LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

INTRODUCTORY SECTION

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
ORGANIZATION SCHEDULE
DECEMBER 31, 2018

Board of Commissioners	Title	Term Expires
John Schrupp	President	12/31/19
Roger Hilgers	Vice-President	12/31/20
Greg Copas	Secretary	12/31/22
Duane Klaustermeier	Member	12/31/18
Tom Hueser	Member	12/31/21

Officers		
David Meyer	Manager	Appointed

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Light and Power Commission (the Commission), a component unit of the City of Glencoe, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended December 31, 2018, the Commission adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the Commission reported a restatement for a change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary and other information for the years ended December 31, 2018 and 2017 shown on pages 33 to 38 is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Matters (Continued)

Supplementary and Other Information (Continued)

The supplementary information presented on pages 33 and 34 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The other information on pages 35 to 38 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
February 12, 2019

FINANCIAL STATEMENTS

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
UTILITY PLANT		
Plant in Service	$ 36,060,290	$ 35,685,845
Construction Work-in-Progress	1,121,174	436,035
Total	37,181,464	36,121,880
Less: Accumulated Depreciation	(21,970,869)	(21,087,744)
Net Utility Plant	15,210,595	15,034,136
OTHER PROPERTY AND RESTRICTED ASSETS		
Nonutility Property (Net of Accumulated Depreciation)	799,607	881,915
Restricted Cash	909,471	918,962
Total Other Property and Restricted/Designated Assets	1,709,078	1,800,877
CURRENT ASSETS		
Cash and Cash Equivalents	1,144,526	1,309,312
Board Designated Cash	6,673,677	6,148,525
Trade Accounts Receivable	580,386	662,318
Other Receivables	396,945	326,892
Lease Receivable	-	10,565
Inventories	287,666	211,511
Prepaid Expenses	45,942	84,797
Total Current Assets	9,129,142	8,753,920
OTHER ASSETS		
Lease Receivable	-	6,426
Total Assets	26,048,815	25,595,359
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	19,265	28,898
OPEB Related	11,473	-
Pension Related	149,483	256,879
Total Deferred Outflows of Resources	180,221	285,777
Total Assets and Deferred Outflows of Resources	$ 26,229,036	$ 25,881,136

See accompanying Notes to Financial Statements.

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017

NET POSITION, LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2018	2017
NET POSITION		
Net Investment in Capital Assets	$ 12,048,933	$ 11,301,622
Restricted	909,471	918,962
Unrestricted	6,363,814	6,420,357
Total Net Position	19,322,218	18,640,941
CURRENT LIABILITIES		
Current Portion of Bonds Payable	655,000	640,000
Current Portion of Capital Lease Payable	3,565	2,832
Contracts Payable	335,947	-
Accounts Payable	410,839	428,411
Accrued Expenses	132,468	140,702
Due to Primary Government	336,255	279,414
Customer Deposits	118,750	111,850
Total Current Liabilities	1,992,824	1,603,209
LONG-TERM LIABILITIES		
Compensated Absences	156,337	188,352
Other Postemployment Benefits Obligation	349,708	240,230
Net Pension Liability	843,234	1,021,429
Bonds Payable	3,291,964	3,957,291
Capital Lease Payable	10,740	14,306
Total Long-Term Liabilities	4,651,983	5,421,608
Total Liabilities	6,644,807	7,024,817
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pension Related	262,011	215,378
Total Net Position, Liabilities and Deferred Inflows of Resources	$ 26,229,036	$ 25,881,136

See accompanying Notes to Financial Statements.

