

CITY OF GLENCOE, MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**CITY OF GLENCOE, MINNESOTA
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INTRODUCTORY SECTION

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**CITY OF GLENCOE
CITY OFFICIALS
DECEMBER 31, 2018**

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

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on 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, 2018, 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 opinions 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 audit opinions.

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, 2018, 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 2017 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 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

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

Honorable Mayor and
Members of the City Council
City of Glencoe

Supplementary Information

Our 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 17, 2019

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BASIC FINANCIAL STATEMENTS

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**CITY OF GLENCOE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government			Component Unit Light and Power Commission
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 6,810,667	\$ 3,356,423	\$ 10,167,090	\$ 1,144,526
Interest Receivable	45	-	45	-
Taxes Receivable	47,869	2,535	50,404	-
Accounts Receivable	336,817	99,268	436,085	580,386
Special Assessments Receivable	2,209,714	2,376	2,212,090	-
Note Receivable	6,223	-	6,223	-
Other Receivables	-	-	-	396,945
Prepaid Expenses	-	-	-	45,942
Inventory	-	283,821	283,821	287,666
Land Held for Resale	486,012	-	486,012	-
Due from Other Governments	510,578	-	510,578	-
Due from Component Unit	-	336,255	336,255	-
Restricted Assets	-	-	-	7,583,148
Net Pension Asset	276,209	-	276,209	-
Capital Assets:				
Land	1,221,150	900,552	2,121,702	-
Construction in Progress	1,582,491	3,978,477	5,560,968	-
Other Capital Assets, Net of Depreciation	15,899,603	20,550,934	36,450,537	16,010,202
Total Assets	<u>29,387,378</u>	<u>29,510,641</u>	<u>58,898,019</u>	<u>26,048,815</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Bond Refunding	-	4,354	4,354	19,265
OPEB Related	29,178	10,574	39,752	11,473
Pension Related	918,129	99,233	1,017,362	149,483
Total Deferred Outflows of Resources	<u>947,307</u>	<u>114,161</u>	<u>1,061,468</u>	<u>180,221</u>
LIABILITIES				
Accounts Payable	294,409	259,393	553,802	410,839
Contracts Payable	-	-	-	335,947
Retainages Payable	176,068	-	176,068	-
Accrued Interest Payable	325,162	38,128	363,290	-
Accrued Expenses	68,816	217,179	285,995	132,468
Customer Deposits Payable	-	-	-	118,750
Due to the Primary Government	-	-	-	336,255
Long-Term Liabilities:				
Due Within One Year	2,203,593	379,795	2,583,388	658,565
Due in More Than One Year	24,002,669	3,429,700	27,432,369	3,459,041
Net Pension Liability	1,224,466	530,237	1,754,703	843,234
Other Postemployment Benefit Liability	158,032	76,473	234,505	349,708
Total Liabilities	<u>28,453,215</u>	<u>4,930,905</u>	<u>33,384,120</u>	<u>6,644,807</u>
DEFERRED INFLOWS OF RESOURCES				
Gain on Bond Refunding	775	648	1,423	-
Pension Related	1,319,012	131,901	1,450,913	262,011
Total Deferred Inflows of Resources	<u>1,319,787</u>	<u>132,549</u>	<u>1,452,336</u>	<u>262,011</u>
NET POSITION				
Net Investment in Capital Assets	5,464,835	20,962,768	26,427,604	12,048,933
Restricted for:				
Street Improvement Projects	127,066	-	127,066	-
Debt Service	3,208,873	-	3,208,873	909,471
Capital Projects	2,916,626	-	2,916,626	-
Firemen's Relief Association Net Pension Asset	276,209	-	276,209	-
Unrestricted	<u>(11,431,926)</u>	<u>3,598,580</u>	<u>(7,833,347)</u>	<u>6,363,814</u>
Total Net Position	<u>\$ 561,683</u>	<u>\$ 24,561,348</u>	<u>\$ 25,123,031</u>	<u>\$ 19,322,218</u>

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,030,690	\$ 566,724	\$ -	\$ 35,453
Public Safety	1,460,863	80,094	155,466	-
Highways and Streets	1,201,023	61,744	-	1,224,249
Cemetery	22,169	-	-	-
Culture and Recreation	876,075	136,614	-	6,871
Economic Development	454,387	2,433	-	-
Interest on Long-Term Debt	632,482	-	-	-
Total Governmental Activities	<u>5,677,689</u>	<u>847,609</u>	<u>155,466</u>	<u>1,266,573</u>
Business-Type Activities:				
Water Fund	855,411	1,345,600	2,240	563
Wastewater Treatment Plant Fund	1,318,438	1,695,425	-	340
Sanitation Fund	18,408	32,701	-	-
City Center Fund	407,418	112,542	-	14,550
Municipal Liquor Fund	1,720,850	1,926,156	-	-
Airport Fund	356,773	61,906	-	63,363
Storm Water Management Fund	393,140	412,976	-	-
Total Business-Type Activities	<u>5,070,438</u>	<u>5,587,306</u>	<u>2,240</u>	<u>78,816</u>
 Total Primary Government	 <u>\$ 10,748,127</u>	 <u>\$ 6,434,915</u>	 <u>\$ 157,706</u>	 <u>\$ 1,345,389</u>
 Total Component Unit	 <u>\$ 8,386,924</u>	 <u>\$ 9,052,566</u>	 <u>\$ -</u>	 <u>\$ -</u>
General Revenues:				
Taxes				
Tax Increments				
Franchise Fees				
Grants and Contributions Not				
Restricted to Certain Purposes				
Unrestricted Investment Earnings				
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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit Light and Power Commission</u>
\$ (428,513)	\$ -	\$ (428,513)	\$ -
(1,225,303)	-	(1,225,303)	-
84,970	-	84,970	-
(22,169)	-	(22,169)	-
(732,590)	-	(732,590)	-
(451,954)	-	(451,954)	-
(632,482)	-	(632,482)	-
<u>(3,408,041)</u>	<u>-</u>	<u>(3,408,041)</u>	<u>-</u>
-	492,992	492,992	-
-	377,327	377,327	-
-	14,293	14,293	-
-	(280,326)	(280,326)	-
-	205,306	205,306	-
-	(231,504)	(231,504)	-
-	19,836	19,836	-
<u>-</u>	<u>597,924</u>	<u>597,924</u>	<u>-</u>
(3,408,041)	597,924	(2,810,117)	-
			665,642
2,273,852	123,272	2,397,124	-
265,754	-	265,754	-
30,923	-	30,923	-
1,416,705	-	1,416,705	-
11,271	22,096	33,367	93,704
25,703	2,118	27,821	-
(2,982,918)	2,982,918	-	-
<u>1,041,290</u>	<u>3,130,404</u>	<u>4,171,694</u>	<u>93,704</u>
(2,366,751)	3,728,328	1,361,577	759,346
2,928,434	20,833,020	23,761,454	18,640,941
-	-	-	(78,069)
<u>2,928,434</u>	<u>20,833,020</u>	<u>23,761,454</u>	<u>18,562,872</u>
<u>\$ 561,683</u>	<u>\$ 24,561,348</u>	<u>\$ 25,123,031</u>	<u>\$ 19,322,218</u>

CITY OF GLENCOE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)

	2018		
	General	Municipal State Aid	2015 Street Improvement
ASSETS			
Cash and Cash Equivalents	\$ 2,122,255	\$ 129,314	\$ 88,903
Accounts Receivable	274,659	-	-
Interest Receivable	-	-	-
Note Receivable	-	-	-
Taxes Receivable			
Current	9,441	-	848
Delinquent	22,520	-	2,028
Special Assessments Receivable			
Current	-	-	2,979
Noncurrent	15,812	-	703,694
Due from Other Funds	88,983	-	-
Due from Other Governments	-	510,578	-
Land Held for Resale	131,692	-	-
	<u>131,692</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 2,665,362</u>	<u>\$ 639,892</u>	<u>\$ 798,452</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 180,557	\$ 2,248	\$ -
Retainages Payable	-	-	-
Accrued Expenses	68,816	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>249,373</u>	<u>2,248</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>38,332</u>	<u>510,578</u>	<u>705,722</u>
FUND BALANCES			
Nonspendable	131,692	-	-
Restricted for:			
Park Improvement	-	-	-
Street Improvement Projects	-	127,066	-
Debt Service	-	-	92,730
Capital Projects	-	-	-
Committed for:			
Aquatic Center	-	-	-
Cable TV	-	-	-
Assigned for:			
Park Improvement	119,786	-	-
Cemetery	15,534	-	-
Unassigned	2,110,645	-	-
Total Fund Balances	<u>2,377,657</u>	<u>127,066</u>	<u>92,730</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,665,362</u>	<u>\$ 639,892</u>	<u>\$ 798,452</u>

See accompanying Notes to Financial Statements.

		2018			2017	
2016	2017	2018	Other	Total	Total	
Street	Street	Storm Water	Governmental	Governmental	Governmental	
Improvement	Improvement	Improvement	Funds	Funds	Funds	
\$ 187,813	\$ 383,890	\$ 2,758,358	\$ 1,140,134	\$ 6,810,667	\$ 4,362,367	
-	-	-	62,158	336,817	73,118	
-	-	-	45	45	48	
-	-	-	6,223	6,223	9,221	
203	695	-	2,555	13,742	15,611	
486	1,685	-	7,408	34,127	29,559	
1,086	331	-	-	4,396	5,800	
703,023	626,795	-	155,994	2,205,318	1,690,368	
-	-	-	-	88,983	433,869	
-	-	-	-	510,578	380,644	
-	-	-	354,320	486,012	419,590	
<u>\$ 892,611</u>	<u>\$ 1,013,396</u>	<u>\$ 2,758,358</u>	<u>\$ 1,728,837</u>	<u>\$ 10,496,908</u>	<u>\$ 7,420,195</u>	
\$ -	\$ -	\$ 54,227	\$ 57,377	\$ 294,409	\$ 272,849	
-	-	164,252	11,816	176,068	218,755	
-	-	-	-	68,816	83,791	
-	-	-	88,983	88,983	433,869	
-	-	218,479	158,176	628,276	1,009,264	
703,509	628,480	-	163,402	2,750,023	2,100,571	
-	-	-	360,543	492,235	428,811	
-	-	-	-	-	151,188	
-	-	-	-	127,066	110,452	
189,102	384,916	-	713,176	1,379,924	916,983	
-	-	2,539,879	376,747	2,916,626	861,524	
-	-	-	1,999	1,999	1,475	
-	-	-	19,201	19,201	30,422	
-	-	-	-	119,786	104,197	
-	-	-	-	15,534	28,800	
-	-	-	(64,407)	2,046,238	1,676,508	
<u>189,102</u>	<u>384,916</u>	<u>2,539,879</u>	<u>1,407,259</u>	<u>7,118,609</u>	<u>4,310,360</u>	
<u>\$ 892,611</u>	<u>\$ 1,013,396</u>	<u>\$ 2,758,358</u>	<u>\$ 1,728,837</u>	<u>\$ 10,496,908</u>	<u>\$ 7,420,195</u>	

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**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balances for Governmental Funds \$ 7,118,609

Total net position for governmental activities in the Statement of Net Position is 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	\$ 1,221,150	
Construction in Progress	1,582,491	
Buildings, Net of Accumulated Depreciation	3,247,702	
Vehicles, Net of Accumulated Depreciation	737,643	
Office Equipment and Furniture, Net of Accumulated Depreciation	451,479	
Improvements Other than Buildings, Net of Accumulated Depreciation	883,598	
Infrastructure, Net of Accumulated Depreciation	<u>10,579,181</u>	18,703,244

Some of the City's property taxes, tax increments, special assessments and state aids will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as Deferred Inflows of Resources in the governmental funds. 2,750,023

Gain on Refunding is reported as a Deferred Inflow of Resources in the Statement of Net Position. (775)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (325,162)

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	276,209	
Net Pension Liability	(1,224,466)	
Deferred Outflows of Resources - Pension Related	918,129	
Deferred Inflows of Resources - Pension Related	<u>(1,319,012)</u>	(1,349,140)

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

Other Postemployment Benefit Liability	(158,032)	
Deferred Outflows of Resources - OPEB Related	<u>29,178</u>	(128,854)

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	(25,884,362)	
Compensated Absences Payable	<u>(321,900)</u>	<u>(26,206,262)</u>

Total Net Position of Governmental Activities \$ 561,683

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	2018		
	General	Municipal State Aid	2015 Street Improvement
REVENUES			
Taxes	\$ 1,573,936	\$ -	\$ 141,875
Tax Increments	5,337	-	-
Licenses and Permits	114,269	-	-
Intergovernmental	1,549,868	152,725	-
Charges for Services	413,876	-	-
Fines and Forfeits	31,315	-	-
Assessments	23,371	-	143,351
Interest Income	3,600	417	(397)
Contributions and Donations	41,824	-	-
Payment in Lieu of Taxes	92,500	-	-
Franchise Fees	12,411	-	-
Miscellaneous	122,718	-	-
Total Revenues	<u>3,985,025</u>	<u>153,142</u>	<u>284,829</u>
EXPENDITURES			
Current:			
General Government	855,130	-	-
Public Safety	1,420,473	-	-
Highways and Streets	477,720	8,979	-
Cemetery	22,169	-	-
Culture-Recreation	533,864	-	-
Economic Development	26,586	-	-
Miscellaneous	163,359	-	-
Capital Outlay:			
General Government	4,255	-	-
Public Safety	473,344	-	-
Highways and Streets	552,026	-	-
Culture-Recreation	163,508	-	-
Economic Development	-	-	-
Debt Service:			
Principal	228,817	-	415,000
Interest	19,333	-	158,424
Fiscal Charges	-	-	-
Total Expenditures	<u>4,940,584</u>	<u>8,979</u>	<u>573,424</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(955,559)	144,163	(288,595)
OTHER FINANCING SOURCES (USES)			
Transfers In	425,256	-	300,000
Transfers Out	(108,950)	(127,549)	-
Lease Proceeds	401,343	-	-
Loan Proceeds	100,540	-	-
Bond Proceeds	-	-	-
Bond Premium	-	-	-
Auction Proceeds	375	-	-
Proceeds from the Sale of Capital Assets	-	-	-
Insurance Proceeds	10,900	-	-
Total Other Financing Sources (Uses)	<u>829,464</u>	<u>(127,549)</u>	<u>300,000</u>
Net Change in Fund Balances	(126,095)	16,614	11,405
Fund Balances - Beginning of Year	<u>2,503,752</u>	<u>110,452</u>	<u>81,325</u>
Fund Balances - End of Year	<u>\$ 2,377,657</u>	<u>\$ 127,066</u>	<u>\$ 92,730</u>

See accompanying Notes to Financial Statements.

