

CITY OF COKATO, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2015

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Litchfield, Minnesota

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CITY OF COKATO, MINNESOTA

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CITY OF COKATO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2015

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Gordon Erickson	12/31/2016
Council Member	Carl Harju	12/31/2016
Council Member	Forrest Amundsen	12/31/2016
Council Member	Jarod Sebring	12/31/2018
Council Member	Paul Boger	12/31/2018
City Administrator	Annita Smythe	Appointed
City Clerk/Treasurer	Andrew Carlson	Appointed

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cokato, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity'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 opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cokato, Minnesota, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Tax Increment No. 4-7 Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, for the year ended December 31, 2015, the City of Cokato, Minnesota adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 27 and Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

Report on Partial Comparative Information

We have previously audited the City's 2014 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated June 22, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2014 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 Management's Discussion and Analysis, Schedules of Proportionate Share of Net Pension Liability and Employer Contributions, and Schedule of Changes in the Fire Relief Association's Net Pension Liability and Related Ratios 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules listed in the table of contents as supplementary information and the Elected and Appointed Officials section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Cont'd)

Supplementary and Other Information (Cont'd)

The Elected and Appointed Officials section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

June 13, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

This section of the basic financial statements of the City of Cokato (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets of the City exceeded liabilities by \$13,159,966. Of this amount, \$3,661,740 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$530,999.
- The City's governmental funds reported combined ending fund balances of \$2,363,066.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$960,046, or 69% of total General Fund expenditures of \$1,399,943.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City as a Whole: Statement of Net Position and Statement of Activities

Our analysis of the City of Cokato begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. In the Statement of Activities, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health. Over time, increases or decreases in the City's net position are one indicator of whether the City's financial health is improving or deteriorating.

You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Cokato.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including general government, public safety, public works, culture and recreation, and economic development. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Sewer and Water funds are reported here.

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Cokato's major funds begins with the fund financial statements. These statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds—governmental, proprietary and fiduciary—use different accounting approaches.

Governmental Funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 14-19 of this report.

Proprietary Funds - When the City of Cokato charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary Funds - These funds are used to account for resources that are held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Cokato's own programs. The accounting used for fiduciary funds is much like that which is used for proprietary funds.

The fiduciary funds financial statements can be found on page 24 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-50 of this report.

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Statement of Net Position

Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

Table 1 Comparative Condensed Statement of Net Position			
	<u>Governmental Activities</u>		Change
	<u>2015</u>	<u>2014</u>	
Current and Other Assets	\$ 2,544,214	\$ 2,607,386	\$ (63,172)
Net Capital Assets	<u>5,920,433</u>	<u>5,350,785</u>	<u>569,648</u>
Total Assets	<u>8,464,647</u>	<u>7,958,171</u>	<u>506,476</u>
Deferred Outflows of Resources	<u>86,022</u>	<u> </u>	<u>86,022</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,550,669</u>	<u>\$ 7,958,171</u>	<u>\$ 592,498</u>
Current and Other Liabilities	\$ 190,997	\$ 138,046	\$ 52,951
Long-Term Liabilities	<u>2,964,783</u>	<u>2,852,055</u>	<u>112,728</u>
Total Liabilities	<u>3,155,780</u>	<u>2,990,101</u>	<u>165,679</u>
Deferred Inflows of Resources	34,711	<u> </u>	34,711
Net Position			
Net Investment in Capital Assets	3,232,969	2,529,591	703,378
Restricted for Debt Service	112,734	325,070	(212,336)
Unrestricted	<u>2,014,475</u>	<u>2,113,409</u>	<u>(98,934)</u>
Total Net Position	<u>5,360,178</u>	<u>4,968,070</u>	<u>392,108</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 8,550,669</u>	<u>\$ 7,958,171</u>	<u>\$ 592,498</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Table 2
Comparative Condensed Statement of Net Position

	Business-Type Activities		Change
	2015	2014	
Current and Other Assets	\$ 1,862,744	\$ 1,690,337	\$ 172,407
Net Capital Assets	8,356,947	8,710,464	(353,517)
Total Assets	10,219,691	10,400,801	(181,110)
Deferred Outflows of Resources	28,020		28,020
Total Assets and Deferred Outflows of Resources	<u>\$ 10,247,711</u>	<u>\$ 10,400,801</u>	<u>\$ (153,090)</u>
Current and Other Liabilities	\$ 61,645	\$ 40,713	\$ 20,932
Long-Term Liabilities	2,378,752	2,699,191	(320,439)
Total Liabilities	2,440,397	2,739,904	(299,507)
Deferred Inflows of Resources	7,526		7,526
Net Position			
Net Investment in Capital Assets	6,152,523	6,036,742	115,781
Unrestricted	1,647,265	1,624,155	23,110
Total Net Position	<u>7,799,788</u>	<u>7,660,897</u>	<u>138,891</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 10,247,711</u>	<u>\$ 10,400,801</u>	<u>\$ (153,090)</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Governmental Activities

Net position of the City's governmental activities increased by \$392,108. Table 3 presents the key elements of the increase.

Business-Type Activities

The net position of the business-type activities increased by \$138,891. The overall increase was due to both the Sewer and Water Funds reporting an increase in net position.

The following tables indicate the changes in net position for the City's governmental and business-type activities:

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2015</u>	<u>2014</u>	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 371,710	\$ 407,308	\$ (35,598)
Operating Grants and Contributions	41,978	32,331	9,647
Capital Grants and Contributions	34,843	1,650	33,193
General Revenues			
Taxes	1,013,487	1,054,584	(41,097)
Grants and Contributions not Restricted	607,362	554,822	52,540
Interest Income	13,803	14,088	(285)
Gain on Addition of Assets	391,179		391,179
Other	142,438	39,938	102,500
Total Revenues	<u>2,616,800</u>	<u>2,104,721</u>	<u>512,079</u>
EXPENSES			
General Government	380,948	247,384	133,564
Public Safety	877,553	647,356	230,197
Public Works	292,499	940,511	(648,012)
Culture and Recreation	340,389	340,169	220
Economic Development	68,484	40,518	27,966
Interest on Long-Term Debt	81,706	46,535	35,171
Total Expenses	<u>2,041,579</u>	<u>2,262,473</u>	<u>(220,894)</u>
Change in Net Position	575,221	(157,752)	732,973
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	4,968,070	5,125,822	(157,752)
PRIOR PERIOD ADJUSTMENT	<u>(183,113)</u>		<u>(183,113)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>4,784,957</u>	<u>5,125,822</u>	<u>(340,865)</u>
NET POSITION, END OF YEAR	<u>\$ 5,360,178</u>	<u>\$ 4,968,070</u>	<u>\$ 392,108</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Table 4
Comparative Condensed Statement of Activities

	Business-Type Activities		Change
	2015	2014	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 1,297,630	\$ 1,276,659	\$ 20,971
Capital Grants and Contributions			
General Revenues			
Interest Income	10,612	9,756	856
Gain on Addition of Assets	41,093		41,093
Other	60,767	58,646	2,121
Total Revenues	<u>1,410,102</u>	<u>1,345,061</u>	<u>65,041</u>
EXPENSES			
Water	576,198	570,746	5,452
Sewer	572,937	565,711	7,226
Total Expenses	<u>1,149,135</u>	<u>1,136,457</u>	<u>12,678</u>
Change in Net Position	260,967	208,604	52,363
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	7,660,897	7,452,293	208,604
PRIOR PERIOD ADJUSTMENT	<u>(122,076)</u>		<u>(122,076)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>7,538,821</u>	<u>7,452,293</u>	<u>86,528</u>
NET POSITION, END OF YEAR	<u>\$ 7,799,788</u>	<u>\$ 7,660,897</u>	<u>\$ 138,891</u>

Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund Balance was \$54,683 for 2015. The change in fund balance for 2015 was \$3,447 greater than the change in fund balance for 2014.

