000 Portion		\$626,000 Gross Revenue Event Facility Refunding Bonds - Series 2013A		\$517,000 Liquor Store Revenue Bonds - Series 2014	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 80,000	\$ 19,560	\$ 36,000	\$ 20,183	\$ 31,000	\$ 16,208
80,000	18,560	37,000	18,993	31,000	15,496
75,000	17,439	38,000	17,493	32,000	14,782
80,000	16,158	40,000	15,932	33,000	13,663
85,000	14,607	42,000	14,292	34,000	12,507
90,000	12,813	43,000	12,592	35,000	11,318
90,000	10,855	45,000	10,664	37,000	10,092
95,000	8,726	47,000	8,479	38,000	8,798
90,000	6,507	49,000	6,199	40,000	7,182
95,000	4,146	52,000	3,800	41,000	5,483
105,000	1,444	54,000	1,282	43,000	3,740
-	-	-	-	45,000	1,912
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 965,000</u>	<u>\$ 130,815</u>	<u>\$ 483,000</u>	<u>\$ 129,909</u>	<u>\$ 440,000</u>	<u>\$ 121,181</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2017**

	\$1,516,000 G.O Capital Improvement Plan Refunding Bonds - Series 2017A		Total	
	Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest
2018	\$ -	\$ 39,416	\$ 3,490,808	\$ 652,110
2019	100,000	38,116	2,046,877	545,609
2020	100,000	35,516	1,786,038	499,600
2021	104,000	32,864	1,794,037	459,343
2022	109,000	30,095	1,706,379	420,877
2023	108,000	27,274	1,682,379	383,276
2024	113,000	24,401	1,751,379	334,040
2025	112,000	21,476	1,668,379	291,000
2026	121,000	18,447	1,481,379	250,614
2027	124,000	15,262	1,513,379	208,263
2028	123,000	12,051	1,571,379	166,415
2029	126,000	8,814	1,377,379	121,535
2030	134,000	5,434	1,340,379	77,823
2031	142,000	1,846	862,000	35,596
2032	-	-	405,000	12,150
	<u>\$ 1,516,000</u>	<u>\$ 311,012</u>	<u>\$ 24,477,171</u>	<u>\$ 4,458,251</u>

OTHER REPORTS SECTION

(This page intentionally left blank)

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, 2017, and the related notes to the financial statements and have issued our report thereon dated May 18, 2018.

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

Austin, Minnesota
May 18, 2018