		2018			2017	
2016	2017	2018	Other	Total	Total	
Street	Street	Storm Water	Governmental	Governmental	Governmental	
Improvement	Improvement	Improvement	Funds	Funds	Funds	
\$ 34,009	\$ 117,442	\$ -	\$ 387,424	\$ 2,254,686	\$ 2,139,205	
-	-	-	258,663	264,000	354,457	
-	-	-	-	114,269	146,136	
-	-	-	73,874	1,776,467	1,795,101	
-	-	-	66,083	479,959	232,405	
-	-	-	-	31,315	31,562	
91,497	94,387	-	28,338	380,944	588,091	
91	492	4,818	2,252	11,273	7,097	
-	-	-	-	41,824	64,050	
-	-	-	-	92,500	90,000	
-	-	-	30,923	43,334	43,329	
-	-	-	19,839	142,557	162,490	
<u>125,597</u>	<u>212,321</u>	<u>4,818</u>	<u>867,396</u>	<u>5,633,128</u>	<u>5,653,923</u>	
-	-	-	1,000	856,130	806,744	
-	-	-	-	1,420,473	1,486,706	
-	-	510,350	71,881	1,068,930	1,503,911	
-	-	-	-	22,169	22,437	
-	-	-	138,108	671,972	668,722	
-	-	-	88,928	115,514	122,435	
-	-	-	-	163,359	240,383	
-	-	-	-	4,255	4,843	
-	-	-	-	473,344	40,731	
-	-	3,377,574	291,281	4,220,881	4,266,872	
-	-	-	1,413	164,921	48,554	
-	-	-	338,873	338,873	-	
245,000	210,000	-	605,000	1,703,817	1,613,166	
86,675	151,980	-	84,588	501,000	404,584	
495	-	159,843	12,732	173,070	114,791	
<u>332,170</u>	<u>361,980</u>	<u>4,047,767</u>	<u>1,633,804</u>	<u>11,898,708</u>	<u>11,344,879</u>	
(206,573)	(149,659)	(4,042,949)	(766,408)	(6,265,580)	(5,690,956)	
207,549	165,000	-	590,704	1,688,509	1,080,408	
-	-	-	(521,753)	(758,252)	(563,673)	
-	-	-	-	401,343	70,169	
-	-	-	-	100,540	-	
-	-	6,808,412	629,588	7,438,000	4,935,000	
-	-	192,414	-	192,414	111,473	
-	-	-	-	375	99	
-	-	-	-	-	1,380	
-	-	-	-	10,900	1,346	
<u>207,549</u>	<u>165,000</u>	<u>7,000,826</u>	<u>698,539</u>	<u>9,073,829</u>	<u>5,636,202</u>	
976	15,341	2,957,877	(67,869)	2,808,249	(54,754)	
<u>188,126</u>	<u>369,575</u>	<u>(417,998)</u>	<u>1,475,128</u>	<u>4,310,360</u>	<u>4,365,114</u>	
<u>\$ 189,102</u>	<u>\$ 384,916</u>	<u>\$ 2,539,879</u>	<u>\$ 1,407,259</u>	<u>\$ 7,118,609</u>	<u>\$ 4,310,360</u>	

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**CITY OF GLENCOE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 2,808,249

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

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

Capital Outlay	\$ 2,507,084	
Capital Assets Transferred to Proprietary Funds	(967,007)	
Loss on Disposal of Capital Assets	(3,794)	
Depreciation Expense	<u>(951,356)</u>	584,927

The governmental funds report bond and other long-term debt proceeds as other financing sources, while repayment of bond and other long-term debt principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces long-term liabilities. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bond and other long-term debt and related items is as follows:

Loan Proceeds	(100,540)	
Bond Premium	(192,414)	
Bond Proceeds	(7,438,000)	
Lease Proceeds	(401,343)	
Repayment of Bond, Equipment Certificates, Lease and Loan Principal	1,703,817	
Change in Accrued Interest	(112,454)	
Amortization of Bond Premiums	42,564	
Amortization of Bond Discounts	(279)	
Amortization of Gain on Bond Refunding	<u>85</u>	(6,498,564)

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

Unavailable Revenue - December 31, 2017	2,100,571	
Unavailable Revenue - December 31, 2018	<u>2,750,023</u>	649,452

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

25,788

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

89,792

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

(26,395)

Change in Net Position of Governmental Activities **\$ (2,366,751)**

See accompanying Notes to Financial Statements.

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 1,914,183	\$ 1,143,538	\$ 11,629
Cash and Investments with Escrow Agent	-	-	-
Interest Receivable	-	-	-
Accounts Receivable	5,557	10,363	7,224
Taxes Receivable	-	-	-
Special Assessments Receivable	992	1,384	-
Inventory	-	-	-
Due from Other Funds	277,301	-	-
Due from Component Unit	116,457	168,900	2,448
Total Current Assets	2,314,490	1,324,185	21,301
NONCURRENT ASSETS			
Capital Assets:			
Land	41,628	312,678	-
Construction in Progress	242,419	1,824,454	-
Other Capital Assets (Net of Accumulated Depreciation)	4,986,590	4,954,864	-
Total Capital Assets	5,270,637	7,091,996	-
Total Noncurrent Assets	5,270,637	7,091,996	-
Total Assets	7,585,127	8,416,181	21,301
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Bond Refunding	2,531	1,823	-
Pension Related	32,537	32,803	-
OPEB Related	-	-	-
Total Deferred Outflows of Resources	35,068	34,626	-
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	116,892	71,036	6,982
Accrued Interest Payable	928	2,133	-
Compensated Absences Payable	68,948	78,801	-
Accrued Expenses	10,809	10,930	-
Due to Other Funds	-	697	-
Loan Payable	-	-	-
Revenue Bonds Payable	50,000	65,000	-
Total Current Liabilities	247,577	228,597	6,982
NONCURRENT LIABILITIES			
Loan Payable	-	-	-
Revenue Bonds Payable	95,000	179,700	-
Net Pension Liability	173,854	175,280	-
Other Postemployment Benefit Liability	23,797	27,576	-
Total Noncurrent Liabilities	292,651	382,556	-
Total Liabilities	540,228	611,153	6,982
DEFERRED INFLOWS OF RESOURCES			
Gain on Bond Refunding	-	-	-
Pension Related	43,249	43,602	-
Total Deferred Inflows of Resources	43,249	43,602	-
NET POSITION			
Net Investment in Capital Assets	5,128,168	6,849,119	-
Unrestricted	1,908,550	946,933	14,319
Total Net Position	\$ 7,036,718	\$ 7,796,052	\$ 14,319

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2018	2017
				Total Proprietary Funds	Total Proprietary Funds
\$ 4,421	\$ 55,786	\$ 10,754	\$ 216,112	\$ 3,356,423	\$ 3,581,695
-	-	-	-	-	1,454,769
-	-	-	-	-	9,743
1,277	-	72,828	2,019	99,268	92,840
2,533	-	2	-	2,535	2,623
-	-	-	-	2,376	5,798
-	283,821	-	-	283,821	212,227
-	-	-	-	277,301	228,896
-	-	-	48,450	336,255	279,414
<u>8,231</u>	<u>339,607</u>	<u>83,584</u>	<u>266,581</u>	<u>4,357,979</u>	<u>5,868,005</u>
-	30,207	169,232	346,807	900,552	553,745
-	-	-	1,911,604	3,978,477	2,330,178
<u>2,731,262</u>	<u>595,956</u>	<u>2,489,130</u>	<u>4,793,132</u>	<u>20,550,934</u>	<u>19,238,821</u>
<u>2,731,262</u>	<u>626,163</u>	<u>2,658,362</u>	<u>7,051,543</u>	<u>25,429,963</u>	<u>22,122,744</u>
<u>2,731,262</u>	<u>626,163</u>	<u>2,658,362</u>	<u>7,051,543</u>	<u>25,429,963</u>	<u>22,122,744</u>
2,739,493	965,770	2,741,946	7,318,124	29,787,942	27,990,749
-	-	-	-	4,354	6,191
17,442	16,451	-	-	99,233	159,303
-	10,574	-	-	10,574	-
<u>17,442</u>	<u>27,025</u>	<u>-</u>	<u>-</u>	<u>114,161</u>	<u>165,494</u>
5,483	51,945	2,183	4,872	259,393	550,983
24,431	637	-	9,999	38,128	72,724
24,382	8,794	-	-	180,925	169,596
5,692	8,823	-	-	36,254	30,272
276,604	-	-	-	277,301	228,896
-	-	-	16,795	16,795	-
137,000	31,000	-	80,000	363,000	1,787,000
<u>473,592</u>	<u>101,199</u>	<u>2,183</u>	<u>111,666</u>	<u>1,171,796</u>	<u>2,839,471</u>
-	-	-	147,022	147,022	-
1,826,000	378,000	-	803,978	3,282,678	3,645,492
93,200	87,903	-	-	530,237	607,958
17,255	7,845	-	-	76,473	116,029
<u>1,936,455</u>	<u>473,748</u>	<u>-</u>	<u>951,000</u>	<u>4,036,410</u>	<u>4,369,479</u>
<u>2,410,047</u>	<u>574,947</u>	<u>2,183</u>	<u>1,062,666</u>	<u>5,208,206</u>	<u>7,208,950</u>
-	-	-	648	648	720
23,184	21,866	-	-	131,901	113,553
<u>23,184</u>	<u>21,866</u>	<u>-</u>	<u>648</u>	<u>132,549</u>	<u>114,273</u>
768,262	217,163	2,658,362	5,341,694	20,962,768	19,015,904
(444,558)	178,819	81,401	913,116	3,598,580	1,817,116
<u>\$ 323,704</u>	<u>\$ 395,982</u>	<u>\$ 2,739,763</u>	<u>\$ 6,254,810</u>	<u>\$ 24,561,348</u>	<u>\$ 20,833,020</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 YEAR ENDED DECEMBER 31, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
OPERATING REVENUES			
Charges for Services	\$ 1,340,121	\$ 1,685,003	\$ 9,058
Other Operating Revenues	5,479	10,422	23,643
Sales	-	-	-
Cost of Sales	-	-	-
Total Operating Revenues	<u>1,345,600</u>	<u>1,695,425</u>	<u>32,701</u>
OPERATING EXPENSES			
Personal Services	305,418	295,883	6,799
Materials and Supplies	75,336	71,523	-
Repairs and Maintenance	18,486	57,449	-
Management Fees	77,139	9,023	7,069
Professional Services	26,613	62,075	-
Insurance	18,949	26,720	16
Utilities	58,567	82,613	600
Depreciation	145,581	670,563	-
Other	125,644	18,484	3,924
Total Operating Expenses	<u>851,733</u>	<u>1,294,333</u>	<u>18,408</u>
Operating Income (Loss)	493,867	401,092	14,293
NONOPERATING REVENUES (EXPENSES)			
Special Assessments	563	340	-
Taxes	-	-	-
Federal Aid and Grants	-	-	-
State Aid and Grants	2,240	-	-
Donations	-	-	-
Insurance Proceeds	-	-	-
Interest on Investments	5,483	2,835	30
Interest Expense and Fiscal Charges	(3,678)	(10,944)	-
Auction Proceeds	-	-	-
Loss on Sale of Capital Assets	-	(13,161)	-
Total Nonoperating Revenues (Expenses)	<u>4,608</u>	<u>(20,930)</u>	<u>30</u>
Net Income (Loss) Before Transfers	498,475	380,162	14,323
TRANSFERS			
Transfers In	289,485	598,590	-
Transfers Out	(478,256)	(290,000)	(7,000)
Total Transfers	<u>(188,771)</u>	<u>308,590</u>	<u>(7,000)</u>
Change in Net Position	309,704	688,752	7,323
Net Position - Beginning of Year	<u>6,727,014</u>	<u>7,107,300</u>	<u>6,996</u>
Net Position - End of Year	<u>\$ 7,036,718</u>	<u>\$ 7,796,052</u>	<u>\$ 14,319</u>

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2018 Total Proprietary Funds	2017 Total Proprietary Funds
\$ 75,281	\$ -	\$ 53,716	\$ 412,976	\$ 3,576,155	\$ 3,145,512
37,261	-	8,190	-	84,995	99,885
-	1,926,156	-	-	1,926,156	1,743,982
-	(1,397,726)	-	-	(1,397,726)	(1,279,724)
<u>112,542</u>	<u>528,430</u>	<u>61,906</u>	<u>412,976</u>	<u>4,189,580</u>	<u>3,709,655</u>
169,576	170,267	-	-	947,943	983,474
12,178	38,742	14,761	-	212,540	180,291
21,136	6,405	6,105	10,916	120,497	217,021
-	-	1,599	-	94,830	93,506
3,093	4,022	30,246	3,937	129,986	254,264
21,011	10,780	15,027	186,675	279,178	91,710
18,425	13,106	5,421	-	178,732	189,509
72,429	43,515	278,147	155,294	1,365,529	864,961
22,933	20,107	5,467	-	196,559	218,979
<u>340,781</u>	<u>306,944</u>	<u>356,773</u>	<u>356,822</u>	<u>3,525,794</u>	<u>3,093,715</u>
(228,239)	221,486	(294,867)	56,154	663,786	615,940
-	-	-	-	903	654
124,203	-	(931)	-	123,272	123,466
-	-	39,860	-	39,860	87,588
-	-	23,503	-	25,743	26,909
14,550	-	-	-	14,550	21,490
2,118	-	-	-	2,118	588,944
13,186	134	1	427	22,096	44,108
(66,637)	(16,180)	-	(22,032)	(119,471)	(193,490)
-	-	-	-	-	49
-	-	-	(14,286)	(27,447)	(18,450)
<u>87,420</u>	<u>(16,046)</u>	<u>62,433</u>	<u>(35,891)</u>	<u>81,624</u>	<u>681,268</u>
(140,819)	205,440	(232,434)	20,263	745,410	1,297,208
135,000	-	-	3,025,099	4,048,174	2,170,194
-	(135,000)	-	(155,000)	(1,065,256)	(707,000)
<u>135,000</u>	<u>(135,000)</u>	<u>-</u>	<u>2,870,099</u>	<u>2,982,918</u>	<u>1,463,194</u>
(5,819)	70,440	(232,434)	2,890,362	3,728,328	2,760,402
<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>
<u>\$ 323,704</u>	<u>\$ 395,982</u>	<u>\$ 2,739,763</u>	<u>\$ 6,254,810</u>	<u>\$ 24,561,348</u>	<u>\$ 20,833,020</u>

**CITY OF GLENCOE, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2018
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Water Fund	Wastewater Treatment Plant Fund	Sanitation Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers	\$ 1,277,322	\$ 1,655,207	\$ 29,009
Cash Paid to Suppliers	(287,363)	(332,963)	(7,373)
Cash Paid to Employees	(397,725)	(327,614)	(6,799)
Net Cash Provided (Used) by Operating Activities	<u>592,234</u>	<u>994,630</u>	<u>14,837</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Grants Received	2,240	-	-
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(478,256)	(290,000)	(7,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(476,016)</u>	<u>(290,000)</u>	<u>(7,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfund Cash Borrowed	26,682	-	-
Proceeds from the Sale of Bonds	-	-	-
Proceeds from Loans	-	-	-
Proceeds from Investments	-	-	-
Principal Paid on Bonds	(50,000)	(60,000)	-
Collection of Special Assessments	2,290	2,035	-
Collection of Taxes	-	-	-
Interest and Agent Fees on Bonds and Leases	(2,535)	(10,898)	-
Acquisition of Capital Assets	-	(1,069,377)	-
Capital Contributions Received	-	-	-
Insurance Proceeds	-	-	-
Auction Proceeds	-	-	-
Purchase of Investments	-	-	-
Interest on BAB Bonds	-	-	-
Federal Grants Received	-	-	-
State Grants Received	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(23,563)</u>	<u>(1,138,240)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	5,483	2,835	30
Net Increase (Decrease) in Cash and Cash Equivalents	98,138	(430,775)	7,867
Cash and Cash Equivalents - January 1	1,816,045	1,574,313	3,762
Cash and Cash Equivalents - December 31	<u>\$ 1,914,183</u>	<u>\$ 1,143,538</u>	<u>\$ 11,629</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 493,867	\$ 401,092	\$ 14,293
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	145,581	670,563	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	3,046	3,686	(3,824)
(Increase) Decrease in Due from Other Funds	(75,087)	-	-
(Increase) Decrease in Due from Component Unit	3,763	(43,904)	132
(Increase) Decrease in Inventory	-	-	-
Increase (Decrease) in Accounts Payable	36,232	(14,796)	4,236
Increase (Decrease) in Compensated Absences Payable	(181)	4,787	-
Increase (Decrease) in Due to Other Funds	-	697	-
OPEB Related	(7,694)	(25,358)	-
Increase (Decrease) in Accrued Expenses	330	1,095	-
Pension Related	(7,623)	(3,232)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 592,234</u>	<u>\$ 994,630</u>	<u>\$ 14,837</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of Loss on Bond Refunding	\$ 1,381	\$ 456	\$ -
Amortization of Gain on Bond Refunding	-	-	-
Amortization of Bond Discount	-	75	-
Transfer of Capital Assets	289,485	598,590	-
Loss on Disposal of Capital Assets	-	(13,161)	-

See accompanying Notes to Financial Statements.