Special Revenue Funds - The City's special revenue fund balances decreased by \$59,388. This decrease is mainly due expenditures exceeding appropriations in Fire and Ambulance funds.

Debt Service Funds - The debt service fund balances increased by \$77,629. The increase is due to an increase in property tax revenues to be used for debt service in future periods.

Capital Project Funds - The capital project fund balances increased by \$46,102. This increase is mainly due to a transfer of cash from the General Fund to the Revolving Construction Fund.

CITY OF COKATO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

General Fund Budgetary Highlights

Over the course of the year, the City of Cokato City Council did not revise the budget. The General Fund budget included sufficient revenues to cover expenditures, predicting an \$9,769 increase in fund balance. Actual revenues were \$198,841 more than budgeted due to additional licenses and permits and in refunds and reimbursements. Actual expenditures were \$41,773 less than budgeted. This is attributed to spending \$200,979 less than what was budgeted for in current expenditures related to public works.

Capital Assets

At the end of 2015, the City of Cokato had \$28,929,638 invested in a broad range of capital assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

Capital asset additions for 2015 included infrastructure related to the new tax increment financing district development, street improvements, tax forfeited property, and other equipment.

Long-Term Debt

At year-end, the City of Cokato had \$5,343,535 in long-term debt. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

Economic Factors and Next Year's Budget

The City of Cokato's appointed officials considered many factors when setting the fiscal year 2016 budget, rates, and fees that will be charged for the business-type activities. The major factor accounted for when adopting the General Fund budget was to hold all line items as much as possible to the 2015 final budget.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City of Cokato's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, City of Cokato, PO Box 1030, Cokato, MN, 55321.

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BASIC FINANCIAL STATEMENTS

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CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION

DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash	\$ 2,616,031	\$ 1,502,308	\$ 4,118,339	\$ 3,760,000
Receivables	67,551	157,664	225,215	459,305
Due from Other Governmental Units	7,749		7,749	21,344
Prepaid Items	37,208	18,447	55,655	57,074
Internal Balances	(184,325)	184,325		
Capital Assets				
Assets Not Being Depreciated	1,658,643	359,051	2,017,694	1,499,314
Other Capital Assets, Net of Depreciation	4,261,790	7,997,896	12,259,686	12,561,935
Total Assets	8,464,647	10,219,691	18,684,338	18,358,972
Deferred Outflows of Resources				
Related to Pensions	86,022	28,020	114,042	
Total Assets and Deferred Outflows of Resources	\$ 8,550,669	\$ 10,247,711	\$ 18,798,380	\$ 18,358,972
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 36,570	\$ 25,569	\$ 62,139	\$ 86,136
Contracts Payable	96,025		96,025	
Due to Other Governmental Units	5,080		5,080	2,964
Accrued Salaries	15,552	9,285	24,837	17,792
Accrued Interest Payable	32,670	25,361	58,031	56,462
Bonds Held in Escrow		1,430	1,430	1,430
Unearned Revenue	5,100		5,100	13,975
Noncurrent Liabilities				
Due Within One Year	190,000	329,424	519,424	604,298
Due in More than One Year	2,774,783	2,049,328	4,824,111	4,946,948
Total Liabilities	3,155,780	2,440,397	5,596,177	5,730,005
Deferred Inflows of Resources				
Related to Pensions	34,711	7,526	42,237	
Net Position				
Net Investment in Capital Assets	3,232,969	6,152,523	9,385,492	8,566,333
Restricted for Debt Service	112,734		112,734	325,070
Unrestricted	2,014,475	1,647,265	3,661,740	3,737,564
Total Net Position	5,360,178	7,799,788	13,159,966	12,628,967
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,550,669	\$ 10,247,711	\$ 18,798,380	\$ 18,358,972

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2015	2014
GOVERNMENTAL ACTIVITIES								
General Government	\$ 380,948	\$ 63,227	\$	\$	\$ (317,721)	\$	\$ (317,721)	\$ (202,337)
Public Safety	877,553	269,160	41,978	34,843	(531,572)		(531,572)	(303,955)
Public Works	292,499	13,791			(278,708)		(278,708)	(903,638)
Culture and Recreation	340,389	19,112			(321,277)		(321,277)	(324,201)
Economic Development	68,484	6,420			(62,064)		(62,064)	(40,518)
Interest on Long-Term Debt	81,706				(81,706)		(81,706)	(46,535)
Total Governmental Activities	2,041,579	371,710	41,978	34,843	(1,593,048)	0	(1,593,048)	(1,821,184)
BUSINESS-TYPE ACTIVITIES								
Sewer	572,937	624,295				51,358	51,358	41,294
Water	576,198	673,335				97,137	97,137	98,908
Total Business-Type Activities	1,149,135	1,297,630	0	0	0	148,495	148,495	140,202
Total	\$ 3,190,714	\$ 1,669,340	\$ 41,978	\$ 34,843	(1,593,048)	148,495	(1,444,553)	(1,680,982)
GENERAL REVENUES								
Taxes					1,013,487		1,013,487	1,054,584
Grants and Contributions not Restricted to Specific Programs					607,362		607,362	554,822
Interest Income					13,803	10,612	24,415	23,844
Gain on Additions of Assets					391,179	41,093	432,272	
Other					142,438	60,767	203,205	98,584
Total General Revenues					2,168,269	112,472	2,280,741	1,731,834
Change in Net Position					575,221	260,967	836,188	50,852
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED					4,968,070	7,660,897	12,628,967	12,578,115
PRIOR PERIOD ADJUSTMENT					(183,113)	(122,076)	(305,189)	
NET POSITION, BEGINNING OF YEAR, AS RESTATED					4,784,957	7,538,821	12,323,778	12,578,115
NET POSITION, END OF YEAR					\$ 5,360,178	\$ 7,799,788	\$ 13,159,966	\$ 12,628,967

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

BALANCE SHEET
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	General	Tax Increment No. 4-7	Revolving Construction	7th Street Project	Nonmajor Governmental Funds	Totals	
						2015	2014
ASSETS							
Cash	\$ 993,068	\$	\$ 412,536	\$ 308,879	\$ 901,548	\$ 2,616,031	\$ 2,401,971
Receivables							
Accounts	30,270				14,460	44,730	60,546
Delinquent Taxes	13,904				3,711	17,615	15,437
Special Assessments	5,206					5,206	235,378
Due from Other Governmental Units	6,484				1,265	7,749	20,498
Prepaid Items	27,661				9,547	37,208	36,368
Interest Due from Other Funds			13,560			13,560	
Advance to Other Funds	46,081		150,000		12,746	208,827	234,953
Total Assets	\$ 1,122,674	\$ 0	\$ 576,096	\$ 308,879	\$ 943,277	\$ 2,950,926	\$ 3,005,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 32,223	\$	\$ 1,580	\$ 170	\$ 2,597	\$ 36,570	\$ 82,487
Contracts Payable				48,398	47,627	96,025	
Due to Other Governmental Units	5,080					5,080	2,964
Accrued Salaries	13,813				1,739	15,552	10,769
Interest Due to Other Funds	13,560					13,560	2,336
Advance from Other Funds		345,933			47,219	393,152	397,765
Unearned Revenue	5,100					5,100	13,975
Total Liabilities	69,776	345,933	1,580	48,568	99,182	565,039	510,296
Deferred Inflows of Resources							
Unavailable Revenue							
Delinquent Taxes	13,904				3,711	17,615	15,437
Special Assessments	5,206					5,206	235,378
Total Deferred Inflows of Resources	19,110	0	0	0	3,711.00	22,821	250,815
Fund Balance							
Nonspendable	73,742		150,000		22,293	246,035	271,321
Restricted					196,094	196,094	118,465
Assigned			424,516	260,311	669,215	1,354,042	1,333,651
Unassigned	960,046	(345,933)			(47,218)	566,895	520,603
Total Fund Balance	1,033,788	(345,933)	574,516	260,311	840,384	2,363,066	2,244,040
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,122,674	\$ 0	\$ 576,096	\$ 308,879	\$ 943,277	\$ 2,950,926	\$ 3,005,151