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Sales	$ 7,693,400	$ 7,685,565
Transmission Tariff Revenue	552,357	535,693
Other Operating Revenues	806,809	807,261
Total Operating Revenues	9,052,566	9,028,519
OPERATING EXPENSES		
Production Plant Expenses and Purchased Power	5,319,132	5,457,726
Distribution System Expenses	386,824	378,777
Transmission System Expenses	155,208	83,003
Customer Account Expenses	117,091	185,032
Administrative and General Expenses	1,183,953	896,235
Depreciation	965,433	1,085,637
Total Operating Expenses	8,127,641	8,086,410
OPERATING INCOME	924,925	942,109
OTHER INCOME (EXPENSE)		
Interest Income	93,704	86,558
Interest Expense	(98,247)	(110,764)
Gain (Loss) on Disposition of Property	-	(13,409)
Total Other Expense	(4,543)	(37,615)
INCOME BEFORE OPERATING TRANSFERS	920,382	904,494
TRANSFERS TO CITY OF GLENCOE	(161,036)	(130,045)
CHANGE IN NET POSITION	759,346	774,449
Net Position - Beginning of Year	18,640,941	17,866,492
Change in Accounting Principle	(78,069)	-
Net Position - Beginning of Year, as Restated	18,562,872	17,866,492
NET POSITION - END OF YEAR	$ 19,322,218	$ 18,640,941

See accompanying Notes to Financial Statements.

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 7,765,025	$ 7,681,138
Cash Paid to Employees	(997,585)	(956,713)
Cash Paid to Suppliers	(6,325,290)	(6,010,536)
Other Receipts	1,376,157	1,353,072
Net Cash Provided by Operating Activities	1,818,307	2,066,961
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Paid on Customer Deposits	(1,846)	(874)
Operating Transfers to City of Glencoe	(92,500)	(90,000)
Net Cash Used by Noncapital Financing Activities	(94,346)	(90,874)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Bonds	(640,000)	(625,000)
Principal Paid on Capital Lease	(2,833)	(2,734)
Interest Paid on Bonds	(94,626)	(107,116)
Interest Paid on Capital Lease	(3,994)	(3,994)
Construction and Acquisition of Plant	(723,637)	(270,727)
Net Cash Used by Capital and Related Financing Activities	(1,465,090)	(1,009,571)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	92,004	81,545
NET INCREASE IN CASH AND CASH EQUIVALENTS	350,875	1,048,061
Cash and Cash Equivalents - Beginning of Year	8,376,799	7,328,738
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,727,674	$ 8,376,799

See accompanying Notes to Financial Statements.

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	$ 924,925	$ 942,109
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	965,433	1,085,637
Bad Debt Expense	4,307	5,284
Free Services to Primary Government	(68,536)	(40,045)
(Increase) Decrease in Assets:		
Trade Accounts Receivable and Other Receivables	26,721	(24,251)
Inventories	(76,155)	(20,532)
Prepaid Expenses	38,855	38,667
Increase (Decrease) in Liabilities:		
Accounts Payable	(17,572)	(24,875)
Accrued Expenses	24,242	15,163
Other Deposits Payable	-	(78)
Due to Primary Government	56,841	26,694
Customer Deposits	6,900	4,200
Compensated Absences	(32,015)	4,405
Change in Pension Related Items	(35,639)	54,583
Net Cash Provided by Operating Activities	$ 1,818,307	$ 2,066,961
RECONCILIATION OF CASH TO THE BALANCE SHEET		
Cash	$ 1,144,526	$ 1,309,312
Board Designated Cash	6,673,677	6,148,525
Restricted Cash	909,471	918,962
Total Cash and Cash Equivalents	$ 8,727,674	$ 8,376,799
NONCASH ACTIVITIES		
New Capital Lease	$ -	$ -
Amortization of Deferred Charge on Refunding	9,633	9,632
Amortization of Bond Premium	10,328	10,328

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

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

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

Financial Reporting Entity

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

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

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

Basis of Accounting

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Utility Plant, Property, and Equipment

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

Cash and Cash Equivalents

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

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

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

Trade Accounts Receivable

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

Inventories

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

Deferred Outflows of Resources

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

Bond Discounts/Premiums

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

Deferred Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

Other Postemployment Benefits Payable

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

NOTE 2 DETAIL OF CAPITAL ASSETS

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

	2018			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
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	436,035	1,059,584	(374,445)	1,121,174
Net Utility Plant	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

Capital assets that are not being depreciated (including land and construction-in-progress) totaled $1,411,441 and $726,302 at December 31, 2018 and 2017, respectively.