City Center Fund	Municipal Liquor Fund	Airport Fund	Storm Water Management Fund	2018	2017
				Total Proprietary Funds	Total Proprietary Funds
\$ 112,620	\$ 1,926,156	\$ 60,243	\$ 395,043	\$ 5,455,600	\$ 4,847,901
(26,832)	(1,568,521)	(76,993)	(206,994)	(2,507,039)	(2,408,155)
(173,837)	(160,252)	(1,599)	-	(1,067,826)	(1,044,965)
(88,049)	197,383	(18,349)	188,049	1,880,735	1,394,781
-	-	-	-	2,240	-
135,000	-	-	-	135,000	190,265
-	(135,000)	-	(155,000)	(1,065,256)	(707,000)
135,000	(135,000)	-	(155,000)	(928,016)	(516,735)
-	-	(26,682)	-	-	-
-	-	-	-	-	1,516,000
-	-	-	163,817	163,817	-
1,454,769	-	-	-	1,454,769	-
(1,566,000)	(31,000)	-	(80,000)	(1,787,000)	(325,000)
-	-	-	-	4,325	5,235
124,289	-	(929)	-	123,360	124,367
(92,468)	(16,209)	-	(20,263)	(142,373)	(187,788)
-	(20,987)	-	-	(1,090,364)	(227,556)
14,550	-	-	-	14,550	21,490
2,118	-	-	-	2,118	588,944
-	-	-	-	-	49
-	-	-	-	-	(1,454,769)
13,930	-	-	-	13,930	28,386
-	-	32,845	-	32,845	133,407
-	-	23,868	-	23,868	29,454
(48,812)	(68,196)	29,102	63,554	(1,186,155)	252,219
(744)	133	1	426	8,164	15,722
(2,605)	(5,680)	10,754	97,029	(225,272)	1,145,987
7,026	61,466	-	119,083	3,581,695	2,435,708
<u>\$ 4,421</u>	<u>\$ 55,786</u>	<u>\$ 10,754</u>	<u>\$ 216,112</u>	<u>\$ 3,356,423</u>	<u>\$ 3,581,695</u>
\$ (228,239)	\$ 221,486	\$ (294,867)	\$ 56,154	\$ 663,786	\$ 615,940
72,429	43,515	278,147	155,294	1,365,529	864,961
78	-	(1,663)	(1,101)	222	(11,603)
-	-	-	-	(75,087)	(98,274)
-	-	-	(16,832)	(56,841)	(31,601)
-	(71,594)	-	-	(71,594)	(54,854)
(2,446)	(6,039)	34	(5,466)	11,755	(13,379)
2,306	4,417	-	-	11,329	1,135
74,390	-	-	-	75,087	98,274
(5,639)	(11,439)	-	-	(50,130)	12,145
690	3,867	-	-	5,982	2,182
(1,618)	13,170	-	-	697	9,855
<u>\$ (88,049)</u>	<u>\$ 197,383</u>	<u>\$ (18,349)</u>	<u>\$ 188,049</u>	<u>\$ 1,880,735</u>	<u>\$ 1,394,781</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,837	\$ 1,835
-	-	-	(72)	(72)	(71)
-	-	-	111	186	187
-	-	-	3,025,099	3,913,174	1,979,929
-	-	-	(14,286)	(27,447)	(18,450)

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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 of Commissioners appointed by the City Council.

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

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, 2018**

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

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, 2018**

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, with the exception of nonexchange revenues which are considered available if received within 180 days after year-end. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as the amount of the expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

Municipal State Aid Fund – This special revenue fund is used to account for the accumulation of specific revenue sources that are restricted or committed to expenditure for various street and trail projects and long-term debt principal and interest related to General Obligation State Aid Street Bonds.

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 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 \$4,935,000 General Obligation Bonds, Series 2017B.

2018 Storm Water 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 2018 Storm Water Improvement Project.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

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

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

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary funds and various other functions of government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents of the City consist of cash on hand and demand deposits.

Taxes and Special Assessments

Current taxes and special assessments receivable at December 31, 2018, 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 2018 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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)

Taxes and Special Assessments (Continued)

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as unavailable revenue at the time of the levy. Unavailable revenue is recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

Accounts Receivable - Utilities

The utilities provide an allowance for bad debts using the allowance method based on management's estimates. Services are sold on an unsecured basis. Payment is generally required within 30 days of the date of the billing. Accounts past due are individually analyzed for collectability. The amount of uncollectible accounts is not considered significant.

Noncurrent Special Assessments

In the governmental fund financial statements, noncurrent special assessments receivable represents the principal payments due in future years.

Inventory

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

Land Held for Resale

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

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 acquisition 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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.

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 Benefit Liability

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

Long-Term Obligations

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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)

Long-Term Obligations (Continued)

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

Pensions

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

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

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.

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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)

Fund Balance (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the City's policy to use committed first, then assigned and finally unassigned fund balance.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenue Recognition

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

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

F. Change in Accounting Principle

During the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and GASB No. 89, *Accounting for Interest Costs Incurred Before the end of a Construction Period*. The changes required to adopt these pronouncement were not material to the Governmental Activities or Business-Type Activities, therefore there was no restatement was required to net position.

G. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with 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, 2017, 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 General Fund. Any modifications in the adopted budget can be made upon request of and approval by the City Council. All annual appropriations lapse at fiscal year-end. Legal budgetary control is at the fund level. The resolutions and ordinances issuing bonds control the expenditures in the Debt Service Funds and contractual agreements control expenditures in the Capital Project Funds.

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. There were supplemental appropriations in 2018.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Actual
General Fund	\$ 3,828,973	\$ 4,940,584

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

C. Deficit Fund Balance

A certain fund had a deficit fund balance at December 31, 2018, as follows:

Debt Service Fund:		
County State Aid Hwy #3 Bond		\$ (64,407)

The deficit in the Debt Service Fund will be reduced as taxes, intergovernmental revenue, and assessments are collected.

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, 2018.

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, 2018 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. It is required that the City sign authorizations releasing collateral once it is pledged.

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows:

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

The City had no investments at December 31, 2018.

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

Deposits	\$ 10,167,090
Total	<u>\$ 10,167,090</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

Cash and Cash Equivalents - Governmental Activities	\$ 6,810,667
Cash and Cash Equivalents - Business-Type Activities	3,356,423
Total	\$ 10,167,090

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, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Governmental Activities:					
Capital Assets, Not Being Depreciated					
Land	\$ 1,456,414	\$ -	\$ -	\$ (235,264)	\$ 1,221,150
Construction in Progress	3,039,154	1,319,636	(2,776,299)	-	1,582,491
Total Capital Assets, Not Being Depreciated	4,495,568	1,319,636	(2,776,299)	(235,264)	2,803,641
Capital Assets, Being Depreciated:					
Buildings	4,699,819	29,642	-	-	4,729,461
Improvements Other than Buildings	3,625,355	135,507	(7,588)	(914,801)	2,838,473
Office Equipment and Furniture	-	-	-	-	-
Vehicles	1,815,674	429,600	-	-	2,245,274
Machinery and Shop Equipment	1,023,609	127,540	(94,455)	-	1,056,694
Infrastructure	13,906,319	3,241,458	(145,078)	-	17,002,699
Total Capital Assets, Being Depreciated	25,070,776	3,963,747	(247,121)	(914,801)	27,872,601
Accumulated Depreciation:					
Buildings	(1,386,175)	(95,584)	-	-	(1,481,759)
Improvements Other than Buildings	(2,006,734)	(134,993)	3,794	183,058	(1,956,875)
Office Equipment and Furniture	-	-	-	-	-
Vehicles	(1,406,883)	(100,748)	-	-	(1,507,631)
Machinery and Shop Equipment	(641,067)	(58,603)	94,455	-	(605,215)
Infrastructure	(6,007,168)	(561,428)	145,078	-	(6,423,518)
Total Accumulated Depreciation	(11,448,027)	(951,356)	243,327	183,058	(11,972,998)
Total Capital Assets, Being Depreciated, Net	13,622,749	3,012,391	(3,794)	(731,743)	15,899,603
Governmental Activities Capital Assets, Net	\$ 18,118,317	\$ 4,332,027	\$ (2,780,093)	\$ (967,007)	\$ 18,703,244

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

General Government	\$ 16,825
Public Safety	97,935
Public Works	650,817
Culture and Recreation	185,779
Total Depreciation Expense, Governmental Activities	<u>\$ 951,356</u>

Capital asset activity for business-type activities for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Business-Type Activities:					
Capital Assets, not Being Depreciated					
Land	\$ 553,745	\$ 111,543	\$ -	\$ 235,264	\$ 900,552
Construction in Progress	2,330,178	3,506,058	(1,857,759)	-	3,978,477
Total Capital Assets, not Being Depreciated	2,883,923	3,617,601	(1,857,759)	235,264	4,879,029
Capital Assets, Being Depreciated:					
Buildings	10,765,427	20,987	-	-	10,786,414
Improvements Other than Buildings	3,806,653	110,000	-	914,801	4,831,454
Vehicles	181,796	-	-	-	181,796
Office Equipment and Furniture	63,702	-	-	-	63,702
Machinery and Shop Equipment	1,438,743	-	-	-	1,438,743
Infrastructure	14,857,061	1,842,359	(156,940)	-	16,542,480
Total Capital Assets, Being Depreciated	31,113,382	1,973,346	(156,940)	914,801	33,844,589
Accumulated Depreciation:					
Buildings	(5,023,862)	(610,861)	-	-	(5,634,723)
Improvements Other than Buildings	(878,881)	(310,417)	-	(183,058)	(1,372,356)
Vehicles	(118,609)	(19,632)	-	-	(138,241)
Office Equipment and Furniture	(31,167)	(8,592)	-	-	(39,759)
Machinery and Shop Equipment	(1,206,038)	(53,004)	-	-	(1,259,042)
Infrastructure	(4,616,004)	(363,023)	129,493	-	(4,849,534)
Total Accumulated Depreciation	(11,874,561)	(1,365,529)	129,493	(183,058)	(13,293,655)
Total Capital Assets, Being Depreciated, Net	19,238,821	607,817	(27,447)	731,743	20,550,934
Business-Type Capital Assets, Net	<u>\$ 22,122,744</u>	<u>\$ 4,225,418</u>	<u>\$ (1,885,206)</u>	<u>\$ 967,007</u>	<u>\$ 25,429,963</u>

Depreciation expense was charged to proprietary activities as follow:

Proprietary Activities:

Water Fund	\$ 145,581
Wastewater Treatment Plant Fund	670,563
City Center Fund	72,429
Municipal Liquor Fund	43,515
Airport Fund	278,147
Storm Water Management Fund	155,294
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,365,529</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The balances at December 31, 2018 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 88,983	\$ -
Nonmajor Governmental Funds	-	88,983
Water Fund	277,301	-
Wastewater Treatment Plant Fund	-	697
City Center Fund	-	276,604
Total	<u>\$ 366,284</u>	<u>\$ 366,284</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at December 31, 2018:

			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	\$ 155,000	\$ -	\$ (75,000)	\$ 80,000	\$ 80,000
\$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	130,000	-	(60,000)	70,000	70,000
\$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	60,000	-	(30,000)	30,000	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	140,000	-	(70,000)	70,000	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	340,000	-	(25,000)	315,000	25,000
\$453,000 G.O. Tax Increment Revenue Bonds - Series 2018B	3.50% - 4.00%	Interest due semi- annually on 6/1 and 12/1 and principal due annually on 6/1 until 6/1/34	-	453,000	-	453,000	-
Total General Obligation Bonds			825,000	453,000	(260,000)	1,018,000	275,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	3.00%	Interest and principal due annually on 2/20, until 2/20/18					
Certificate of Indebtedness Series 2013							
These Certificates were Paid off in 2018.			\$ 49,877	\$ -	\$ (49,877)	\$ -	\$ -
Total General Obligation Equipment Certificates of Indebtedness			49,877	-	(49,877)	-	-
<u>Special Assessment Bonds</u>							
\$4,020,000 G.O. Refunding Bonds - Series 2011A	.55% - 3.45%	Interest due semi-annually on 6/1 and 12/1 and principal due annually on 12/1 until 12/1/22					
\$460,000 Portion This Portion of these Bonds were Paid Off in 2018.			65,000	-	(65,000)	-	-
\$2,415,000 G.O. Refunding Bonds - Series 2012A	.55% - 2.75%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 2/1 until 2/1/28	630,000	-	(55,000)	575,000	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	1,565,000	-	(180,000)	1,385,000	185,000
\$6,735,000 G.O. Improvement Bonds - Series 2015A	2.00% - 3.50%	Interest due semi-annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/30	5,940,000	-	(415,000)	5,525,000	420,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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>							
\$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	\$ 3,835,000	\$ -	\$ (245,000)	\$ 3,590,000	\$ 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	775,000	-	(105,000)	670,000	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	-	(210,000)	4,725,000	285,000
\$6,985,000 G.O. Bonds - Series 2018A	3.00% - 4.00%	Interest due semi- annually on 2/1 and 8/1 and principal due annually on 8/1 until 8/1/39	-	6,985,000	-	6,985,000	200,000
Total Special Assessment Bonds			17,745,000	6,985,000	(1,275,000)	23,455,000	1,495,000
Total Bonds Payable			18,619,877	7,438,000	(1,584,877)	24,473,000	1,770,000
<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	-	(6,388)	76,539	6,379
2018 Case Puma Tractor Loan	4.50%	Interest and principal due annually on 4/15 until 4/15/23	-	100,540	-	100,540	18,328
Total Loans			82,927	100,540	(6,388)	177,079	24,707