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
Total Fund Balances - Governmental Funds	\$ 2,363,066	\$ 2,244,040
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	12,791,080	11,947,755
Less: Accumulated Depreciation	(6,870,647)	(6,596,970)
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent Taxes	17,615	15,437
Special Assessments	5,206	235,378
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	86,022	
Deferred Inflows of Resources Related to Pensions	(34,711)	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Accrued Interest Payable	(32,670)	(25,515)
Net Pension Liability	(246,412)	
Compensated Absences	(30,907)	(30,861)
Bonds Payable and Equipment Certificates	<u>(2,687,464)</u>	<u>(2,821,194)</u>
Total Net Position - Governmental Activities	<u>\$ 5,360,178</u>	<u>\$ 4,968,070</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Tax Increment No. 4-7	Revolving Construction	7th Street Project	Nonmajor Governmental Funds	Totals	
						2015	2014
REVENUES							
Property Taxes	\$ 905,645	\$	\$	\$	\$ 280,081	\$ 1,185,726	\$ 1,036,149
Tax Increment		33,304			22,451	55,755	23,054
Licenses and Permits	61,658					61,658	36,007
Intergovernmental	620,477				25,275	645,752	600,253
Charges for Services	44,302				262,838	307,140	312,988
Interest Income	3,985	25	7,602	251	1,940	13,803	14,088
Loan Principal Repayment					6,420	6,420	12,830
Miscellaneous	103,894				73,467	177,361	73,971
Total Revenues	1,739,961	33,329	7,602	251	672,472	2,453,615	2,109,340
EXPENDITURES							
Current							
General Government	330,225				424	330,649	248,945
Public Safety	348,467				332,725	681,192	587,890
Public Works	230,663					230,663	427,071
Culture and Recreation	318,083					318,083	273,860
Economic Development	12,909	14,862			40,713	68,484	57,710
Capital Outlay							
General Government	16,282					16,282	9,975
Public Safety					77,413	77,413	59,974
Public Works	108,255		1,580	196,593		306,428	1,333,232
Culture and Recreation	35,059				62,055	97,114	64,970
Debt Service							
Principal					135,000	135,000	130,000
Interest and Other					73,281	73,281	32,069
Total Expenditures	1,399,943	14,862	1,580	196,593	721,611	2,334,589	3,225,696
Excess (Deficiency) of Revenues Over (Under) Expenditures	340,018	18,467	6,022	(196,342)	(49,139)	119,026	(1,116,356)
OTHER FINANCING SOURCES (USES)							
Long-Term Debt Proceeds							1,387,223
Transfers In			206,700		190,311	397,011	225,710
Transfers Out	(285,335)				(111,676)	(397,011)	(225,710)
Total Other Financing Sources (Uses)	(285,335)	0	206,700	0	78,635	0	1,387,223
Net Change in Fund Balances	54,683	18,467	212,722	(196,342)	29,496	119,026	270,867
FUND BALANCE, BEGINNING OF YEAR	979,105	(364,400)	361,794	456,653	810,888	2,244,040	1,973,173
FUND BALANCE, END OF YEAR	\$ 1,033,788	\$ (345,933)	\$ 574,516	\$ 260,311	\$ 840,384	\$ 2,363,066	\$ 2,244,040