NOTE 2 DETAIL OF CAPITAL ASSETS (CONTINUED)

	2017			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
PLANT IN SERVICE				
Buildings, Land, and Land Improvements	$ 1,988,827	$ -	$ (11,324)	$ 1,977,503
Engines, Auxiliaries, and Switch Boards	13,743,522	19,801	-	13,763,323
Distribution System	6,063,842	-	-	6,063,842
Transmission System	9,702,416	-	-	9,702,416
Street Lights	175,454	-	-	175,454
Substation	3,078,176	20,886	-	3,099,062
Loop Feeder	468,366	-	-	468,366
Meters	435,880	-	-	435,880
Total Plant in Service	35,656,483	40,687	(11,324)	35,685,846
Less: Accumulated Depreciation	(20,102,263)	(985,481)	-	(21,087,744)
Net Plant in Service	15,554,220	(944,794)	(11,324)	14,598,102
CONSTRUCTION WORK-IN-PROGRESS	261,404	174,631	-	436,035
Net Utility Plant	15,815,624	(770,163)	(11,324)	15,034,137
NONUTILITY PROPERTY				
Building and Improvements	447,364	-	-	447,364
Transportation Equipment	1,101,545	55,409	(41,071)	1,115,883
Plant Tools and Equipment	178,254	-	-	178,254
Office Equipment	259,074	-	(41,132)	217,942
Total Nonutility Property	1,986,237	55,409	(82,203)	1,959,443
Less: Accumulated Depreciation	(1,057,490)	(100,156)	80,118	(1,077,528)
Net Nonutility Property	928,747	(44,747)	(2,085)	881,915
Total Net Capital Assets	$ 16,744,371	$ (814,910)	$ (13,409)	$ 15,916,052

NOTE 3 RESTRICTED/DESIGNATED CASH

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

	2018	2017
Debt Service Account	$ 168,133	$ 165,903
Bond and Interest Reserve Account	741,338	753,059
Total Restricted Cash	$ 909,471	$ 918,962
Expansion Fund	$ 4,644,634	$ 4,204,317
Catastrophic Reserve Fund	2,029,043	1,944,208
Total Designated Cash	$ 6,673,677	$ 6,148,525

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

Debt Service Account - Restricted

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

NOTE 3 RESTRICTED/DESIGNATED CASH (CONTINUED)

Bond and Interest Reserve Account - Restricted

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

Expansion Fund - Designated

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.

NOTE 4 CASH AND INVESTMENTS

Deposits

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

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

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

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

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

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

At December 31, 2018, the Commission had the following investments:

	Amount
Negotiable Certificates of Deposit	$ 1,326,612

NOTE 4 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 CDs	$ 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	18
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 the following:

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

NOTE 4 CASH 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 Certification of Deposits	$ 1,326,612	$ 1,326,612	$ -	$ -

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

NOTE 5 INVENTORIES

The major classes of inventory consist of the following at December 31:

	2018	2017
Fuels and Lubricants	$ 72,709	$ 54,978
Distribution Materials	214,357	155,933
Other	600	600
Total	$ 287,666	$ 211,511

NOTE 6 COMPENSATED ABSENCES

Vacation and Sick Pay Benefits Payable

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

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

Annual vacation benefits, ranging from 40 hours to 200 hours, are recorded as a liability in accrued expenses. Vacation is accrued each pay period.

NOTE 7 LONG-TERM DEBT

Bonds outstanding at December 31 are comprised of the following:

					December 31,	
Description of Issue	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding 2018	Principal Outstanding 2017
Electric Revenue Bonds of 2012	2.00-2.375%	6/7/2012	12/1/2024	$ 7,980,000	$ 3,885,000	$ 4,525,000

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

Year Ended December 31,	Principal	Interest	Total
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:

	Beginning Balance	Additions	Retirements	Ending Balance
Revenue Bonds Payable	$ 4,525,000	$ -	$ (640,000)	$ 3,885,000
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
Total	$ 4,802,781	$ 131,003	$ (816,178)	$ 4,117,606

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

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

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

Year Ending December 31,	Amount
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

NOTE 8 RISK MANAGEMENT

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

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

NOTE 9 PENSION PLANS

Pension Description

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA 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.