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 205,607	\$ -	\$ (55,599)	\$ 150,008	\$ 58,061
2015 Freightliner Plow Truck	3.28%	Lease payments of \$36,890 due annually until 1/15/19	70,304	-	(34,585)	35,719	35,719
2016 Bobcat Skid Steer Loader	5.94%	Lease payments of \$9,482 due annually until 2/25/19	8,952	-	(8,952)	-	-
		This Capital Lease was Paid Off in 2018.					
2017 Ford F-550 Pickup	2.25%	Lease payments of \$14,665 due annually until 2/23/21	55,504	-	(13,416)	42,088	13,718
2018 Rosenbauer Commander	4.35%	Lease payments of \$90,267 due annually until 3/1/23	-	401,343	-	401,343	76,388
Total Capital Leases			340,367	401,343	(112,552)	629,158	183,886
Unamortized Bond Discount			(1,377)	-	279	(1,098)	-
Unamortized Bond Premium			456,373	192,414	(42,564)	606,223	-
Compensated Absences Payable			295,505	235,735	(209,340)	321,900	225,000
Total Governmental Activities Long-Term Liabilities			<u>\$ 19,793,672</u>	<u>\$ 8,368,032</u>	<u>\$ (1,955,442)</u>	<u>\$ 26,206,262</u>	<u>\$ 2,203,593</u>

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 These Bonds were Paid off in 2018.	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	\$ 1,530,000	\$ -	\$ (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	130,000	-	(25,000)	105,000	30,000
\$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	175,000	-	(35,000)	140,000	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	195,000	-	(50,000)	145,000	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	965,000	-	(80,000)	885,000	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	483,000	-	(36,000)	447,000	37,000

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 440,000	\$ -	\$ (31,000)	\$ 409,000	\$ 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	100,000
Total Bonds Payable			<u>5,434,000</u>	<u>-</u>	<u>(1,787,000)</u>	<u>3,647,000</u>	<u>363,000</u>
Loan Payable - Marsh Creek Project	2.00%	Interest and principal due annually on 5/10 until 5/10/27	-	183,186	(19,369)	163,817	16,795
Unamortized Bond Discount			(1,508)	-	186	(1,322)	-
Total Business-Type Long-Term Liabilities			<u>\$ 5,432,492</u>	<u>\$ 183,186</u>	<u>\$ (1,806,183)</u>	<u>\$ 3,809,495</u>	<u>\$ 379,795</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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
2019	\$ 1,770,000	\$ 724,303	\$ 363,000	\$ 101,505	\$ 2,133,000	\$ 825,808
2020	1,626,000	656,581	360,000	92,377	1,986,000	748,958
2021	1,653,000	621,114	377,000	82,270	2,030,000	703,384
2022	1,689,000	584,401	310,000	72,881	1,999,000	657,282
2023	1,705,000	544,391	276,000	63,997	1,981,000	608,388
2024 - 2028	8,166,000	2,006,864	1,514,000	189,034	9,680,000	2,195,898
2029 - 2033	5,556,000	880,910	447,000	18,006	6,003,000	898,916
2034 - 2038	2,258,000	255,035	-	-	2,258,000	255,035
2039	50,000	1,750	-	-	50,000	1,750
Total	<u>\$ 24,473,000</u>	<u>\$ 6,275,349</u>	<u>\$ 3,647,000</u>	<u>\$ 620,070</u>	<u>\$ 28,120,000</u>	<u>\$ 6,895,419</u>

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

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

In 2015, the City of Glencoe entered into a loan agreement with the Minnesota Department of Employment and Economic Development in the amount of \$82,927. The proceeds of the loan were used to pay the costs associated with the demolition of the former Economart Building for future economic development within the City. Assets of the City are dedicated to retire this loan.

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

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending December 31,	DEED Loan		Case Puma Tractor Loan		Marsh Creek Project Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 6,379	\$ 1,467	\$ 18,328	\$ 4,625	\$ 16,795	\$ 3,276	\$ 41,502	\$ 9,368
2020	6,379	1,340	19,191	3,761	17,123	2,948	42,693	8,049
2021	6,379	1,212	20,077	2,875	17,474	2,598	43,930	6,685
2022	6,379	1,084	20,993	1,959	17,823	2,249	45,195	5,292
2023	6,379	957	21,951	1,002	18,180	1,892	46,510	3,851
2024 - 2028	31,895	2,871	-	-	76,422	3,864	108,317	6,735
2029 - 2033	12,749	264	-	-	-	-	12,749	264
Total	\$ 76,539	\$ 9,195	\$ 100,540	\$ 14,222	\$ 163,817	\$ 16,827	\$ 340,896	\$ 40,244

In 2018 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 \$962,564 and \$317,476 of accumulated depreciation at December 31, 2018.

The future minimum lease obligations and the net present value of the City's minimum lease payments as of December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases Payable</u>
2019	\$ 205,824
2020	168,935
2021	136,933
2022	90,267
2023	90,267
Total Minimum Lease Payments	<u>692,226</u>
Less Amount Representing Interest	<u>63,068</u>
Present Value of Minimum Lease Payments	<u>\$ 629,158</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, 2018, the principal amount outstanding was \$17,330,000.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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>
2019	\$ 23,460
2020	13,841
2021	7,771
2022	4,479
2023	4,479
Thereafter	2,613
Total	<u>\$ 56,643</u>

The City had \$36,175 of expenditures for these leases in 2018.

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

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

A. Plan Description

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

1. General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to the Coordinated Plan, and are covered by Social Security.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Public Employees Police and Fire Plan (PEPFP)

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.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. GERP Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or has fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

2. PEPFP 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 twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. PEPFP Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1% increase. An annual adjustment will equal 2.5% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increased to 2.5% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the postretirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

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

1. GERF Contributions

Coordinated Plan members were required to contribute 6.5%, respectively, of their annual covered salary in fiscal year 2018 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018, were \$114, 378. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFP Contributions

Plan members were required to contribute 10.8% of their annual covered salary and the City was required to contribute 16.2% of pay for plan members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$84,873. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2018, the City reported a liability of \$1,226,018 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$40,172. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

At June 30, 2018, the City's proportionate share was .0221% which was an increase of .0001% from its proportionate share measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$120,834 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$9,368 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 32,451	\$ 35,758
Changes in Actuarial Assumptions	117,116	137,756
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	125,280
Changes in Proportion	24,359	6,190
Contributions Paid to PERA Subsequent to the Measurement Date	55,521	-
Total	<u>\$ 229,447</u>	<u>\$ 304,984</u>

\$55,521 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	Pension Expense Amount
2019	\$ 47,377
2020	(54,895)
2021	(97,950)
2022	(25,590)

2. PEPFP Pension Costs

At December 31, 2018, the City reported a liability of \$528,685 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFP Pension Costs (Continued)

At June 30, 2018, the City's proportionate share was .0496% which was a decrease of .0034% from its proportionate share measured as of June 30, 2017. The City also recognized \$4,464 for the year ended December 31, 2018 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.

For the year ended December 31, 2018, the City recognized pension expense of \$51,542 for its proportionate share of the PEPFP's pension expense.

At December 31, 2018, the City reported its proportionate share of the PEPFP'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	\$ 21,309	\$ 129,700
Changes in Actuarial Assumptions	657,287	778,293
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	110,735
Changes in Proportion	7,200	48,779
Contributions Paid to PERA Subsequent to the Measurement Date	45,508	-
Total	<u>\$ 731,304</u>	<u>\$ 1,067,507</u>

\$45,508 reported as deferred outflows of resources related to pensions resulting from City contributions to the PEPFP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to the PEPFP will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2019	\$ (20,834)
2020	(45,382)
2021	(88,235)
2022	(221,289)
2023	(5,971)

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2018, was \$181,744.

F. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>GERF</u>	<u>PEFPF</u>
Inflation	2.50 Percent per Year	2.50 Percent per Year
Active Member Payroll Growth	3.25 Percent per Year	3.25 Percent per Year
Investment Rate of Return	7.50 Percent	7.50 Percent

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

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.50% per year, thereafter, to 1.0% for all years, with no trigger.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease 6.90%	Current Discount Rate 7.90%	1% Increase 8.90%
City's Proportionate Share of the GERP Net Pension Liability	\$ 1,992,435	\$ 1,226,018	\$ 593,361
City's Proportionate Share of the PEPFP Net Pension Liability	1,133,534	528,685	28,500

**CITY OF GLENCOE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 12 DEFINED BENEFIT PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 13 DEFINED CONTRIBUTION PLAN

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

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

Total contributions made by the City during 2018 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, 2017, membership includes 36 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, 2018**

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
<hr/>	
=	Total Contribution Required
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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Contributions (Continued)

The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$45,695 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2017. 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, 2017 was \$0.00.

Pension Costs

At December 31, 2018, the City reported an asset of \$276,209 for the Association's net pension asset. The net pension asset was measured as of December 31, 2017, 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 \$42,507 for the year ended December 31, 2018. At December 31, 2018, 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	\$ -	\$ 33,052
Changes in Actuarial Assumptions	27,419	18,120
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	27,250
City Contributions Subsequent to the Measurement Date	29,192	-
Total	<u>\$ 56,611</u>	<u>\$ 78,422</u>

The City contributions to the Association subsequent to the measurement date, \$29,192 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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>
2019	\$ (1,735)
2020	(1,736)
2021	(19,197)
2022	(15,779)
2023	(3,713)
Thereafter	(8,843)

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Actuarial Assumptions

The actuarial total pension liability was determined as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

ASSUMPTIONS FROM ACTUARIAL REPORT

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight Line Closed
Actuarial Assumptions:	
Discount Rate	6.00%
Investment Rate of Return	6.00%
20-Year Municipal Bond Yield	3.31%
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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2017</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Cash and Equivalents	24.02 %	0.79%	3.54%
Fixed Income	17.11	1.98%	4.73%
Domestic Equity	50.08	5.39%	8.14%
International Equity	8.76	5.20%	7.95%
Real Estate and Alternatives	0.03	4.25%	7.00%
Total Portfolio	<u>100.00 %</u>		

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Discount Rate

The discount rate used to measure the total pension liability was 6.00%. 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 6.00%, 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 (5.00%) or one percentage point higher (7.00%) than the current rate:

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability (Asset)	\$ (244,328)	\$ (276,209)	\$ (306,426)
Discount Rate	5.00%	6.00%	7.00%

Plan's Fiduciary Net Position

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

ASSETS

Cash and Cash Equivalents	\$ 90,119
Fixed Income Securities	435,603
Mutual Funds	771,805
Accrued Interest	958
Total Assets	\$ 1,298,485

LIABILITIES

Accounts Payable	\$ 1,347
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NET POSITION

Restricted for Fire Pensions	\$ 1,297,138
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**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Plan’s Fiduciary Net Position (Continued)

REVENUES	
Fire State Aid	\$ 43,695
State 10% Supplemental Reimbursement	2,000
Municipal Contribution	25,500
Investment Income	140,848
Total Revenues	<u>212,043</u>
EXPENSES	
Pension Distributions	139,848
Administrative	17,304
Total Expenses	<u>157,152</u>
Transfer from General Fund	<u>30,000</u>
CHANGE IN NET POSITION	84,891
Net Position - Beginning of Year	<u>1,212,247</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,297,138</u></u>

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

	Measurement Date December 31, 2017
<u>Total Pension Liability</u>	
Service Cost	\$ 37,968
Interest	60,831
Changes of Assumptions	14,376
Changes of Benefit Terms	79,790
Benefit Payments, Including Member Contribution Refunds	<u>(139,848)</u>
Net Change in Total Pension Liability	53,117
Total Pension Liability - Beginning of Year	<u>967,812</u>
Total Pension Liability - End of Year (a)	1,020,929
Plan Fiduciary Net Position	
Municipal Contributions	25,500
State Contributions	45,695
Net Investment Income	140,849
Transfer from General Fund	30,000
Benefit Payments	(139,848)
Administrative Expenses	<u>(17,305)</u>
Net Change in Fiduciary Net Position	84,891
Fiduciary Net Position - Beginning of Year	<u>1,212,247</u>
Fiduciary Net Position - End of Year (b)	<u>1,297,138</u>
Association’s Net Pension Liability/(Asset) - End of Year (a) - (b)	<u><u>\$ (276,209)</u></u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 BENEFITS

Plan Description

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

Funding Policy

The City does not have assets designated to pay for OPEB related costs. Contribution requirements are set by the City. The City contributes 100% of the cost of current-year premiums for eligible retired plan members. Payments for these benefits are on a pay-as-you-go method under which the contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. For the year ended December 31, 2018, there were three retirees and \$39,752 of contributions to the plan.

Actuarial Methods and Assumptions

The City's OPEB liability was measured as of December 31, 2017, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2017.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	3.00%
Health Care Trend Rates	6.8% Decreasing to 4.4% in 2075 and later years

Mortality rates were based on the RP-2014 with projected mortality improvements based on scale MP-2017, and other adjustments.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used in December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.31%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate was changed from 3.50% to 3.81% based on updated 20-year municipal bond rates.
- Withdrawal rates were updated from the 2003 SOA Turnover Study, adjusted by 50% to the rates used in the 7/1/2017 PERA Police & Fire Plan and 7/1/2017 PERA General Employees Retirement Plan provisions. This change was made due to updated valuation methods.
- The expected retirement age for Police & Fire employees changed from 50 to 55 to reflect recent experience.
- Retiree premiums were updated to current levels.

Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>
Balances at December 31, 2017	\$ 243,735
Changes for the Year:	
Service Cost	5,237
Interest	8,956
Assumption Changes	4,369
Benefit Payments	<u>(27,792)</u>
Net Change in Total OPEB Liability	<u>(9,230)</u>
Balances at December 31, 2018	<u>\$ 234,505</u>

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Decrease (4.31%)
Net OPEB Liability	\$ 243,542	\$ 234,505	\$ 225,869

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.80% decreasing to 4.2% over 5 years) or 1% higher (7.80% decreasing to 2.20% over 5 years) than the current healthcare cost trend rates:

	1% Decrease (5.8% Decreasing to 4.2%)	Current Trend Rates (6.8% Decreasing to 5.2%)	1% Decrease (7.8% Decreasing to 6.2%)
<u>Medical Trend Rate</u>			
Net OPEB Liability	\$ 224,304	\$ 234,505	\$ 245,845

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 16 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

For the year ended December 31, 2018, the City recognized OPEB expense of \$(100,170). At December 31, 2018, the City reported no deferred inflows of resources, and \$39,472 in deferred inflows of resources resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2019.

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 seven consecutive years. In addition, the Commission provided, at no cost to the City, street lights and street light maintenance in the amount of \$68,536 for 2018.

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 Central Storm Sewer Project. The estimated costs to completion of the approximately \$5.3 million project are approximately \$2,000,000 as of December 31, 2018. Accounts payable and retainages payable at December 31, 2018 include \$164,252 in contracts and retainages payable.

The City has entered into a construction contract for the 2018 14th Street Extension Project. The estimated costs to completion of the approximately \$250,000 project are approximately \$18,000 as of December 31, 2018. Accounts payable and retainages payable at December 31, 2018 include \$11,816 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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 19 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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

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

NOTE 20 RECONCILIATION OF OPERATING TRANSFERS

	Transfers In	Transfers Out
Governmental Fund Types		
General Fund	\$ 425,256	\$ (1,141,031)
Municipal State Aid	-	(127,549)
2015 Street Improvement Fund	300,000	-
2016 Street Improvement Fund	207,549	-
2017 Street Improvement Fund	165,000	-
Nonmajor Governmental Funds	590,704	(3,402,847)
Total Governmental Funds	1,688,509	(4,671,427)
Proprietary Fund Types		
Water Fund	289,485	(478,256)
Wastewater Treatment Plant Fund	598,590	(290,000)
Sanitation Fund	-	(7,000)
City Center Fund	135,000	-
Municipal Liquor Fund	-	(135,000)
Storm Water Management Fund	3,025,099	(155,000)
Total Proprietary Funds	4,048,174	(1,065,256)
Total Operating Transfers	\$ 5,736,683	\$ (5,736,683)

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. \$1,032,080 of the transfers out from the General Fund were for the contribution of capital assets to other funds and \$2,881,094 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 \$289,485 in the Water Fund, \$598,590 in the Wastewater Treatment Plant Fund and \$3,025,099 in the Storm Water Management Fund, respectively.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 21 TAX ABATEMENTS

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

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

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

As of December 31, 2018, the Developer has not completed the requirements for the tax abatement, therefore, there were no abated property taxes by the City in 2018 under this agreement.