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 119,026	\$ 270,867
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, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	894,172	1,492,272
Depreciation Expense	(315,944)	(372,419)
Asset Disposals	(50,847)	(55,606)
Accumulated Depreciation of Disposed Assets	42,267	51,177
Construction in Progress		(275,853)
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent Taxes	2,178	(4,619)
Special Assessments	(230,172)	
Some expenses reported in the Statement of Activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(46)	8,118
In the Statement of Activities, pension expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	(11,988)	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Long-Term Debt Proceeds		(1,375,000)
Principal Retirement of Long-Term Debt	135,000	130,000
Bond Premium		(12,223)
Change in Accrued Interest Payable	(7,155)	(13,196)
Amortization of Bond Premium	153	153
Amortization of Bond Discount	(1,423)	(1,423)
Change in Net Position - Governmental Activities	<u>\$ 575,221</u>	<u>\$ (157,752)</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015				2014 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Property Taxes	\$ 902,788	\$ 902,788	\$ 905,645	\$ 2,857	\$ 899,503
Tax Increment					3,757
Licenses and Permits	14,650	14,650	61,658	47,008	36,007
Intergovernmental	582,072	582,072	620,477	38,405	569,677
Charges for Services	27,350	27,350	44,302	16,952	51,902
Interest Income	3,160	3,160	3,985	825	4,472
Miscellaneous	11,100	11,100	103,894	92,794	45,157
Total Revenues	<u>1,541,120</u>	<u>1,541,120</u>	<u>1,739,961</u>	<u>198,841</u>	<u>1,610,475</u>
EXPENDITURES					
Current					
General Government	258,882	258,882	330,225	71,343	246,497
Public Safety	315,960	315,960	348,467	32,507	300,274
Public Works	431,642	431,642	230,663	(200,979)	423,184
Culture and Recreation	300,732	300,732	318,083	17,351	273,860
Economic Development			12,909	12,909	17,192
Capital Outlay					
General Government	12,000	12,000	16,282	4,282	9,975
Public Works	105,000	105,000	108,255	3,255	3,300
Culture and Recreation	17,500	17,500	35,059	17,559	64,970
Total Expenditures	<u>1,441,716</u>	<u>1,441,716</u>	<u>1,399,943</u>	<u>(41,773)</u>	<u>1,339,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	99,404	99,404	340,018	240,614	271,223
OTHER FINANCING SOURCES (USES)					
Transfers Out	(89,635)	(89,635)	(285,335)	(195,700)	(219,987)
Net Change in Fund Balances	<u>\$ 9,769</u>	<u>\$ 9,769</u>	54,683	<u>\$ 44,914</u>	51,236
FUND BALANCE, BEGINNING OF YEAR			<u>979,105</u>		<u>927,869</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,033,788</u>		<u>\$ 979,105</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TAX INCREMENT NO. 4-7 SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015				2014 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Tax Increment	\$	\$	\$ 33,304	\$ 33,304	\$
Interest Income	100	100	25	(75)	86
Total Revenues	<u>100</u>	<u>100</u>	<u>33,329</u>	<u>33,229</u>	<u>86</u>
EXPENDITURES					
Current					
Economic Development	201	201	14,862	14,661	13,061
Net Change in Fund Balances	<u>\$ (101)</u>	<u>\$ (101)</u>	18,467	<u>\$ 18,568</u>	(12,975)
FUND BALANCE, BEGINNING OF YEAR			<u>(364,400)</u>		<u>(351,425)</u>
FUND BALANCE, END OF YEAR			<u>\$ (345,933)</u>		<u>\$ (364,400)</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2015	2014
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash	\$ 799,967	\$ 702,341	\$ 1,502,308	\$ 1,358,029
Accounts Receivable	73,243	84,421	157,664	147,944
Due from Other Governmental Units				846
Prepaid Items	10,479	7,968	18,447	20,706
Advance to Other Funds	135,166	49,159	184,325	162,812
Total Current Assets	<u>1,018,855</u>	<u>843,889</u>	<u>1,862,744</u>	<u>1,690,337</u>
Noncurrent Assets				
Capital Assets				
Assets Not Being Depreciated	215,115	143,936	359,051	359,051
Other Capital Assets, Net of Depreciation	<u>3,377,769</u>	<u>4,620,127</u>	<u>7,997,896</u>	<u>8,351,413</u>
Total Noncurrent Assets	<u>3,592,884</u>	<u>4,764,063</u>	<u>8,356,947</u>	<u>8,710,464</u>
Total Assets	<u>4,611,739</u>	<u>5,607,952</u>	<u>10,219,691</u>	<u>10,400,801</u>
Deferred Outflows of Resources				
Related to Pensions	<u>14,010</u>	<u>14,010</u>	<u>28,020</u>	
Total Assets and Deferred Outflows of Resources	<u>\$ 4,625,749</u>	<u>\$ 5,621,962</u>	<u>\$ 10,247,711</u>	<u>\$ 10,400,801</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 25,087	\$ 482	\$ 25,569	\$ 3,649
Accrued Salaries	4,878	4,407	9,285	7,023
Accrued Interest Payable	1,120	24,241	25,361	28,611
Bonds Held in Escrow		1,430	1,430	1,430
Current Portion of Long-Term Debt	<u>93,424</u>	<u>236,000</u>	<u>329,424</u>	<u>469,298</u>
Total Current Liabilities	<u>124,509</u>	<u>266,560</u>	<u>391,069</u>	<u>510,011</u>
Noncurrent Liabilities				
Long-Term Portion of Long-Term Debt	<u>88,819</u>	<u>1,960,509</u>	<u>2,049,328</u>	<u>2,229,893</u>
Total Liabilities	<u>213,328</u>	<u>2,227,069</u>	<u>2,440,397</u>	<u>2,739,904</u>
Deferred Inflows of Resources				
Related to Pensions	<u>3,763</u>	<u>3,763</u>	<u>7,526</u>	
Net Position				
Net Investment in Capital Assets	3,499,460	2,653,063	6,152,523	6,036,742
Unrestricted	<u>909,198</u>	<u>738,067</u>	<u>1,647,265</u>	<u>1,624,155</u>
Total Net Position	<u>4,408,658</u>	<u>3,391,130</u>	<u>7,799,788</u>	<u>7,660,897</u>
Total Liabilities, Deferred Inflows of Resources and Net position	<u>\$ 4,625,749</u>	<u>\$ 5,621,962</u>	<u>\$ 10,247,711</u>	<u>\$ 10,400,801</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2015	2014
OPERATING REVENUES				
Charges for Services	\$ 616,854	\$ 664,256	\$ 1,281,110	\$ 1,260,592
Other	7,441	9,079	16,520	16,067
Total Operating Revenues	<u>624,295</u>	<u>673,335</u>	<u>1,297,630</u>	<u>1,276,659</u>
OPERATING EXPENSES				
Salaries and Benefits	147,956	124,687	272,643	241,523
Utilities	40,491	31,765	72,256	87,644
Maintenance and Repair	46,385	27,010	73,395	72,458
Supplies and Minor Equipment	5,140	13,464	18,604	15,501
Chemicals	2,013	9,245	11,258	14,712
Insurance	25,132	17,788	42,920	38,627
Professional Services	6,699	12,171	18,870	22,425
Miscellaneous	15,320	10,751	26,071	24,654
Depreciation	278,079	253,956	532,035	523,593
Total Operating Expenses	<u>567,215</u>	<u>500,837</u>	<u>1,068,052</u>	<u>1,041,137</u>
Operating Income (Loss)	<u>57,080</u>	<u>172,498</u>	<u>229,578</u>	<u>235,522</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	6,906	3,706	10,612	9,756
Bond Interest and Fees	(5,722)	(75,361)	(81,083)	(94,451)
Refunds and Reimbursements	1,806	751	2,557	(1,380)
Rental Income	25,450	32,760	58,210	59,157
Total Nonoperating Revenues (Expenses)	<u>28,440</u>	<u>(38,144)</u>	<u>(9,704)</u>	<u>(26,918)</u>
Income (Loss) Before Capital Contributions	<u>85,520</u>	<u>134,354</u>	<u>219,874</u>	<u>208,604</u>
CAPITAL CONTRIBUTIONS				
Developer Contributions	16,929	24,164	41,093	
Change in Net Position	<u>102,449</u>	<u>158,518</u>	<u>260,967</u>	<u>208,604</u>
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED				
	<u>4,367,247</u>	<u>3,293,650</u>	<u>7,660,897</u>	<u>7,452,293</u>
PRIOR PERIOD ADJUSTMENT				
	<u>(61,038)</u>	<u>(61,038)</u>	<u>(122,076)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED				
	<u>4,306,209</u>	<u>3,232,612</u>	<u>7,538,821</u>	<u>7,452,293</u>
NET POSITION, END OF YEAR				
	<u>\$ 4,408,658</u>	<u>\$ 3,391,130</u>	<u>\$ 7,799,788</u>	<u>\$ 7,660,897</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 620,702	\$ 667,330	\$ 1,288,032	\$ 1,282,273
Payments Received from Other Sources		724	724	973
Payments to Suppliers	(117,327)	(121,868)	(239,195)	(286,608)
Payments to Employees	(141,081)	(123,011)	(264,092)	(247,962)
Net Cash Provided (Used) by Operating Activities	362,294	423,175	785,469	748,676
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Advance to Other Funds	(19,622)	(1,891)	(21,513)	(6,262)
Refunds and Reimbursements	1,806	751	2,557	(858)
Rental Income	25,450	32,760	58,210	59,157
Net Cash Provided (Used) by Noncapital Financing Activities	7,634	31,620	39,254	52,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Long-Term Debt	(182,298)	(287,000)	(469,298)	(454,393)
Interest Paid on Long-Term Debt	(7,653)	(76,680)	(84,333)	(99,486)
Acquisition of Capital Assets	(113,174)	(24,251)	(137,425)	(95,615)
Net Cash Provided (Used) by Capital and Related Financing Activities	(303,125)	(387,931)	(691,056)	(649,494)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	6,906	3,706	10,612	9,756
Net Increase (Decrease) in Cash	73,709	70,570	144,279	160,975
CASH, BEGINNING OF YEAR	726,258	631,771	1,358,029	1,197,054
CASH, END OF YEAR	\$ 799,967	\$ 702,341	\$ 1,502,308	\$ 1,358,029

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 57,080	\$ 172,498	\$ 229,578	\$ 235,522
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	278,079	253,956	532,035	523,593
Pension Related Adjustments	3,409	3,409	6,818	
(Increase) Decrease In				
Accounts Receivable	(3,593)	(5,281)	(8,874)	6,587
Prepaid Items	2,034	225	2,259	(433)
Increase (Decrease) In				
Accounts Payable	21,819	101	21,920	(10,154)
Accrued Salaries	1,198	1,064	2,262	1,232
Compensated Absences	2,268	(2,797)	(529)	(7,671)
Net Cash Provided (Used) By Operating Activities	<u>\$ 362,294</u>	<u>\$ 423,175</u>	<u>\$ 785,469</u>	<u>\$ 748,676</u>

CITY OF COKATO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash	\$ 25,793	\$ 909
Accounts Receivable	676	
	\$ 26,469	\$ 909
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable	\$	\$ 909
Unearned Revenue	676	
Total Liabilities	676	909
Net Position		
Held in Trust for Community Development	17,277	
Held in Trust for Library	8,516	
Total Net Position	25,793	0
Total Liabilities and Net Position	\$ 26,469	\$ 909

CITY OF COKATO, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2015

	Private Purpose Trust Funds
ADDITIONS	
Loan Principal Repayments	\$ 2,639
Loan Interest Repayments	82
Interest Income	121
Total Additions	2,842
DEDUCTIONS	
Professional Fees	666
Capital Outlay	8,504
Other	85
Total Deductions	9,255
Change in Net Position	(6,413)
NET POSITION, BEGINNING OF YEAR	32,206
NET POSITION, END OF YEAR	\$ 25,793

See Accompanying Notes to the Financial Statements

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CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Cokato, Minnesota, is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the City misleading.