NOTE 9 PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

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.

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 and 2017 were $81,158 and $76,083, respectively. The Commission's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2018 and 2017, the Commission reported a liability of $843,234 and $1,021,429, respectively, 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.

NOTE 9 PENSION PLANS (CONTINUED)

Pension Costs (Continued)

For the years ended December 31, 2018 and 2017, the Commission recognized pension expense of $57,095 and $130,868, respectively, 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 and 2017, 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:

2018

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	$ 149,483	$ 262,011

2017

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 33,664	$ 65,711
Changes in Actuarial Assumptions	169,579	102,398
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,597	-
Changes in Proportion	9,906	47,269
Commission Contributions Subsequent to the Measurement Date	37,133	-
Total	$ 256,879	$ 215,378

NOTE 9 PENSION PLANS (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:

Year Ending December 31,	Pension Expenses Amount
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:

Assumptions	GERF
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.

NOTE 9 PENSION PLANS (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	-
Total	100 %	

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.

NOTE 9 PENSION PLANS (CONTINUED)

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 in Discount Rate
June 30, 2018			
GERF Discount Rate	6.50%	7.50%	8.50%
Commission's Proportionate Share of the GERF Net Pension Liability	$ 1,370,363	$ 843,234	$ 408,104
June 30, 2017			
GERF Discount Rate	6.50%	7.50%	8.50%
Commission's Proportionate Share of the GERF Net Pension Liability	$ 1,584,313	$ 1,021,429	$ 560,607

Pension Plan Fiduciary Net Position

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

NOTE 10 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.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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.

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

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

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% Increase (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:

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

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.

NOTE 11 JOINT VENTURE

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

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

NOTE 12 MAJOR CUSTOMER

During the years ended December 31, 2018 and 2017, net sales to one customer totaled \$2,062,604 and \$2,105,197, representing 26.8% and 27.4% of total sales, respectively.

A concentration of the Commission's accounts receivable from one customer at December 31, 2018 and 2017 consisted of approximately 15.3% and 13.4%, respectively, of the total accounts receivable.

NOTE 13 TRANSFERS TO CITY

In 2018, the Commission transferred \$161,036 to the City of Glencoe for the payment in lieu of taxes.

In 2017, the Commission transferred \$130,045 to the City of Glencoe for the payment in lieu of taxes.

NOTE 14 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2018, the Commission adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This pronouncement requires the restatement of the December 31, 2017 net position of the governmental activities as follows:

Net Position, December 31, 2017, as Previously Reported	\$ 18,640,941
Affect of Application of GASB 75	(78,069)
Net Position, December 31, 2017, as Restated	\$ 18,562,872

REQUIRED SUPPLEMENTARY INFORMATION

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY
LAST TEN YEARS

PERA	Measurement Date			
	June 30, 2018	June 30, 2017	June 30, 2016	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	865,920	1,034,258	1,355,957	844,751
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	79.53%	75.90%	68.91%	78.20%

NOTE: Information prior to 2015 is unavailable.

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
SCHEDULE OF COMMISSION CONTRIBUTIONS
LAST TEN YEARS

	2018	2017	2016	2015	2014
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)	$ -	$ -	$ -	$ -	$ -
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%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
SCHEDULE OF CHANGES IN THE COMMISSION'S OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2018

	Measurement Date December 31, 2017
Total OPEB Liability	
Service Cost	$ 11,159
Interest	12,599
Assumption Changes	7,651
Benefit Payments	(2,431)
Net Change in Total OPEB Liability	28,978
Total OPEB Liability - Beginning	320,730
Total OPEB Liability - Ending	$ 349,708
Covered-Employee Payroll	$ 1,034,595
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	34%

NOTE 1: The Commission implemented GASB Statement No. 75 in 2018, and the above table will be expanded to 10 years of information as the information becomes available.

NOTE 2: No assets are accumulated in a trust.