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES

Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. The Commission's deposits were not exposed to custodial credit risk at December 31, 2018.

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.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Deposits and Investments (Continued)

Deposits (Continued)

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

The Commission’s deposits in banks at December 31, 2018 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Investments

The Commission does not have an investment policy and is permitted to invest its idle funds as authorized by Minnesota Statutes as follows:

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

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Deposits and Investments (Continued)

Investments (Continued)

At December 31, 2018, the Light and Power Commission had the following investments:

	Amount
Negotiable Certificates of Deposit	\$ 1,326,612

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	\$ 1,326,612	\$ 841,586	-	\$ 485,026

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, 2018 are as follows:

Type	Amount	Percentage
St Bk of India CD New York City NY CD	\$ 191,128	14%
Sallie Mae Bk CD Salt Lake City UT CD	244,603	18%
BMW Salt Lake City UT CD	161,260	12%
Amex Centurion Salt Lake City UT CD	244,595	18%
GE Cap Ret Bk Draper UT CD	242,815	18%
CIT Salt Lake City UT CD	242,211	19%
Total	\$ 1,326,612	

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

The deposits and investments are made up of the following:

Type	Credit Quality Rating	Amount
Negotiable Certificates of Deposit	Not Rated	\$ 1,326,612

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Deposits and Investments (Continued)

Fair Value Measurements

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

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

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

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

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

Asset measured at fair value on a recurring basis:

	12/31/2018	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Observable Inputs (Level III)
Investments by Fair Value Level				
Negotiable Certificates of Deposits	\$ 1,326,612	\$ 1,326,612	\$ -	\$ -

Restricted Assets

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

Debt Service Account	\$ 168,133
Bond and Interest Reserve Account	741,338
Total Restricted Cash	\$ 909,471
Expansion Fund	\$ 4,644,634
Catastrophic Reserve Fund	2,029,043
Total Designated Cash	\$ 6,673,677

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Restricted Assets (Continued)

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 twelve-month period.

Bond and Interest Reserve Account - Restricted

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

Expansion Fund - Designated

5% 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, 2018 is as follows:

	2018			Ending Balance
	Beginning Balance	Additions	Retirements	
PLANT IN SERVICE				
Buildings, Land, and Land Improvements	\$ 1,977,503	\$ -	\$ -	\$ 1,977,503
Engines, Auxiliaries, and Switch Boards	13,763,323	-	-	13,763,323
Distribution System	6,063,842	41,022	-	6,104,864
Transmission System	9,702,416	1,542,588	-	11,245,004
Street Lights	175,454	-	-	175,454
Substation	3,099,062	374,445	(1,583,610)	1,889,897
Loop Feeder	468,366	-	-	468,366
Meters	435,879	-	-	435,879
Total Plant in Service	35,685,845	1,958,055	(1,583,610)	36,060,290
Less: Accumulated Depreciation	(21,087,744)	(883,125)	-	(21,970,869)
Net Plant in Service	14,598,101	1,074,930	(1,583,610)	14,089,421
CONSTRUCTION WORK-IN-PROGRESS				
Net Utility Plant	436,035	1,059,584	(374,445)	1,121,174
	15,034,136	2,134,514	(1,958,055)	15,210,595
NONUTILITY PROPERTY				
Building and Improvements	447,364	-	-	447,364
Transportation Equipment	1,115,883	-	-	1,115,883
Plant Tools and Equipment	178,254	-	-	178,254
Office Equipment	217,942	-	-	217,942
Total Nonutility Property	1,959,443	-	-	1,959,443
Less: Accumulated Depreciation	(1,077,528)	(82,308)	-	(1,159,836)
Net Nonutility Property	881,915	(82,308)	-	799,607
Total Net Capital Assets	\$ 15,916,051	\$ 2,052,206	\$ (1,958,055)	\$ 16,010,202

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Capital Assets (Continued)

Capital assets that are not being depreciated (including land and construction-in-progress) totaled \$1,121,174 at December 31, 2018.

Long-Term Liabilities

Bonds outstanding at December 31, 2018 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	\$ 3,885,000

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	645,000	45,625	690,625
2024	655,000	15,556	670,556
Total	\$ 3,885,000	\$ 309,355	\$ 4,194,355

A summary of long-term debt activity for the year ended December 31, 2018 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	\$ 4,525,000	\$ -	\$ (640,000)	\$ 3,885,000	\$ 655,000
Plus Issuance Premiums	72,291	-	(10,327)	61,964	-
Compensated Absences Payable	188,352	110,761	(142,776)	156,337	-
Capital Lease Payable	17,138	20,242	(23,075)	14,305	3,565
Total	\$ 4,802,781	\$ 131,003	\$ (816,178)	\$ 4,117,606	\$ 658,565

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 6,730
2020	6,730
2021	6,215
2022	1,168
Total Minimum Lease Payments	20,843
Less: Amount representing Interest	(6,538)
Present Value of Minimum Lease Payments	\$ 14,305

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan

Pension Description

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

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

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, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Contributions (Continued)

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2018. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2018. The Commission's contributions to the General Employees Fund for the year ended December 31, 2018 were \$81,158. The Commission's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2018, the Commission reported a liability of \$843,234 for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2018. 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 \$22,686. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Commission's proportionate share was .0152% which was a decrease of .0008% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Commission recognized pension expense of \$57,095 for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$5,290 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the Commission reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 22,319	\$ 24,593
Changes in Actuarial Assumptions	80,550	94,746
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	86,165
Changes in Proportion	4,953	56,507
Commission Contributions Subsequent to the Measurement Date	41,661	-
Total	<u>\$ 149,483</u>	<u>\$ 262,011</u>

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

\$41,661 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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expenses Amount</u>
2019	\$ 11,815
2020	(67,738)
2021	(80,667)
2022	(17,599)

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for 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 and then 1.25% thereafter.

Actuarial assumptions used in the June 30, 2018 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 2018:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36 %	5.1 %
International Stocks	17	5.3
Bonds	25	0.8
Alternative Assets	20	5.9
Cash	2	-
Totals	<u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

Measurement Date	1% Decrease	Current Discount Rate	1% Increase
June 30, 2018			
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
Commission's Proportionate Share of the GERF Net Pension Liability	\$ 1,370,363	\$ 843,234	\$ 408,104

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Other Postemployment Benefits

Plan Description

The Commission operates a single-employer postemployment defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the Commission's health insurance plan. The plan covers active and retired employees who have reached 20 years of service and are under the age of 62 or 15 years of service and are age 63. There are 13 active participants and 1 retired participant. Benefit and eligibility provisions are established through the Commission's Personnel Policy. The Commission has the authority to change the Personnel Policy at any time. The plan does not issue a publicly available financial report.

Funding Policy

The Commission does not have assets designated to pay for OPEB related costs. Contribution requirements are set by the Commission. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. Payments for these benefits are on a pay-as-you-go method under which the contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. For the year ended December 31, 2018, there was one retiree and \$2,431 of contributions to the plan.

Actuarial Methods and Assumptions

The Commission's OPEB liability was measured as of December 31, 2017, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2017.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	3.00%
Health Care Trend Rates	6.8% Decreasing to 5.20% Over 5 Years

Mortality rates were based on the RP-2014 with projected mortality improvements based on scale MP-2017, and other adjustments.

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used in December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2017.

The discount rate used to measure the total OPEB liability was 3.31%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 45 valuation, the following changes have been made:

- Retiree premiums were updated to current levels.

Changes in the Net OPEB Liability:

	Total OPEB Liability
Balances at December 31, 2017, as Restated	\$ 320,730
Changes for the Year:	
Service Cost	11,159
Interest	12,599
Assumption Changes	7,651
Benefit Payments	(2,431)
Net Change in Total OPEB Liability	28,978
Balances at December 31, 2018	\$ 349,708

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Decrease (4.31%)
Net OPEB Liability	\$ 365,347	\$ 349,708	\$ 334,528

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.80% decreasing to 4.2% over 5 years) or 1% higher (7.80% decreasing to 2.20% over 5 years) than the current healthcare cost trend rates:

	1% Decrease (5.8% Decreasing to 4.2%)	Current Trend Rates (6.8% Decreasing to 5.2%)	1% Decrease (7.8% Decreasing to 6.2%)
<u>Medical Trend Rate</u>			
Net OPEB Liability	\$ 330,072	\$ 349,708	\$ 371,188

**CITY OF GLENCOE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 22 DISCRETELY PRESENTED COMPONENT UNIT DISCLOSURES (CONTINUED)

Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

For the year ended December 31, 2018, the Commission recognized OPEB expense of \$31,409. At December 31, 2018, the Commission reported no deferred inflows of resources, and \$11,473 in deferred inflows of resources resulting from Commission contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Original Budget	Final Budget	2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
REVENUES					
Taxes -					
General Property Taxes	\$ 1,577,000	\$ 1,577,000	\$ 1,573,936	\$ (3,064)	\$ 1,499,112
Tax Increments	-	-	5,337	5,337	109,206
Special Assessments	1,502	1,502	23,371	21,869	4,631
Franchise Taxes	12,000	12,000	12,411	411	12,774
Total Taxes	<u>1,590,502</u>	<u>1,590,502</u>	<u>1,615,055</u>	<u>24,553</u>	<u>1,625,723</u>
Licenses and Permits	45,000	45,000	114,269	69,269	146,136
Intergovernmental -					
Local Government Aid	1,404,201	1,404,201	1,412,185	7,984	1,348,421
Market Value Credit Aid	-	-	29	29	20
PERA Rate Increase Aid	4,500	4,500	4,491	(9)	4,491
Police State Aid	65,000	65,000	66,701	1,701	66,479
Fire State Aid	45,000	45,000	46,282	1,282	45,695
Miscellaneous State Aid	6,500	6,500	7,352	852	17,462
Miscellaneous Federal Aid	-	-	12,828	12,828	12,056
Total Intergovernmental	<u>1,525,201</u>	<u>1,525,201</u>	<u>1,549,868</u>	<u>24,667</u>	<u>1,494,624</u>
Charges for Services -					
Special Services, Police	5,000	5,000	63	(4,937)	252
Special Services, Fire	40,000	40,000	34,268	(5,732)	31,799
Miscellaneous Charges	63,700	63,700	379,545	315,845	124,383
Total Charges for Services	<u>108,700</u>	<u>108,700</u>	<u>413,876</u>	<u>305,176</u>	<u>156,434</u>
Fines and Forfeits	30,000	30,000	31,315	1,315	31,562
Interest	1,850	1,850	3,600	1,750	3,236
Contributions and Donations	20,000	20,000	41,824	21,824	64,050
Payments in Lieu of Taxes	92,500	92,500	92,500	-	90,000
Miscellaneous -					
Park Fees	12,000	12,000	20,190	8,190	15,030
Reimbursements, Refunds and Miscellaneous	52,000	52,000	102,528	50,528	117,778
Total Miscellaneous	<u>64,000</u>	<u>64,000</u>	<u>122,718</u>	<u>58,718</u>	<u>132,808</u>
Total Revenues	<u>3,477,753</u>	<u>3,477,753</u>	<u>3,985,025</u>	<u>507,272</u>	<u>3,744,573</u>

See the accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Original Budget	Final Budget	2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
EXPENDITURES					
General Government -					
Administration:					
Salaries	\$ 206,781	\$ 206,781	\$ 205,245	\$ 1,536	\$ 200,008
Employee Benefits	75,283	75,283	80,059	(4,776)	72,276
Payroll Taxes	12,821	12,821	11,843	978	11,650
Workers' Compensation	2,000	2,000	2,221	(221)	1,997
Office Supplies	6,500	6,500	4,823	1,677	5,037
Printing and Binding	7,000	7,000	5,116	1,884	4,769
Repairs and Maintenance	14,500	14,500	10,174	4,326	1,784
Professional Services	55,000	55,000	70,493	(15,493)	78,639
Auditing and Accounting	42,000	42,000	35,350	6,650	32,650
Legal Fees	20,000	20,000	38,009	(18,009)	17,035
Chamber	6,000	6,000	5,981	19	5,994
Computer Software	1,000	1,000	-	1,000	-
Telephone	6,000	6,000	4,643	1,357	5,032
Postage	4,000	4,000	2,870	1,130	3,148
Advertising	3,500	3,500	3,507	(7)	4,217
Travel	2,500	2,500	1,008	1,492	1,855
Training	2,000	2,000	368	1,632	538
Insurance	28,000	28,000	28,387	(387)	24,660
Utilities	69,000	69,000	65,147	3,853	66,950
Subscriptions	600	600	462	138	715
Continuing Education and Dues	1,500	1,500	1,519	(19)	1,177
League of Minnesota Cities	17,000	17,000	17,243	(243)	17,024
Capital Lease Principal	55,599	55,599	55,599	-	53,241
Capital Lease Interest	8,404	8,404	8,403	1	10,761
Capital Outlay	4,000	4,000	4,255	(255)	4,843
Miscellaneous	1,600	1,600	536	1,064	668
Total Administration	<u>652,588</u>	<u>652,588</u>	<u>663,261</u>	<u>(10,673)</u>	<u>626,668</u>
Finance:					
Salaries	134,348	134,348	137,161	(2,813)	133,581
Employee Benefits	60,026	60,026	55,031	4,995	52,187
Payroll Taxes	8,330	8,330	7,798	532	7,678
Office Supplies	2,000	2,000	1,686	314	1,656
Printing and Binding	500	500	338	162	557
Repairs and Maintenance	500	500	228	272	-
Computer Software	6,500	6,500	4,391	2,109	4,182
Postage	-	-	18	(18)	7
Travel	500	500	29	471	-
Continuing Education and Dues	200	200	-	200	-
Capital Outlay	1,000	1,000	-	1,000	-
Training	500	500	250	250	-
Miscellaneous	400	400	374	26	200
Total Finance	<u>214,804</u>	<u>214,804</u>	<u>207,304</u>	<u>7,500</u>	<u>200,048</u>