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, it has been determined the City has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues 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.

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

Property taxes, special assessments, intergovernmental revenue, charges for services, 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:

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

The Tax Increment No. 4-7 Special Revenue Fund is used to account for revenues and expenditures related to the tax increment financing district; financing is provided by tax increment received.

The Revolving Construction Capital Projects Fund is used to account for the costs incurred related to construction.

The 7th Street Project Capital Projects Fund is used to account for the costs incurred related to the 7th Street Reconstruction Project.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the operations of the City owned sewer utility system.

The Water Fund accounts for the operations of the City owned water utility system.

Additionally, the City reports the following fiduciary funds:

Private Purpose Trust Funds are used to account for trust arrangements under which the principal and income from the trusts are used for loans for businesses, community activities and library needs.

Agency Fund is used to account for the activity of the Best of Highway 12 committee. The committee is made up of the following cities: Cokato, Dassel, Delano, Howard Lake, Montrose and Waverly.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Cont'd)

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 utility functions and various other functions of the City. Elimination 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 of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

It is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The City may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash was comprised of deposits.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

The City does not have an investment policy in place that further limits its investment choices.

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Minnesota Statutes requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City treasurer or in a financial institution other than that furnishing the collateral.

The City does not have a policy that further limits its collateral choices.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities.

E. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of property.

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Wright County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. RECEIVABLES AND PAYABLES (Cont'd)

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. CAPITAL ASSETS

Capital assets, both tangible and intangible, which includes property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Tangible and intangible capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

Tangible and intangible assets of the City are depreciated using the straight-line method applied over their estimated useful lives of the assets. Useful lives vary from 20 to 50 years for buildings and improvements other than buildings, and 5 to 15 years for machinery and equipment.

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

The City does not possess any material amounts of intangible capital assets.

H. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The City has one item that qualifies for reporting in this category on the government-wide Statement of Net Position which is related to pensions.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

I. UNEARNED REVENUE

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

J. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary funds Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Employees are entitled to paid sick leave at the rate of one day for each calendar month of full-time service up to a maximum of forty-five days. Upon separation of employment and after two years of continuous employment, employees shall receive severance pay equal to forty percent of the employee's accumulated but unused sick leave balance (balance not to exceed 360 hours).

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the City pay health care premiums based on their age and level of coverage. Since the insurance rate is based on age, the City does not have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage (except as otherwise provided in a personnel policy). The City's personnel policy does not provide for any contributions upon employee retirement.

L. PENSIONS

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

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

M. 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 Statement of Net Position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The City has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, special assessments and pensions.

O. FUND BALANCE

In the governmental fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventories and prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the City Council.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the City's Administrator is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. FUND BALANCE (Cont'd)

The City requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

P. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund 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, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

Q. 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial 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 City's financial statements for the year ended December 31, 2014, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

A. BUDGETARY INFORMATION (Cont'd)

4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgeted expenditure appropriations lapse at year-end.

Encumbrance accounting is not used.

B. DEFICIT BALANCES

The following funds had a deficit balance:

Tax Increment No. 4-5	\$	32,197
Tax Increment No. 4-7		345,933
Tax Increment No. 4-8		15,021

The deficits will be eliminated by future revenues, transfers and collection of tax increments.

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
Special Revenue Funds		
Revolving Rehabilitation Loan	\$ 10,728	\$
Fire	221,775	154,270
Ambulance	184,701	147,898
Tax Increment No. 4-5	14,255	11,150
Tax Increment No. 4-7	14,862	201
Tax Increment No. 4-8	15,021	

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk - Deposits: The City's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

Governmental and Business-Type Activities

Pooled Cash in Bank Accounts	\$ 2,271,737
Pooled Cash in Savings Account	1,846,102
Petty Cash	500
	<u>4,118,339</u>

\$ 4,118,339

Fiduciary Funds

Pooled Cash in Bank Accounts	\$ 26,702
------------------------------	-----------

\$ 26,702

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 44,730	\$
Delinquent Taxes	17,615	
Special Assessments	5,206	5,206
	<u>67,551</u>	<u>5,206</u>
Total Governmental Activities	<u>\$ 67,551</u>	<u>\$ 5,206</u>
Business-Type Activities		
Accounts	<u>\$ 157,664</u>	<u>\$ 0</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 209,693	\$ 263,345	\$	\$ 473,038
Construction in Progress	930,570	255,035		1,185,605
Total Capital Assets, Not Being Depreciated	1,140,263	518,380	0	1,658,643
Capital Assets, Being Depreciated				
Improvements Other Than Building	7,332,496	260,148		7,592,644
Machinery and Equipment	2,470,717	115,644	(43,118)	2,543,243
Buildings	1,004,279		(7,729)	996,550
Total Capital Assets, Being Depreciated	10,807,492	375,792	(50,847)	11,132,437
Less Accumulated Depreciation for				
Improvements Other Than Building	4,166,834	191,916		4,358,750
Machinery and Equipment	1,577,791	104,598	(34,538)	1,647,851
Buildings	852,345	19,430	(7,729)	864,046
Total Accumulated Depreciation	6,596,970	315,944	(42,267)	6,870,647
Total Capital Assets, Being Depreciated, Net	4,210,522	59,848	(8,580)	4,261,790
Governmental Activities Net Capital Assets	<u>\$ 5,350,785</u>	<u>\$ 578,228</u>	<u>\$ (8,580)</u>	<u>\$ 5,920,433</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 30,280
Public Safety	196,361
Public Works	61,836
Culture and Recreation	27,467
Total Depreciation Expense - Governmental Activities	<u>\$ 315,944</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital asset activity was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 359,051	\$	\$	\$ 359,051
Capital Assets, Being Depreciated				
Improvements Other Than Building	6,084,830	97,858		6,182,688
Machinery and Equipment	503,673	76,609		580,282
Buildings	9,012,486	4,051		9,016,537
Total Capital Assets, Being Depreciated	15,600,989	178,518	0	15,779,507
Less Accumulated Depreciation for				
Improvements Other Than Building	2,978,384	225,417		3,203,801
Machinery and Equipment	262,451	31,428		293,879
Buildings	4,008,741	275,190		4,283,931
Total Accumulated Depreciation	7,249,576	532,035	0	7,781,611
Total Capital Assets, Being Depreciated, Net	8,351,413	(353,517)	0	7,997,896
Business-Type Activities Net Capital Assets	<u>\$ 8,710,464</u>	<u>\$ (353,517)</u>	<u>\$ 0</u>	<u>\$ 8,356,947</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 278,079
Water	253,956
Total Depreciation Expense - Business-Type Activities	<u>\$ 532,035</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of the interfund balances is as follows:

<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 46,081
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,138
Revolving Construction	Tax Increment No. 4-7	150,000
Nonmajor Governmental Funds	Tax Increment No. 4-7	11,608
Sewer	Tax Increment No. 4-7	135,166
Water	Tax Increment No. 4-7	49,159
Total Interfund Advance Balances		<u>\$ 393,152</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Cont'd)

A. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)

<u>Interest Due from Other Funds</u>	<u>Interest Due to Other Funds</u>	<u>Amount</u>
Revolving Construction	General	<u>\$ 13,560</u>

The interfund loans are for the financing of the Tax Increment Financing Districts No. 4-5 and 4-7.

B. INTERFUND TRANSFERS AND INTEREST

The composition of interfund transfers and interest on interfund loans are as follows:

	<u>Transfers In</u>		<u>Total</u>
	<u>Revolving Construction</u>	<u>Nonmajor Governmental Funds</u>	
Transfers Out			
General	\$ 100,700	\$ 184,635	\$ 285,335
Nonmajor Governmental Funds	106,000	5,676	111,676
 Total Interfund Transfers	 <u>\$ 206,700</u>	 <u>\$ 190,311</u>	 <u>\$ 397,011</u>
	<u>Interest Expense</u>		<u>Total</u>
	<u>Tax Increment No. 4-5</u>	<u>Tax Increment No. 4-7</u>	
Interest Income			
General	\$ 2,144	\$ 302	\$ 2,446
Revolving Construction		6,000	6,000
Sewer		4,622	4,622
Water		1,891	1,891
 Total Interfund Interest	 <u>\$ 2,144</u>	 <u>\$ 12,815</u>	 <u>\$ 14,959</u>

All transfers and interest were to assist with various financing activities in the recipient funds.