SUPPLEMENTARY INFORMATION

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
PRODUCTION PLANT EXPENSES AND PURCHASED POWER		
Salaries	$ 233,551	$ 393,561
Purchased Power	4,883,602	4,770,709
Fuel Oil, Natural Gas, and Other	98,511	88,428
Maintenance of Buildings	21,192	85,496
Maintenance of Engine/Generators	82,276	119,531
Total Production Plant Expenses and Purchased Power	5,319,132	5,457,725
DISTRIBUTION SYSTEM EXPENSES		
Salaries	316,886	337,452
Supplies and Other Charges	15,529	11,845
Maintenance	54,409	29,480
Total Distribution System Expenses	386,824	378,777
TRANSMISSION SYSTEM EXPENSES		
Salaries	45,781	11,240
Maintenance	54,184	14,987
Outside Labor	37,871	39,012
Consulting Services	16,622	17,764
Other	750	-
Total Transmission System Expenses	155,208	83,003
CUSTOMERS ACCOUNT EXPENSES		
Salaries	110,938	178,874
Meter Deposit Interest	1,846	874
Uncollectible Accounts and Miscellaneous	4,307	5,284
Total Customer Account Expenses	117,091	185,032
ADMINISTRATIVE AND GENERAL EXPENSES		
Salaries	250,826	115,068
Office Expense	103,315	78,038
Outside Services	64,624	28,361
Insurance	55,881	50,294
Employee Pensions and Benefits	457,136	413,052
General Maintenance	17,377	12,988
Transportation	45,661	20,276
Conservation Improvement Program	126,323	122,087
Miscellaneous	62,810	56,071
Total Administrative and General Expenses	1,183,953	896,235
DEPRECIATION	965,433	1,085,637
Total Operating Expenses	$ 8,127,641	$ 8,086,409

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
SCHEDULES OF OPERATING REVENUES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Sales	$ 7,609,100	$ 7,646,925
Schedule Nine Revenue (Network Recovery)	489,150	465,673
Schedule Seven Revenue (Point to Point)	21,339	29,241
Schedule Eight Revenue (Pass Through)	41,868	40,779
Capacity Sales	84,300	38,640
Penalties	44,085	42,196
Rent	7,140	4,270
City Billing revenue	36,000	36,000
CIP	155,089	155,894
Transmission Facility Credit	515,049	515,049
Miscellaneous Revenue	44,300	52,449
New Meter Revenue	5,146	1,403
Total Operating Revenues	$ 9,052,566	$ 9,028,519

OTHER INFORMATION
(UNAUDITED)

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

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

Year	Electric
2018	2,783
2017	2,779
2016	2,776
2015	2,766
2014	2,763
2013	2,773
2012	2,772
2011	2,770
2010	2,766
2009	2,773

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

Calendar Year	KWH Produced	KWH Purchased
2018	172,190	79,823,615
2017	298,210	79,593,620
2016	355,760	80,600,472
2015	286,210	81,320,758
2014	350,340	75,164,076
2013	333,880	75,851,195
2012	182,480	75,360,417
2011	109,050	76,006,283
2010	57,860	78,794,361
2009	143,220	75,815,499

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

Calendar Year	Peak Demand (KW)
2018	20,100
2017	21,300
2016	21,200
2015	21,700
2014	20,100
2013	22,300
2012	21,474
2011	19,800
2010	23,300
2009	21,400

LIGHT AND POWER COMMISSION OF THE CITY OF GLENCOE
SCHEDULE OF LARGEST UTILITY USERS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Customer	Revenues	% of Total Sales
Customer 1	$ 2,062,604	26.8 %
Customer 2	503,668	6.5
Customer 3	274,321	3.6
Customer 4	230,097	3.0
Customer 5	211,266	2.7
Customer 6	177,088	2.3
Customer 7	170,358	2.2
Customer 8	166,407	2.2
Customer 9	111,245	1.4
Customer 10	73,435	1.0

OTHER REPORTS SECTION

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Light and Power Commission (Commission), a component unit of the City of Glencoe, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise of the Commission's basic financial statements as listed in the table of contents and have issued our report thereon dated February 12, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions,* promulgated by the State Auditor pursuant to Minn. § 6.65 contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, political subdivision miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions of tax increment financing because the Commission did not have any tax increment financing.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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Brainerd, Minnesota
February 12, 2019

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