See the accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Original Budget	Final Budget	2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
EXPENDITURES - (Cont'd.)					
General Government - (Cont'd.)					
City Council:					
Salaries	\$ 29,700	\$ 29,700	\$ 29,700	\$ -	\$ 30,100
Employee Benefits	1,485	1,485	1,485	-	1,507
Payroll Taxes	431	431	431	-	436
Workers' Compensation	-	-	69	(69)	63
Office Supplies	500	500	4	496	171
Travel	1,500	1,500	1,094	406	1,665
Training	3,000	3,000	3,417	(417)	1,385
Capital Outlay	-	-	1,863	(1,863)	8,338
Miscellaneous	16,650	16,650	14,668	1,982	4,178
Total City Council	<u>53,766</u>	<u>53,766</u>	<u>52,822</u>	<u>944</u>	<u>47,873</u>
Total General Government	921,158	921,158	923,387	(2,229)	874,589
Public Safety -					
Police Department:					
Salaries	639,464	639,464	602,975	36,489	670,884
Employee Benefits	273,749	273,749	260,043	13,706	269,641
Payroll Taxes	5,842	5,842	4,071	1,771	6,340
Unemployment Insurance	-	-	-	-	14
Workers' Compensation	25,000	25,000	28,390	(3,390)	25,519
Supplies	9,700	9,700	9,882	(182)	9,306
Motor Fuels	21,000	21,000	20,645	355	18,853
Repairs and Maintenance	34,800	34,800	30,042	4,758	31,544
Training	11,000	11,000	12,467	(1,467)	12,121
Continuing Education and Dues	750	750	705	45	618
Investigation	3,000	3,000	1,868	1,132	1,864
Vaccinations	500	500	-	500	-
Telephone	7,500	7,500	9,010	(1,510)	8,532
Insurance	16,000	16,000	19,576	(3,576)	15,065
Legal Fees	27,000	27,000	64,107	(37,107)	40,827
Uniforms	6,500	6,500	10,173	(3,673)	5,437
Animal Control	2,500	2,500	1,978	522	1,325
Operating Leases	42,000	42,000	39,077	2,923	35,329
Capital Outlay	9,000	9,000	25,135	(16,135)	15,368
Utilities	15,000	15,000	13,106	1,894	14,170
Miscellaneous	3,100	3,100	7,238	(4,138)	6,703
Total Police Department	<u>1,153,405</u>	<u>1,153,405</u>	<u>1,160,488</u>	<u>(7,083)</u>	<u>1,189,460</u>

See the accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Original Budget	Final Budget	2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
EXPENDITURES - (Cont'd.)					
Public Safety - (Cont'd.)					
Fire Department:					
Salaries	\$ 22,200	\$ 22,200	\$ 21,950	\$ 250	\$ 21,291
Employee Benefits	1,260	1,260	1,155	105	1,192
State Fire Aid	47,000	47,000	46,282	718	45,695
Municipal Fire Aid Contribution	25,500	25,500	29,192	(3,692)	25,500
Payroll Taxes	1,699	1,699	1,784	(85)	1,629
Workers' Compensation	10,000	10,000	14,924	(4,924)	13,404
Office Supplies	3,000	3,000	6,332	(3,332)	5,681
Motor Fuels	7,000	7,000	4,667	2,333	4,275
Repairs and Maintenance	29,000	29,000	21,704	7,296	12,361
Training	10,500	10,500	6,406	4,094	6,367
Telephone	2,000	2,000	954	1,046	1,013
Travel	800	800	1,115	(315)	678
Advertising	1,300	1,300	1,159	141	1,388
Insurance	7,000	7,000	4,157	2,843	6,204
Utilities	7,000	7,000	6,797	203	6,651
Continuing Education and Dues	4,000	4,000	3,520	480	5,138
Capital Lease Principal	50,091	50,091	49,877	214	49,185
Capital Lease Interest	1,524	1,524	1,545	(21)	3,028
Capital Outlay	17,500	30,600	448,209	(417,609)	25,363
Miscellaneous	5,500	5,500	7,667	(2,167)	14,372
Total Fire Department	<u>253,874</u>	<u>266,974</u>	<u>679,396</u>	<u>(412,422)</u>	<u>250,415</u>
Code Enforcement:					
Office Supplies	750	750	174	576	577
Building Inspector	35,000	35,000	105,181	(70,181)	139,198
Total Code Enforcement	<u>35,750</u>	<u>35,750</u>	<u>105,355</u>	<u>(69,605)</u>	<u>139,775</u>
Total Public Safety	1,443,029	1,456,129	1,945,239	(489,110)	1,579,650
Streets and Highways -					
Salaries	219,802	219,802	209,522	10,280	186,631
Employee Benefits	74,174	74,174	66,267	7,907	58,940
Payroll Taxes	13,628	13,628	12,315	1,313	10,974
Workers' Compensation	15,000	15,000	19,218	(4,218)	17,305
Supplies	1,500	1,500	2,158	(658)	2,395
Motor Fuels	25,000	25,000	30,932	(5,932)	21,998
Repairs and Maintenance	67,400	67,400	49,172	18,228	82,748
Professional Services	1,800	1,800	1,008	792	1,523
Street Maintenance	20,000	20,000	40,323	(20,323)	13,835
Landscaping	2,000	2,000	100	1,900	609
Telephone	1,300	1,300	2,059	(759)	1,340

See the accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Original Budget	Final Budget	2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
EXPENDITURES - (Cont'd.)					
Streets and Highways - (Cont'd.)					
Mosquito Control	\$ 9,500	\$ 9,500	\$ 9,489	\$ 11	\$ 8,876
Insurance	10,000	10,000	7,456	2,544	9,737
Utilities	11,000	11,000	8,002	2,998	7,530
Capital Lease Principal	66,557	66,557	48,001	18,556	49,879
Capital Lease Interest	7,575	7,575	3,554	4,021	3,412
Maintenance Facility Principal	60,000	60,000	60,000	-	60,000
Maintenance Facility Interest	3,705	3,705	3,705	-	5,085
Capital Outlay	56,000	56,000	552,026	(496,026)	112,907
Miscellaneous	50,400	50,400	19,699	30,701	10,284
Total Street and Highways	<u>716,341</u>	<u>716,341</u>	<u>1,145,006</u>	<u>(428,665)</u>	<u>666,008</u>
Cemetery					
Current Expenditures	23,839	23,839	22,169	1,670	22,437
Capital Lease Principal	-	-	-	-	1,167
Total Cemetery	<u>23,839</u>	<u>23,839</u>	<u>22,169</u>	<u>1,670</u>	<u>23,604</u>
Culture and Recreation -					
Parks and Recreation:					
Salaries	227,802	227,802	243,825	(16,023)	233,626
Employee Benefits	74,290	74,290	69,551	4,739	71,517
Payroll Taxes	14,124	14,124	14,277	(153)	13,583
Workers' Compensation	8,600	8,600	14,323	(5,723)	9,809
Supplies	10,000	10,000	12,962	(2,962)	16,220
Motor Fuels	11,000	11,000	10,202	798	8,576
Repairs and Maintenance	22,200	22,200	13,881	8,319	21,481
Telephone	1,700	1,700	2,142	(442)	2,151
Insurance	18,000	18,000	19,815	(1,815)	17,835
Utilities	8,000	8,000	7,580	420	6,461
Capital Lease Principal	8,951	8,951	8,952	(1)	19,694
Capital Lease Interest	532	532	532	-	1,652
Capital Outlay	128,500	128,500	161,169	(32,669)	28,729
Miscellaneous	8,000	8,000	6,770	1,230	8,999
Total Park and Recreation	<u>541,699</u>	<u>541,699</u>	<u>585,981</u>	<u>(44,282)</u>	<u>460,333</u>
Library and Community Center:					
Supplies	3,000	3,000	2,548	452	3,045
Repairs and Maintenance	4,500	4,500	7,982	(3,482)	1,933
Management Fees	87,000	87,000	87,000	-	84,000
Janitorial	-	-	-	-	10
Telephone	800	800	740	60	761
Insurance	1,700	1,700	1,841	(141)	1,912
Utilities	18,000	18,000	18,425	(425)	17,198
Capital Outlay	5,000	5,000	2,339	2,661	1,750
Total Library and Community Center	<u>120,000</u>	<u>120,000</u>	<u>120,875</u>	<u>(875)</u>	<u>110,609</u>
Total Culture and Recreation	<u>661,699</u>	<u>661,699</u>	<u>706,856</u>	<u>(45,157)</u>	<u>570,942</u>

See the accompanying Notes to the Required Supplementary Information.

**CITY OF GLENCOE, MINNESOTA
GENERAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Original Budget	Final Budget	2018 Actual	Variance with Final Budget Positive (Negative)	2017 Actual
EXPENDITURES - (Cont'd.)					
Economic Development	\$ 10,000	\$ 10,000	\$ 26,586	\$ (16,586)	\$ 15,837
Miscellaneous -					
Sales Tax	2,000	2,000	4,106	(2,106)	3,564
State Surcharge	6,500	6,500	5,836	664	4,501
Vehicle Towing	3,500	3,500	5,540	(2,040)	3,859
Refunds and Reimbursements	21,000	21,000	130,182	(109,182)	211,642
Capital Lease Principal	5,212	5,212	6,388	(1,176)	-
Capital Lease Interest	1,595	1,595	1,594	1	65
Other	-	-	17,695	(17,695)	16,817
Total Miscellaneous	<u>39,807</u>	<u>39,807</u>	<u>171,341</u>	<u>(131,534)</u>	<u>240,448</u>
Total Expenditures	<u>3,815,873</u>	<u>3,828,973</u>	<u>4,940,584</u>	<u>(1,111,611)</u>	<u>3,971,078</u>
Deficiency of Revenues Under Expenditures	(338,120)	(351,220)	(955,559)	(604,339)	(226,505)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	250,000	250,000	425,256	175,256	271,515
Operating Transfers Out	(10,000)	(10,000)	(108,950)	(98,950)	(117,059)
Lease Proceeds	-	-	401,343	401,343	70,169
Proceeds from the Sale of Capital Assets	2,500	2,500	375	(2,125)	1,479
Insurance Proceeds	10,000	10,000	10,900	900	1,346
Total Other Financing Sources (Uses)	<u>252,500</u>	<u>252,500</u>	<u>829,464</u>	<u>576,964</u>	<u>227,450</u>
Net Change in Fund Balances	(85,620)	(98,720)	(126,095)	(27,375)	945
Fund Balances - Beginning of Year	<u>2,503,752</u>	<u>2,503,752</u>	<u>2,503,752</u>	<u>-</u>	<u>2,502,807</u>
Fund Balances - End of Year	<u>\$ 2,418,132</u>	<u>\$ 2,405,032</u>	<u>\$ 2,377,657</u>	<u>\$ (27,375)</u>	<u>\$ 2,503,752</u>

See the accompanying Notes to the Required Supplementary Information.

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
DECEMBER 31, 2018

	Measurement Date December 31 2017
Total OPEB Liability	
Service Cost	\$ 5,237
Interest	8,956
Assumption Changes	4,369
Benefit Payments	<u>(27,792)</u>
Net Change in Total OPEB Liability	<u>(9,230)</u>
Total OPEB Liability - Beginning	243,735
Net OPEB Liability - Ending	<u><u>\$ 234,505</u></u>
Covered Payroll	\$ 2,233,168
City's Net OPEB Liability as a Percentage of Covered Payroll	10.5%

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

No assets are accumulated in a trust.

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

	Measurement Date December 31, 2017	Measurement Date December 31, 2016	Measurement Date December 31, 2015	Measurement Date December 31, 2014
<u>Total Pension Liability</u>				
Service Cost	\$ 37,968	\$ 45,629	\$ 35,804	\$ 31,824
Interest	60,831	60,464	62,332	54,683
Differences Between Expected and Actual Experience	-	(43,098)	-	-
Changes in Assumptions	14,376	(23,628)	24,334	-
Changes in Benefit Terms	79,790	-	51,986	49,874
Benefit Payments, Including Member Contribution Refunds	(139,848)	(154,952)	(28,404)	(16,980)
Net Change in Total Pension Liability	53,117	(115,585)	146,052	119,401
Total Pension Liability - Beginning of Year	967,812	1,083,397	937,345	817,944
Total Pension Liability - End of Year (a)	1,020,929	967,812	1,083,397	937,345
<u>Plan Fiduciary Net Position</u>				
Municipal Contributions	25,500	68,795	68,795	68,774
State Contributions	45,695	46,437	43,134	40,108
Net Investment Income	140,849	81,653	(11,916)	72,568
Miscellaneous	-	-	25	-
Transfer from General Fund	30,000	-	-	-
Benefit Payments	(139,848)	(154,952)	(28,404)	(16,980)
Administrative Expenses	(17,305)	(12,535)	(14,116)	(8,658)
Net Change in Fiduciary Net Position	84,891	29,398	57,518	155,812
Fiduciary Net Position - Beginning of Year	1,212,247	1,182,849	1,125,331	969,519
Fiduciary Net Position - End of Year (b)	1,297,138	1,212,247	1,182,849	1,125,331
Association's Net Pension Liability/(Asset) - End of Year (a) - (b)	\$ (276,209)	\$ (244,435)	\$ (99,452)	\$ (187,986)
Fiduciary Net Position as a Percentage of the Total Pension Asset	127.05%	125.26%	109.18%	120.06%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered 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
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Calendar Year	2018	2017	2016	2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
PERA - General Employees Retirement Plan - City				
City's Proportion of the Net Pension Liability	0.0221%	0.0220%	0.0213%	0.0218%
City's Proportionate Share of the Net Pension Liability	\$ 1,226,018	\$ 1,404,465	\$ 1,729,454	\$ 1,129,789
State's Proportionate Share of the Net Pension Liability	<u>40,172</u>	<u>17,628</u>	<u>22,610</u>	<u>-</u>
Total City's Proportionate Share of the Net Pension Liability	\$ 1,266,190	\$ 1,422,093	\$ 1,752,064	\$ 1,129,789
City's Covered Payroll	\$ 1,483,355	\$ 1,414,709	\$ 1,323,518	\$ 1,276,439
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.65%	99.28%	130.67%	88.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50%	75.90%	68.90%	78.20%
PERA - Public Employees Police and Fire Plan - City				
City's Proportion of the Net Pension Liability	0.0496%	0.0510%	0.0530%	0.0540%
City's Proportionate Share of the Net Pension Liability	\$ 528,685	\$ 688,561	\$ 2,126,982	\$ 613,566
City's Covered Payroll	\$ 523,215	\$ 522,873	\$ 514,958	\$ 482,740
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	101.05%	131.69%	413.04%	127.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.80%	85.40%	63.90%	86.60%

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

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

	2018	2017	2016	2015	2014
PERA - General Employees Retirement Plan - City					
Contractually Required Contribution	\$ 114,378	\$ 110,431	\$ 104,130	\$ 99,983	\$ 92,542
Contributions in Relation to the Contractually Required Contribution	<u>(114,378)</u>	<u>(110,431)</u>	<u>(104,130)</u>	<u>(99,983)</u>	<u>(92,542)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 1,525,035	\$ 1,472,414	\$ 1,388,399	\$ 1,333,108	\$ 1,276,439
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.25%
PERA - Public Employees Police and Fire Plan - City					
Contractually Required Contribution	\$ 84,873	\$ 86,985	\$ 84,340	\$ 81,649	\$ 73,859
Contributions in Relation to the Contractually Required Contribution	<u>(84,873)</u>	<u>(86,985)</u>	<u>(84,340)</u>	<u>(81,649)</u>	<u>(73,859)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 523,907	\$ 536,943	\$ 520,616	\$ 504,004	\$ 482,740
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	16.20%	15.30%
Fire Relief Association					
Statutorily Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ 54,094
Contributions in Relation to the Statutorily Required Contribution	<u>(29,192)</u>	<u>(25,500)</u>	<u>(68,795)</u>	<u>(68,795)</u>	<u>(68,774)</u>
Contribution Deficiency (Excess)	<u>\$ (29,192)</u>	<u>\$ (25,500)</u>	<u>\$ (68,795)</u>	<u>\$ (68,795)</u>	<u>\$ (14,680)</u>
City's Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

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

**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, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
Commission's Proportion of the Net Pension Liability	0.0152%	0.0160%	0.0167%	0.0160%
Commission's Proportionate Share of the Net Pension Liability	\$ 843,234	\$ 1,021,429	\$ 1,355,957	\$ 844,751
State's Proportionate Share of the Net Pension Liability	22,686	12,829	-	-
Total Commission's Proportionate Share of the Net Pension Liability	<u>\$ 865,920</u>	<u>\$ 1,034,258</u>	<u>\$ 1,355,957</u>	<u>\$ 844,751</u>
Commission's Covered Payroll	\$ 1,021,184	\$ 1,029,614	\$ 1,039,261	\$ 960,028
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.57%	99.21%	130.47%	87.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.53%	75.90%	68.91%	78.20%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA					
Contractually Required Contribution	\$ 81,158	\$ 76,083	\$ 76,316	\$ 70,549	\$ 67,852
Contributions in Relation to the Contractually Required Contribution	(81,158)	(76,083)	(76,316)	(70,549)	(67,852)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's Covered Payroll	\$ 1,082,107	\$ 1,014,440	\$ 1,017,546	\$ 940,653	\$ 947,462
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.16%

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.