NOTE 7. LONG-TERM DEBT

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

G.O. Bonds are direct obligations and pledge the full faith and credit of the City. G.O. Bonds generally are issued as 15 year Serial Bonds with equal debt service payments each year.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. LONG-TERM DEBT (Cont'd)

B. COMPONENTS OF LONG-TERM DEBT

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>			
G.O. Improvement Bonds, Series 2008A	4.00-4.90%	02/01/2029	\$ 350,000
G.O. Crossover Refunding Bonds, Series 2012A	0.50-2.00%	02/01/2022	670,000
G.O. Equipment Certificates, Series 2013A	0.50-2.15%	02/01/2022	290,000
G.O. Improvement Bonds, Series 2014A	3.00-4.00%	02/01/2035	1,375,000
Net Pension Liability			246,412
Compensated Absences			30,907
Unamortized Bond Discount			2,464
			<u>2,464</u>
Total Governmental Activities			<u>\$ 2,964,783</u>
<u>Business-Type Activities</u>			
G.O. Wastewater Treatment Note	3.32%	02/20/2016	\$ 93,424
2004 G.O. Water Revenue Note	3.18%	08/20/2023	2,111,000
Net Pension Liability			149,388
Compensated Absences			24,940
			<u>24,940</u>
Total Business-Type Activities			<u>\$ 2,378,752</u>

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness and certificates. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences.

The City issued the 2004 G.O. Water Revenue Note to finance the costs of improvements. Revenues of the Water Fund are used to liquidate the outstanding note and compensated absences of the fund.

The City issued the G.O. Wastewater Treatment Note to finance the costs of improvements. Revenues of the Sewer Fund are used to liquidate the outstanding note and compensated absences of the fund.

In July 2008, the City issued \$450,000 of General Obligation Improvement Bonds, Series 2008A. The bonds were issued to finance the costs of improvements.

In April 2012, the City issued \$865,000 of General Obligation Crossover Refunding Bonds, Series 2012A. The bonds were issued to refund the General Obligation Bonds, Series 2006A. The total cash savings to the City will be \$72,597 with a net present value benefit of \$67,249.

In December 2013, the City issued \$290,000 of General Obligation Equipment Certificates, Series 2013A. The certificates were issued to finance the purchase of various capital equipment.

In September 2014, the City issued \$1,375,000 of General Obligation Improvement Bonds, Series 2014A. The bonds were issued to finance the costs of the 7th Street Reconstruction Project.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. LONG-TERM DEBT (Cont'd)

C. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for all bonded debt, notes and certificates outstanding are as follows:

Year Ending December 31	Governmental Activities			
	G.O. Improvement Bonds, Series 2008A		G.O. Crossover Refunding Bonds, Series 2012A	
	Principal	Interest	Principal	Interest
2016	\$ 20,000	\$ 15,970	\$ 100,000	\$ 8,905
2017	20,000	15,090	100,000	8,030
2018	20,000	14,210	95,000	6,960
2019	20,000	13,330	90,000	5,760
2020	20,000	12,450	95,000	4,370
2021-2025	120,000	46,420	190,000	3,705
2026-2029	130,000	13,230		
	<u>\$ 350,000</u>	<u>\$ 130,700</u>	<u>\$ 670,000</u>	<u>\$ 37,730</u>

Year Ending December 31	Governmental Activities			
	G.O. Equipment Certificates, Series 2013A		G.O. Improvement Bonds, Series 2014A	
	Principal	Interest	Principal	Interest
2016	\$ 40,000	\$ 3,885	\$ 30,000	\$ 45,963
2017	40,000	3,625	50,000	44,763
2018	40,000	3,255	50,000	43,263
2019	40,000	2,775	55,000	41,688
2020	40,000	2,175	60,000	39,963
2021-2025	90,000	1,890	320,000	165,638
2026-2030			375,000	110,438
2031-2035			435,000	43,644
	<u>\$ 290,000</u>	<u>\$ 17,605</u>	<u>\$ 1,375,000</u>	<u>\$ 535,360</u>

Year Ending December 31	Business-Type Activities			
	G.O. Wastewater Treatment Note		2004 G.O. Water Revenue Note	
	Principal	Interest	Principal	Interest
2016	\$ 93,424	\$ 1,551	\$ 236,000	\$ 67,130
2017			243,000	59,625
2018			251,000	51,898
2019			259,000	43,916
2020			267,000	35,680
2021-2024			855,000	54,950
	<u>\$ 93,424</u>	<u>\$ 1,551</u>	<u>\$ 2,111,000</u>	<u>\$ 313,199</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. LONG-TERM DEBT (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds, Series 2008A	\$ 385,000	\$	\$ (35,000)	\$ 350,000	\$ 20,000
G.O. Crossover Refunding Bonds, Series 2012A	770,000		(100,000)	670,000	100,000
G.O. Equipment Certificates, Series 2013A	290,000			290,000	40,000
G.O. Bonds, Series 2014A	1,375,000			1,375,000	30,000
Net Pension Liability*		448,825	(202,413)	246,412	
Compensated Absences	30,861	23,389	(23,343)	30,907	
Unamortized Bond Premium	12,070		(153)	11,917	
Discount	(10,876)		1,423	(9,453)	
	<u>\$ 2,852,055</u>	<u>\$ 472,214</u>	<u>\$ (359,486)</u>	<u>\$ 2,964,783</u>	<u>\$ 190,000</u>

* - Governmental additions include change in accounting principle of \$191,658. See Note 14 for additional information.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
G.O. Wastewater Treatment Note	\$ 275,722	\$	\$ (182,298)	\$ 93,424	\$ 93,424
2000 G.O. Water Revenue Note	58,000		(58,000)		
2004 G.O. Water Revenue Note	2,340,000		(229,000)	2,111,000	236,000
Net Pension Liability*		247,882	(98,494)	149,388	
Compensated Absences	25,469	14,482	(15,011)	24,940	
	<u>\$ 2,699,191</u>	<u>\$ 262,364</u>	<u>\$ (582,803)</u>	<u>\$ 2,378,752</u>	<u>\$ 329,424</u>

* - Proprietary additions include change in accounting principle of \$127,772. See Note 14 for additional information.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. LONG-TERM DEBT (Cont'd)

E. CONDUIT DEBT OBLIGATION

In 2012, the City issued a conduit debt refunding obligation. The obligation does not constitute an indebtedness of the City and is not a charge against its general credit or taxing powers. The obligation is payable solely from revenues of the respective entity to which the proceeds were remitted. As of December 31, 2015, the aggregate balance outstanding was \$3,580,000.

NOTE 8. RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program, with other cities in the state. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2015 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

There are no other claims liabilities reported in the funds based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9. CITY OF COKATO FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN

The City engaged an actuary to determine the City's liability for its supplemental pension plan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68 as of January 1, 2015.

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:

The Cokato Fire Relief Association participates in a single employer lump-sum defined benefit pension plan administered by the Association. The plan covers volunteer firefighters of the City's Fire department that have elected to join the plan. As of December 31, 2014 the plan covered 24 active firefighters and 8 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

Benefits Provided:

The plan provides lump-retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The plan includes a \$2,000 service pension benefit for each year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with 5 years of service. Plan provisions include a pro-rated vesting schedule that increases 4% for each additional year of service from 5 years at 40% through 20 years at 100%.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9. CITY OF COKATO FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

A. GENERAL INFORMATION ABOUT THE PENSION PLAN (Cont'd)

Contributions:

The plan is funded by state fire aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$29,976 in state fire aid to the plan on behalf of the Cokato Fire Relief Association for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's contributions were equal to the required contributions as set by state statute, if applicable. In addition, the City made voluntary contributions of \$9,465 to the plan.

B. NET PENSION LIABILITY

The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.75 percent
Salary Increases	N/A
Investment Rate of Return	4.00 percent, net of administrative expenses

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2014 - December 31, 2014.

The long-term expected rate of return on pension plan investments as determined using a building-block method in which best-estimate ranges 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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.48%	5.25%
International Equity	16.95%	5.25%
Fixed Income	41.80%	1.75%
Real Estate	0.53%	3.75%
Cash	23.24%	0.25%

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9. CITY OF COKATO FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY (Cont'd)

Discount Rate:

The discount rate used to measure the total pension liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 1/1/2015	\$ 689,477	\$ 663,101	\$ 26,376
Changes for the Year:			
Service Cost	21,538		21,538
Interest	28,441		28,441
Contributions - Employer		39,441	(39,441)
Net Investment Income		15,231	(15,231)
Administrative Expense		(976)	976
Net Change	<u>49,979</u>	<u>53,696</u>	<u>(3,717)</u>
Balances at 12/31/2015	<u>\$ 739,456</u>	<u>\$ 716,797</u>	<u>\$ 22,659</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability calculated using the discount rate of 4.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (3.00%)	Discount Rate (4.00%)	1% Increase in Discount Rate (5.00%)
City's Net Pension Liability	\$ 36,966	\$ 22,659	\$ 8,822

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in a separately-issued City of Cokato and Cokato Fire Relief Association December 31, 2015 GASB 67/68 Pension Accounting Report.

C. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2015, the City recognized pension expense of \$14,822. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9. CITY OF COKATO FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

C. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ 9,650	\$
Contributions paid to PERA subsequent to measurement date	<u>34,343</u>	<u>23,423</u>
Total	<u>\$ 43,993</u>	<u>\$ 23,423</u>

\$34,343 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pension plans will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2016	\$ 2,413
2017	2,413
2018	2,412
2019	2,412

D. PAYABLE TO PENSION PLAN

At December 31, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

At December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. This implementation allows the City to report its proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees less the pension plan's fiduciary net position on the financial statements.

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

General Employees Retirement Fund (GERF):

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

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.

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 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.

GERF Benefits:

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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

C. CONTRIBUTIONS

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

GERF Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$37,392. The City's contributions were equal to the required contributions for each year as set by state statute.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

GERF Pension Costs:

At December 31, 2015, the City reported a liability of \$373,141 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0072%.

For the year ended December 31, 2015, the City recognized pension expense of \$54,436 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 18,814
Differences between projected and actual investment earnings	35,324	
Changes in proportion and differences between contributions made and City's proportionate share of contributions	14,092	
Contributions paid to PERA subsequent to measurement date	20,633	
	<u>70,049</u>	<u>18,814</u>
Totals	<u>\$ 70,049</u>	<u>\$ 18,814</u>

\$20,633 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Pension</u>
2016	\$ 7,257
2017	7,257
2018	7,257
2019	8,830

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

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

The following changes in actuarial assumptions occurred in 2015:

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

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

F. DISCOUNT RATE

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

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

G. 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:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's proportionate share of the GERF net pension liability	\$ 586,711	\$ 373,141	\$ 196,766

H. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 11. FUND BALANCE

The following is a summary of fund balance components:

	<u>General</u>	<u>Tax Increment No. 4-7</u>
Nonspendable		
Prepaid Items	\$ 27,661	\$
Advance to Other Funds	46,081	
Total Nonspendable	<u>73,742</u>	<u>0</u>
Unassigned	<u>960,046</u>	<u>(345,933)</u>
	<u>\$ 1,033,788</u>	<u>\$ (345,933)</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 11. FUND BALANCE (Cont'd)

	Revolving Construction	7th Street	Nonmajor Governmental Funds	Total
Nonspendable				
Prepaid Items	\$	\$	\$ 9,547	\$ 37,208
Advance to Other Funds	150,000		12,746	208,827
Total Nonspendable	<u>150,000</u>	<u>0</u>	<u>22,293</u>	<u>246,035</u>
Restricted for				
Debt Service			196,094	196,094
Assigned				
Fire Protection			276,335	276,335
Ambulance Service			131,029	131,029
Rehabilitation Loan			80,731	80,731
Cemetery			16,983	16,983
Park Dedication			54,353	54,353
Construction	424,516	260,311		684,827
Capital Equipment			109,784	109,784
Total Assigned	<u>424,516</u>	<u>260,311</u>	<u>669,215</u>	<u>1,354,042</u>
Unassigned			<u>(47,218)</u>	<u>566,895</u>
	<u>\$ 574,516</u>	<u>260,311</u>	<u>\$ 840,384</u>	<u>\$ 2,363,066</u>

NOTE 12. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to the current year's presentation. There was no affect on total net position or fund balance.

NOTE 13. CONSTRUCTION COMMITMENT

The City has the following project in progress:

Project	Original Contract Amount	Remaining Commitment
7th Street Reconstruction	\$ 1,199,817	\$ 107,145

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 14. PRIOR PERIOD ADJUSTMENT

The beginning net position of the governmental activities has been decreased to reflect a change in accounting principle. As mentioned in Note 10, the City implemented GASB 68 and GASB 71 which records the City's proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense on the City's government-wide financial statements. Beginning governmental activities net position has been restated from \$4,968,070 to \$4,784,957 (a decrease of \$183,113). Beginning Water Fund net position has been restated from \$3,293,650 to \$3,232,612 (a decrease of \$61,038). Beginning Sewer Fund net position has been restated from \$4,367,247 to \$4,306,209 (a decrease of \$61,038). Prior year partial comparative information does not reflect this change in accounting principle because the cost-sharing multiple-employer defined benefit pension plans in which the City participates have not made this information available.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF COKATO, MINNESOTA

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2015

Schedule of Proportionate Share of the Net Pension Liability

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pension</u> <u>PERA - GERS</u> 6/30/2015	0.0072%	\$ 373,141	\$ 424,947	87.8%	78.2%

Schedule of Employer Contributions

Year Ended December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pension</u> <u>PERA - GERS</u> 2015	\$ 37,392	\$ 37,392	\$	\$ 496,397	7.53%

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF COKATO, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY FIRE RELIEF ASSOCIATION'S
NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2015

Service Cost	\$ 21,538
Interest	28,441
Net Change in Total Pension Liability	<u>49,979</u>
Total Pension Liability - Beginning of Year 12/31/2013	<u>689,477</u>
Total Pension Liability - End of Year 12/31/2014	<u>\$ 739,456</u>
Contributions - Employer	\$ 39,441
Net Investment Income	15,231
Administrative Expense	(976)
Net Change in Plan Fiduciary Net Position	<u>53,696</u>
Total Plan Fiduciary Net Position - Beginning of Year 12/31/2013	<u>663,101</u>
Total Plan Fiduciary Net Position - End of Year 12/31/2014	<u>\$ 716,797</u>
Fire Relief Association's Net Pension Liability - Ending 12/31/2014	<u>\$ 22,659</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97%

The City implemented GASB Statement No. 68 for the year ended December 31, 2015. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