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

	Measurement Date December 31 2018
Total OPEB Liability	
Service Cost	\$ 11,159
Interest	12,599
Assumption Changes	7,651
Benefit Payments	<u>(2,431)</u>
Net Change in Total OPEB Liability	28,978
Total OPEB Liability - Beginning	<u>320,730</u>
Net OPEB Liability - Ending	<u><u>\$ 349,708</u></u>
Covered-Payroll	\$ 1,034,595
District's Net OPEB Liability as a Percentage of Covered-Payroll	34%

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

No assets are accumulated in a trust.

**CITY OF GLENCOE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

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 2018.

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,828,973	\$ 4,940,584

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

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

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

A. General Employees Fund

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

CITY OF GLENCOE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

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

A. General Employees Fund (Continued)

2017

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

2016

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

B. Police and Fire Fund

2018

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

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

**CITY OF GLENCOE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

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

B. Police and Fire Fund (Continued)

2017 (Continued)

- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% percent per annum.

2016

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

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COMBINING FUND STATEMENTS

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

	Other Governmental Funds		
	2018		
	Special Revenue	Debt Service	Capital Projects
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 13,655	\$ 713,357	\$ 413,122
Accounts Receivable	7,748	-	54,410
Interest Receivable	-	-	45
Note Receivable	-	-	6,223
Taxes Receivable:			
Current	-	2,324	231
Delinquent	-	5,528	1,880
Special Assessments Receivable:			
Noncurrent	-	155,994	-
Land Held for Resale	-	-	354,320
	<u>\$ 21,403</u>	<u>\$ 877,203</u>	<u>\$ 830,231</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 203	\$ 1,000	\$ 56,174
Retainages Payable	-	-	11,816
Due to Other Funds	-	65,912	23,071
Total Liabilities	<u>203</u>	<u>66,912</u>	<u>91,061</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	161,522	1,880
FUND BALANCES			
Nonspendable	-	-	360,543
Restricted for:			
Debt Service	-	713,176	-
Capital Projects	-	-	376,747
Committed for:			
Aquatic Center	1,999	-	-
Cable TV	19,201	-	-
Unassigned	-	(64,407)	-
Total Fund Balances	<u>21,200</u>	<u>648,769</u>	<u>737,290</u>
	<u>\$ 21,403</u>	<u>\$ 877,203</u>	<u>\$ 830,231</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,403</u>	<u>\$ 877,203</u>	<u>\$ 830,231</u>

Other Governmental Funds	
2018	2017
Total Other Governmental Funds	Total Other Governmental Funds
\$ 1,140,134	\$ 1,401,957
62,158	46,843
45	48
6,223	9,221
2,555	3,339
7,408	6,432
155,994	167,695
<u>354,320</u>	<u>354,320</u>
<u>\$ 1,728,837</u>	<u>\$ 1,989,855</u>
\$ 57,377	\$ 60,737
11,816	218,755
88,983	61,108
<u>158,176</u>	<u>340,600</u>
<u>163,402</u>	<u>174,127</u>
360,543	363,541
713,176	277,957
376,747	861,524
1,999	1,475
19,201	30,422
(64,407)	(59,791)
<u>1,407,259</u>	<u>1,475,128</u>
<u>\$ 1,728,837</u>	<u>\$ 1,989,855</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018**

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

	Other Governmental Funds		
	2018		
	Special Revenue	Debt Service	Capital Projects
REVENUES			
Taxes	\$ 4,382	\$ 383,042	\$ -
Tax Increments	-	-	258,663
Intergovernmental	-	-	73,874
Charges for Services	66,083	-	-
Assessments	-	28,338	-
Interest Income	41	(4)	2,215
Franchise Taxes	30,923	-	-
Miscellaneous	3,395	-	16,444
Total Revenues	<u>104,824</u>	<u>411,376</u>	<u>351,196</u>
EXPENDITURES			
Current:			
General Government	-	1,000	-
Highways and Streets	-	-	71,881
Culture-Recreation	138,108	-	-
Economic Development	-	-	88,928
Capital Outlay:			
Highways and Streets	-	-	291,281
Culture-Recreation	1,413	-	-
Economic Development	-	-	338,873
Debt Service:			
Principal	-	605,000	-
Interest	-	84,588	-
Fiscal Charges	-	1,732	11,000
Total Expenditures	<u>139,521</u>	<u>692,320</u>	<u>801,963</u>
Deficiency of Revenues Under Expenditures	(34,697)	(280,944)	(450,767)
OTHER FINANCING SOURCES (USES)			
Transfers In	64,000	520,854	5,850
Transfers Out	(40,000)	(2,279)	(479,474)
Bond Proceeds	-	192,972	436,616
Bond Premium	-	-	-
Total Other Financing Sources (Uses)	<u>24,000</u>	<u>711,547</u>	<u>(37,008)</u>
Net Change in Fund Balances	(10,697)	430,603	(487,775)
Fund Balances - Beginning of Year	<u>31,897</u>	<u>218,166</u>	<u>1,225,065</u>
Fund Balances - End of Year	<u>\$ 21,200</u>	<u>\$ 648,769</u>	<u>\$ 737,290</u>

Other Governmental Funds		Other Governmental Funds	
2018	2017	2018	2017
Total	Total	Total	Total
Other	Other	Other	Other
Governmental	Governmental	Governmental	Governmental
Funds	Funds	Funds	Funds
\$ 387,424	\$ 460,380		
258,663	245,251		
73,874	45,694		
66,083	75,971		
28,338	20,605		
2,252	3,819		
30,923	30,555		
19,839	29,187		
<u>867,396</u>	<u>911,462</u>		
1,000	-		
71,881	761,773		
138,108	149,605		
88,928	106,598		
291,281	4,069,641		
1,413	18,075		
338,873	-		
605,000	695,000		
84,588	103,180		
12,732	114,791		
<u>1,633,804</u>	<u>6,018,663</u>		
(766,408)	(5,107,201)		
590,704	279,000		
(521,753)	(260,800)		
629,588	4,934,901		
-	111,473		
<u>698,539</u>	<u>5,064,574</u>		
(67,869)	(42,627)		
<u>1,475,128</u>	<u>1,517,755</u>		
<u>\$ 1,407,259</u>	<u>\$ 1,475,128</u>		

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

		Special Revenue Funds	
		2018	
		Aquatic Center	Cable TV
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 2,014	\$ 11,641
Accounts Receivable		88	7,660
Total Assets		\$ 2,102	\$ 19,301
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable		\$ 103	\$ 100
Total Liabilities		103	100
FUND BALANCES			
Committed		1,999	19,201
Total Fund Balances		1,999	19,201
Total Liabilities and Fund Balances		\$ 2,102	\$ 19,301

Special Revenue Funds	
2018	2017
Total Special Revenue	Total Special Revenue
\$ 13,655	\$ 27,651
<u>7,748</u>	<u>7,666</u>
<u>\$ 21,403</u>	<u>\$ 35,317</u>
\$ 203	\$ 3,420
<u>203</u>	<u>3,420</u>
21,200	31,897
<u>21,200</u>	<u>31,897</u>
<u>\$ 21,403</u>	<u>\$ 35,317</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, 2018**

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

	Special Revenue Funds	
	2018	
	Aquatic Center	Cable TV
REVENUES		
Taxes	\$ 4,382	\$ -
Charges for Services	66,083	-
Interest Income	(52)	93
Franchise Fees	-	30,923
Miscellaneous	2,971	424
Total Revenues	<u>73,384</u>	<u>31,440</u>
EXPENDITURES		
Current:		
Culture-Recreation	136,860	1,248
Capital Outlay:		
Culture-Recreation	-	1,413
Total Expenditures	<u>136,860</u>	<u>2,661</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(63,476)	28,779
OTHER FINANCING SOURCES (USES)		
Transfers In	64,000	-
Transfers Out	-	(40,000)
Total Other Financing Sources (Uses)	<u>64,000</u>	<u>(40,000)</u>
Net Change in Fund Balances	524	(11,221)
Fund Balances - Beginning of Year	<u>1,475</u>	<u>30,422</u>
Fund Balances - End of Year	<u>\$ 1,999</u>	<u>\$ 19,201</u>

Special Revenue Funds	
2017	
Total Special Revenue	Total Special Revenue
\$ 4,382	\$ 5,054
66,083	75,971
41	45
30,923	30,555
3,395	5,259
<u>104,824</u>	<u>116,884</u>
138,108	149,605
1,413	18,075
<u>139,521</u>	<u>167,680</u>
(34,697)	(50,796)
64,000	62,000
<u>(40,000)</u>	<u>(20,000)</u>
24,000	42,000
(10,697)	(8,796)
31,897	40,693
<u>\$ 21,200</u>	<u>\$ 31,897</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

	Debt Service Funds			
	2018			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 309,857	\$ -	\$ -	\$ 396
Taxes Receivable				
Current	12	-	502	-
Delinquent	-	-	1,200	-
Special Assessments Receivable				
Noncurrent	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 309,869</u>	<u>\$ -</u>	<u>\$ 1,702</u>	<u>\$ 396</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	498	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>498</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>-</u>
FUND BALANCES				
Restricted	309,869	-	4	396
Unassigned	-	-	-	-
Total Fund Balances	<u>309,869</u>	<u>-</u>	<u>4</u>	<u>396</u>
	<u>\$ 309,869</u>	<u>\$ -</u>	<u>\$ 1,702</u>	<u>\$ 396</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 309,869</u>	<u>\$ -</u>	<u>\$ 1,702</u>	<u>\$ 396</u>

Debt Service Funds

2018					
County State Aid Hwy #3 Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond	2018 Tax Increment Bond
\$ -	\$ 924	\$ -	\$ 56	\$ 208,921	\$ 16,388
358	-	675	-	777	-
857	-	1,614	-	1,857	-
586	-	-	-	155,408	-
<u>\$ 1,801</u>	<u>\$ 924</u>	<u>\$ 2,289</u>	<u>\$ 56</u>	<u>\$ 366,963</u>	<u>\$ 16,388</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64,765	-	649	-	-	-
64,765	-	649	-	-	-
1,443	-	1,614	-	157,265	-
-	924	26	56	209,698	16,388
(64,407)	-	-	-	-	-
(64,407)	924	26	56	209,698	16,388
<u>\$ 1,801</u>	<u>\$ 924</u>	<u>\$ 2,289</u>	<u>\$ 56</u>	<u>\$ 366,963</u>	<u>\$ 16,388</u>

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**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – DEBT SERVICE FUNDS (CONTINUED)
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

	Debt Service Funds		
	2018		2017
	2018 Storm Water Improvement	Total Debt Service	Total Debt Service
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 176,815	\$ 713,357	\$ 275,935
Taxes Receivable			
Current	-	2,324	3,339
Delinquent	-	5,528	6,306
Special Assessments Receivable			
Noncurrent	-	155,994	167,695
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 176,815</u>	<u>\$ 877,203</u>	<u>\$ 453,275</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,000	\$ 1,000	\$ -
Due to Other Funds	-	65,912	61,108
Total Liabilities	<u>1,000</u>	<u>66,912</u>	<u>61,108</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	161,522	174,001
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Restricted	175,815	713,176	277,957
Unassigned	-	(64,407)	(59,791)
Total Fund Balances	<u>175,815</u>	<u>648,769</u>	<u>218,166</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 176,815</u>	<u>\$ 877,203</u>	<u>\$ 453,275</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, 2018**

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

	Debt Service Funds			
	2018			
	City Sinking	1997 McLeod/N.C. Pond Bond	1999 Swimming Pool Bond	2003 Tax Increment Bond
REVENUES				
Taxes	\$ (1,167)	\$ (271)	\$ 83,410	\$ -
Assessments	-	-	-	-
Interest Income	-	1	23	(63)
Total Revenues	<u>(1,167)</u>	<u>(270)</u>	<u>83,433</u>	<u>(63)</u>
EXPENDITURES				
Debt Service:				
Principal	-	-	75,000	30,000
Interest	-	-	6,200	893
Fiscal Charges	-	-	495	124
Total Expenditures	<u>-</u>	<u>-</u>	<u>81,695</u>	<u>31,017</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(1,167)	(270)	1,738	(31,080)
OTHER FINANCING SOURCES (USES)				
Transfers In	312,554	-	900	30,000
Transfers Out	(2,200)	(79)	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>310,354</u>	<u>(79)</u>	<u>900</u>	<u>30,000</u>
Net Change in Fund Balances	309,187	(349)	2,638	(1,080)
Fund Balances - Beginning of Year	<u>682</u>	<u>349</u>	<u>(2,634)</u>	<u>1,476</u>
Fund Balances - End of Year	<u>\$ 309,869</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 396</u>

Debt Service Funds

2018					
County State Aid Hwy #3 Bond	2007 Tax Increment Bond	2008 11th Street Morningside	2014 Tax Increment Bond	2014 Street Improvement Bond	2018 Tax Increment Bond
\$ 59,490	\$ -	\$ 112,009	\$ -	\$ 129,571	\$ -
-	-	-	-	28,338	-
(114)	(287)	(51)	(20)	276	4
<u>59,376</u>	<u>(287)</u>	<u>111,958</u>	<u>(20)</u>	<u>158,185</u>	<u>4</u>
65,000	125,000	105,000	25,000	180,000	-
1,626	14,674	15,500	14,090	31,605	-
-	619	494	-	-	-
<u>66,626</u>	<u>140,293</u>	<u>120,994</u>	<u>39,090</u>	<u>211,605</u>	<u>-</u>
(7,250)	(140,580)	(9,036)	(39,110)	(53,420)	4
-	137,000	1,300	39,100	-	-
-	-	-	-	-	-
-	-	-	-	-	16,384
<u>-</u>	<u>137,000</u>	<u>1,300</u>	<u>39,100</u>	<u>-</u>	<u>16,384</u>
(7,250)	(3,580)	(7,736)	(10)	(53,420)	16,388
<u>(57,157)</u>	<u>4,504</u>	<u>7,762</u>	<u>66</u>	<u>263,118</u>	<u>-</u>
<u>\$ (64,407)</u>	<u>\$ 924</u>	<u>\$ 26</u>	<u>\$ 56</u>	<u>\$ 209,698</u>	<u>\$ 16,388</u>

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**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES – DEBT SERVICE FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Debt Service Funds		
	2018		2017
	2018 Storm Water Improvement	Total Debt Service	Total Debt Service
REVENUES			
Taxes	\$ -	\$ 383,042	\$ 455,326
Assessments	-	28,338	20,605
Interest Income	227	(4)	7
Total Revenues	<u>227</u>	<u>411,376</u>	<u>475,938</u>
EXPENDITURES			
Current:			
General Government	1,000	1,000	-
Debt Service:			
Principal	-	605,000	695,000
Interest	-	84,588	103,180
Fiscal Charges	-	1,732	1,981
Total Expenditures	<u>1,000</u>	<u>692,320</u>	<u>800,161</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	(773)	(280,944)	(324,223)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	520,854	217,000
Transfers Out	-	(2,279)	-
Bond Proceeds	<u>176,588</u>	<u>192,972</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>176,588</u>	<u>711,547</u>	<u>217,000</u>
Net Change in Fund Balances	175,815	430,603	(107,223)
Fund Balances - Beginning of Year	<u>-</u>	<u>218,166</u>	<u>325,389</u>
Fund Balances - End of Year	<u>\$ 175,815</u>	<u>\$ 648,769</u>	<u>\$ 218,166</u>

**CITY OF GLENCOE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET – CAPITAL PROJECT FUNDS
DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

	Capital Project Funds			
	2018			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #17- Miller Mfg.
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 116,375	\$ 114	\$ 51,176	\$ 178,124
Accounts Receivable	-	-	-	-
Interest Receivable	-	-	45	-
Note Receivable	-	-	6,223	-
Taxes Receivable				
Current	149	82	-	-
Delinquent	-	1,880	-	-
Land Held for Resale	-	10,000	180,496	-
	<u>-</u>	<u>10,000</u>	<u>180,496</u>	<u>-</u>
Total Assets	<u>\$ 116,524</u>	<u>\$ 12,076</u>	<u>\$ 237,940</u>	<u>\$ 178,124</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 51,176	\$ -
Retainages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>51,176</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	<u>-</u>	<u>1,880</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	10,000	186,719	-
Restricted	116,524	196	45	178,124
Total Fund Balances	<u>116,524</u>	<u>10,196</u>	<u>186,764</u>	<u>178,124</u>
	<u>116,524</u>	<u>10,196</u>	<u>186,764</u>	<u>178,124</u>
Total Liabilities and Fund Balances	<u>\$ 116,524</u>	<u>\$ 12,076</u>	<u>\$ 237,940</u>	<u>\$ 178,124</u>

Capital Project Funds

Capital Project Funds						
2018					2017	
Tax Increment #18- West Industrial Park	Tax Increment #19- Panther Heights	2015 Street Improvement	2016 Street Improvement	2017 Street Improvement	Total Capital Projects	Total Capital Projects
\$ 3,654	\$ 63,679	\$ -	\$ -	\$ -	\$ 413,122	\$ 1,098,371
-	-	-	-	54,410	54,410	39,177
-	-	-	-	-	45	48
-	-	-	-	-	6,223	9,221
-	-	-	-	-	231	-
-	-	-	-	-	1,880	126
163,824	-	-	-	-	354,320	354,320
<u>\$ 167,478</u>	<u>\$ 63,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,410</u>	<u>\$ 830,231</u>	<u>\$ 1,501,263</u>
\$ -	\$ 1,000	\$ -	\$ -	\$ 3,998	\$ 56,174	\$ 57,317
-	11,816	-	-	-	11,816	218,755
-	-	-	-	23,071	23,071	-
-	12,816	-	-	27,069	91,061	276,072
-	-	-	-	-	1,880	126
163,824	-	-	-	-	360,543	363,541
3,654	50,863	-	-	27,341	376,747	861,524
167,478	50,863	-	-	27,341	737,290	1,225,065
<u>\$ 167,478</u>	<u>\$ 63,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,410</u>	<u>\$ 830,231</u>	<u>\$ 1,501,263</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, 2018**

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

	Capital Project Funds			
	2018			
	Tax Increment #4- Industrial Park	Tax Increment #14- Downtown Redevelopment	Tax Increment #15- Industrial Park	Tax Increment #17- Miller Mfg.
REVENUES				
Tax Increments	\$ 128,691	\$ 10,592	\$ 43,559	\$ 72,852
Intergovernmental	-	-	-	-
Interest Income	448	8	259	293
Miscellaneous	-	-	9	-
Total Revenues	<u>129,139</u>	<u>10,600</u>	<u>43,827</u>	<u>73,145</u>
EXPENDITURES				
Current:				
Highways and Streets	-	-	-	-
Economic Development	-	-	51,176	-
Capital Outlay:				
Highways and Streets	-	-	-	-
Economic Development	-	-	-	-
Debt Service:				
Fiscal Charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>51,176</u>	<u>-</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	129,139	10,600	(7,349)	73,145
OTHER FINANCING SOURCES (USES)				
Transfers In	5,850	-	-	-
Transfers Out	(156,500)	(10,500)	-	-
Bond Proceeds	-	-	-	-
Bond Premium	-	-	-	-
Total Other Financing Sources (Uses)	<u>(150,650)</u>	<u>(10,500)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(21,511)	100	(7,349)	73,145
Fund Balances - Beginning of Year	<u>138,035</u>	<u>10,096</u>	<u>194,113</u>	<u>104,979</u>
Fund Balances - End of Year	<u>\$ 116,524</u>	<u>\$ 10,196</u>	<u>\$ 186,764</u>	<u>\$ 178,124</u>

Capital Project Funds

2018							2017
Tax Increment #18- West Industrial Park	Tax Increment #19- Panther Heights	2015 Street Improvement	2016 Street Improvement	2017 Street Improvement	Total Capital Projects	Total Capital Projects	
\$ 2,969	\$ -	\$ -	\$ -	\$ -	\$ 258,663	\$ 245,251	
-	-	-	27,464	46,410	73,874	45,694	
3	(128)	345	268	719	2,215	3,767	
229	2,000	-	-	14,206	16,444	23,928	
<u>3,201</u>	<u>1,872</u>	<u>345</u>	<u>27,732</u>	<u>61,335</u>	<u>351,196</u>	<u>318,640</u>	
-	-	844	1,210	69,827	71,881	761,773	
-	37,752	-	-	-	88,928	106,598	
-	-	-	28,723	262,558	291,281	4,069,641	
-	338,873	-	-	-	338,873	-	
-	11,000	-	-	-	11,000	112,810	
<u>-</u>	<u>387,625</u>	<u>844</u>	<u>29,933</u>	<u>332,385</u>	<u>801,963</u>	<u>5,050,822</u>	
3,201	(385,753)	(499)	(2,201)	(271,050)	(450,767)	(4,732,182)	
-	-	-	-	-	5,850	-	
-	-	(146,904)	(165,570)	-	(479,474)	(240,800)	
-	436,616	-	-	-	436,616	4,934,901	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,473</u>	
<u>-</u>	<u>436,616</u>	<u>(146,904)</u>	<u>(165,570)</u>	<u>-</u>	<u>(37,008)</u>	<u>4,805,574</u>	
3,201	50,863	(147,403)	(167,771)	(271,050)	(487,775)	73,392	
<u>164,277</u>	<u>-</u>	<u>147,403</u>	<u>167,771</u>	<u>298,391</u>	<u>1,225,065</u>	<u>1,151,673</u>	
<u>\$ 167,478</u>	<u>\$ 50,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,341</u>	<u>\$ 737,290</u>	<u>\$ 1,225,065</u>	

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SUPPLEMENTARY INFORMATION

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2018

	\$945,000 G.O. Refunding Bonds - Series 2008B		\$500,000 G.O. Capital Improvement Plan Refunding Bonds - Series 2011B	
	Principal	Interest	Principal	Interest
2019	\$ 80,000	\$ 3,200	\$ 70,000	\$ 1,995
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
	<u>\$ 80,000</u>	<u>\$ 3,200</u>	<u>\$ 70,000</u>	<u>\$ 1,995</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2018**

	\$2,415,000 G.O. Refunding Bonds - Series 2012A \$810,000 Portion		\$1,925,000 G.O. Improvement Bonds - Series 2014A	
	Principal	Interest	Principal	Interest
2019	\$ 55,000	\$ 11,904	\$ 185,000	\$ 27,952
2020	55,000	11,106	190,000	24,203
2021	55,000	10,198	190,000	20,402
2022	60,000	9,118	195,000	16,504
2023	55,000	7,940	200,000	12,355
2024	55,000	6,744	210,000	7,790
2025	60,000	5,420	215,000	2,687
2026	60,000	3,980	-	-
2027	55,000	2,516	-	-
2028	65,000	894	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
	<u>\$ 575,000</u>	<u>\$ 69,820</u>	<u>\$ 1,385,000</u>	<u>\$ 111,893</u>

\$6,735,000 G.O. Improvement Bonds - Series 2015A		\$4,025,000 G.O. Bonds - Series 2016A		\$875,000 G.O. Refunding Bonds - Series 2016B	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 420,000	\$ 150,125	\$ 245,000	\$ 81,775	\$ 105,000	\$ 13,400
425,000	141,725	245,000	76,875	110,000	11,300
430,000	133,225	255,000	71,975	110,000	9,100
435,000	124,625	255,000	66,875	115,000	6,900
440,000	115,925	265,000	61,775	105,000	4,600
455,000	98,325	270,000	56,475	125,000	2,500
465,000	88,997	275,000	51,075	-	-
470,000	78,535	280,000	45,575	-	-
480,000	64,435	280,000	39,975	-	-
490,000	52,675	290,000	33,675	-	-
500,000	35,525	300,000	27,150	-	-
515,000	18,025	305,000	18,900	-	-
-	-	325,000	9,750	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,525,000</u>	<u>\$ 1,102,142</u>	<u>\$ 3,590,000</u>	<u>\$ 641,850</u>	<u>\$ 670,000</u>	<u>\$ 47,800</u>

CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2018

	\$4,935,000 G.O. Bonds Series 2017B		\$6,985,000 G.O. Bonds Series 2018A	
	Principal	Interest	Principal	Interest
2019	\$ 285,000	\$ 129,900	\$ 200,000	\$ 273,341
2020	295,000	124,200	250,000	239,394
2021	300,000	118,300	265,000	231,894
2022	305,000	112,300	275,000	223,944
2023	310,000	106,200	280,000	212,944
2024	315,000	96,900	300,000	201,744
2025	325,000	87,450	305,000	189,744
2026	335,000	77,700	315,000	177,544
2027	350,000	67,650	330,000	168,094
2028	360,000	57,150	335,000	158,193
2029	365,000	46,350	345,000	148,143
2030	380,000	35,400	355,000	137,794
2031	395,000	24,000	380,000	126,700
2032	405,000	12,150	385,000	114,825
2033	-	-	395,000	99,425
2034	-	-	410,000	83,625
2035	-	-	425,000	67,225
2036	-	-	445,000	50,225
2037	-	-	460,000	34,650
2038	-	-	480,000	18,550
2039	-	-	50,000	1,750
	<u>\$ 4,725,000</u>	<u>\$ 1,095,650</u>	<u>\$ 6,985,000</u>	<u>\$ 2,959,748</u>

\$453,000 G.O. Tax Increment Revenue Bonds - Series 2018B		Capital Lease Johnson Controls Project		Capital Lease 2015 Freightliner Plow Truck	
Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ 16,384	\$ 58,061	\$ 5,941	\$ 35,719	\$ 1,171
31,000	15,313	60,632	3,371	-	-
23,000	14,367	31,315	686	-	-
24,000	13,545	-	-	-	-
25,000	13,125	-	-	-	-
26,000	12,637	-	-	-	-
27,000	11,644	-	-	-	-
28,000	10,612	-	-	-	-
29,000	9,544	-	-	-	-
31,000	8,680	-	-	-	-
32,000	7,720	-	-	-	-
33,000	6,420	-	-	-	-
34,000	5,080	-	-	-	-
35,000	3,700	-	-	-	-
37,000	2,260	-	-	-	-
38,000	760	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 453,000</u>	<u>\$ 151,791</u>	<u>\$ 150,008</u>	<u>\$ 9,998</u>	<u>\$ 35,719</u>	<u>\$ 1,171</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2018**

	Capital Lease 2017 Ford F-550 Pickup		Capital Lease 2018 Rosenbauer Commander	
	Principal	Interest	Principal	Interest
2019	\$ 13,718	\$ 947	\$ 76,388	\$ 13,879
2020	14,027	638	76,123	14,144
2021	14,343	322	79,436	10,831
2022	-	-	82,894	7,373
2023	-	-	86,502	3,765
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
	<u>\$ 42,088</u>	<u>\$ 1,907</u>	<u>\$ 401,343</u>	<u>\$ 49,992</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2018**

	\$270,000 G.O. Taxable Sewer Revenue Bonds - Series 2010B		\$4,020,000 G.O. Refunding Bonds - Series 2011A \$380,000 Portion	
	Principal	Interest	Principal	Interest
2019	\$ 30,000	\$ 3,600	35,000	4,830
2020	35,000	2,300	35,000	3,623
2021	40,000	800	30,000	2,415
2022	-	-	40,000	1,380
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
	<u>\$ 105,000</u>	<u>\$ 6,700</u>	<u>\$ 140,000</u>	<u>\$ 12,248</u>

**CITY OF GLENCOE, MINNESOTA
SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS
DECEMBER 31, 2018**

	\$517,000 Liquor Store Revenue		\$1,516,000 G.O Capital Improvement Plan Refunding Bonds - Series 2017A		Total	
	Bonds - Series 2014		Principal	Interest	Principal	Interest
2019	31,000	15,496	100,000	38,116	2,358,388	857,114
2020	32,000	14,782	100,000	35,516	2,179,475	775,160
2021	33,000	13,663	104,000	32,864	2,199,024	721,908
2022	34,000	12,507	109,000	30,095	2,127,089	669,947
2023	35,000	11,318	108,000	27,274	2,114,012	616,004
2024	37,000	10,092	113,000	24,401	2,095,918	549,954
2025	38,000	8,798	112,000	21,476	2,019,293	493,546
2026	40,000	7,182	121,000	18,447	1,843,671	439,549
2027	41,000	5,483	124,000	15,262	1,892,056	386,296
2028	43,000	3,740	123,000	12,051	1,937,379	333,288
2029	45,000	1,912	126,000	8,814	1,754,379	277,398
2030	-	-	134,000	5,434	1,728,370	222,046
2031	-	-	142,000	1,846	1,276,000	167,376
2032	-	-	-	-	825,000	130,675
2033	-	-	-	-	432,000	101,685
2034	-	-	-	-	448,000	84,385
2035	-	-	-	-	425,000	67,225
2036	-	-	-	-	445,000	50,225
2037	-	-	-	-	460,000	34,650
2038	-	-	-	-	480,000	18,550
2039	-	-	-	-	50,000	1,750
	<u>\$ 409,000</u>	<u>\$ 104,973</u>	<u>\$ 1,516,000</u>	<u>\$ 271,596</u>	<u>\$ 29,090,054</u>	<u>\$ 6,998,731</u>

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OTHER REPORTS SECTION

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Glencoe, Minnesota as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated May 17, 2019.

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, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 17, 2019