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CITY OF COKATO, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	Special Revenue	Debt Service	Capital Projects	Totals	
				2015	2014
ASSETS					
Cash	\$ 494,955	\$ 194,829	\$ 211,764	\$ 901,548	\$ 765,631
Receivables					
Accounts	14,460			14,460	21,667
Delinquent Taxes		3,711		3,711	1,948
Due from Other Governmental Units		1,265		1,265	10,112
Prepaid Items	9,547			9,547	10,359
Advance to Other Funds	12,746			12,746	43,375
Total Assets	<u>\$ 531,708</u>	<u>\$ 199,805</u>	<u>\$ 211,764</u>	<u>\$ 943,277</u>	<u>\$ 853,092</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 2,597	\$	\$	\$ 2,597	\$ 3,763
Contracts Payable			47,627	47,627	
Accrued Salaries	1,739			1,739	139
Interest Payable					2,336
Advance from Other Funds	47,219			47,219	34,018
Total Liabilities	<u>51,555</u>	<u>0</u>	<u>47,627</u>	<u>99,182</u>	<u>40,256</u>
Deferred Inflows of Resources					
Unavailable Revenue					
Delinquent Taxes		3,711		3,711	232,120
Fund Balance					
Nonspendable	22,293			22,293	53,734
Restricted		196,094		196,094	118,465
Assigned	505,078		164,137	669,215	672,707
Unassigned	(47,218)			(47,218)	(34,018)
Total Fund Balance	<u>480,153</u>	<u>196,094</u>	<u>164,137</u>	<u>840,384</u>	<u>810,888</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 531,708</u>	<u>\$ 199,805</u>	<u>\$ 211,764</u>	<u>\$ 943,277</u>	<u>\$ 1,083,264</u>

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue	Debt Service	Capital Projects	Totals	
				2015	2014
REVENUES					
Property Taxes	\$	\$ 280,081	\$	\$ 280,081	\$ 136,646
Tax Increment	22,451			22,451	19,297
Intergovernmental	25,275			25,275	30,576
Charges for Services	262,838			262,838	261,086
Interest Income	1,348	153	439	1,940	2,300
Loan Principal Repayment	6,420			6,420	12,830
Miscellaneous	73,467			73,467	28,464
Total Revenues	391,799	280,234	439	672,472	491,199
EXPENDITURES					
Current					
General Government	424			424	2,448
Public Safety	332,725			332,725	287,616
Economic Development	40,713			40,713	27,457
Capital Outlay					
Public Safety	73,751		3,662	77,413	59,974
Public Works					170,143
Culture and Recreation			62,055	62,055	
Debt Service					
Principal		135,000		135,000	130,000
Interest and Other		73,281		73,281	32,069
Total Expenditures	447,613	208,281	65,717	721,611	709,707
Excess (Deficiency) of Revenues Over (Under) Expenditures	(55,814)	71,953	(65,278)	(49,139)	(218,508)
OTHER FINANCING SOURCES (USES)					
Transfers In	89,635	5,676	95,000	190,311	125,710
Transfers Out	(111,676)			(111,676)	(5,723)
Total Other Financing Sources (Uses)	(22,041)	5,676	95,000	78,635	119,987
Net Change in Fund Balances	(77,855)	77,629	29,722	29,496	(98,521)
FUND BALANCE, BEGINNING OF YEAR	558,008	118,465	134,415	810,888	909,409
FUND BALANCE, END OF YEAR	\$ 480,153	\$ 196,094	\$ 164,137	\$ 840,384	\$ 810,888

CITY OF COKATO, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	Revolving	Cemetery	Fire	Ambulance	Tax Increment	Tax Increment	Totals	
	Loan				No. 4-5	No. 4-8	2015	2014
ASSETS								
Cash	\$ 80,731	\$ 16,998	\$ 276,335	\$ 118,308	\$ 2,583	\$	\$ 494,955	\$ 509,268
Receivables								
Accounts				14,460			14,460	21,667
Due From Other Governmental Units								8,899
Prepaid Items		83	7,063	2,401			9,547	10,359
Advance to Other Funds	12,746						12,746	43,375
Total Assets	\$ 93,477	\$ 17,081	\$ 283,398	\$ 135,169	\$ 2,583	\$ 0	\$ 531,708	\$ 593,568
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts Payable	\$	\$ 15	\$	\$	\$ 2,582	\$	\$ 2,597	\$ 1,403
Accrued Salaries				1,739			1,739	139
Advance from Other Funds					32,198	15,021	47,219	34,018
Total Liabilities	0	15	0	1,739	34,780	15,021	51,555	35,560
Fund Balance								
Nonspendable	12,746	83	7,063	2,401			22,293	53,734
Assigned	80,731	16,983	276,335	131,029			505,078	538,292
Unassigned					(32,197)	(15,021)	(47,218)	(34,018)
Total Fund Balance	93,477	17,066	283,398	133,430	(32,197)	(15,021)	480,153	558,008
Total Liabilities and Fund Balance	\$ 93,477	\$ 17,081	\$ 283,398	\$ 135,169	\$ 2,583	\$ 0	\$ 531,708	\$ 593,568

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Revolving	Cemetery	Fire	Ambulance	Tax Increment	Tax Increment	Tax Increment	Totals	
	Rehabilitation Loan				No. 54	No. 4-5	No. 4-8	2015	2014
REVENUES									
Tax Increment	\$	\$	\$	\$	\$ 6,380	\$ 16,071	\$	\$ 22,451	\$ 19,297
Intergovernmental			25,275					25,275	30,576
Charges for Services			98,684	164,154				262,838	261,086
Interest Income	365	76	223	674	5	5		1,348	1,351
Loan Principal Repayment	6,420							6,420	12,830
Miscellaneous		150	72,112	1,205				73,467	28,464
Total Revenues	6,785	226	196,294	166,033	6,385	16,076	0	391,799	353,604
EXPENDITURES									
Current									
General Government		424						424	2,448
Public Safety			170,219	162,506				332,725	287,616
Economic Development	10,728				709	14,255	15,021	40,713	27,457
Capital Outlay									
Public Safety			51,556	22,195				73,751	59,974
Total Expenditures	10,728	424	221,775	184,701	709	14,255	15,021	447,613	377,495
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,943)	(198)	(25,481)	(18,668)	5,676	1,821	(15,021)	(55,814)	(23,891)
OTHER FINANCING SOURCES (USES)									
Transfers In			89,635					89,635	88,987
Transfers Out			(53,000)	(53,000)	(5,676)			(111,676)	(5,723)
Total Other Financing Sources (Uses)	0	0	36,635	(53,000)	(5,676)	0	0	(22,041)	83,264
Net Change in Fund Balances	(3,943)	(198)	11,154	(71,668)	0	1,821	(15,021)	(77,855)	59,373
FUND BALANCE, BEGINNING OF YEAR	97,420	17,264	272,244	205,098		(34,018)		558,008	498,635
FUND BALANCE, END OF YEAR	\$ 93,477	\$ 17,066	\$ 283,398	\$ 133,430	\$ 0	\$ (32,197)	\$ (15,021)	\$ 480,153	\$ 558,008

CITY OF COKATO, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	G.O. Improvement	G.O. Crossover	G.O. Equipment	G.O. Improvement	Totals	
	Bonds, Series 2008A	Refunding Bonds, Series 2012A	Certificates, Series 2013A	Bonds, Series 2014A	2015	2014
ASSETS						
Cash	\$ 3,572	\$ 94,602	\$ 43,938	\$ 52,717	\$ 194,829	\$ 119,588
Receivables						
Delinquent Taxes	463	1,381	611	1,256	3,711	1,948
Special Assessments						230,172
Due from Other Governmental Units	158	471	208	428	1,265	1,213
	<u>158</u>	<u>471</u>	<u>208</u>	<u>428</u>	<u>1,265</u>	<u>1,213</u>
Total Assets	<u>\$ 4,193</u>	<u>\$ 96,454</u>	<u>\$ 44,757</u>	<u>\$ 54,401</u>	<u>\$ 199,805</u>	<u>\$ 352,921</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Interest Payable	\$	\$	\$	\$	\$	\$ 2,336
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Taxes-Special Assessments	463	1,381	611	1,256	3,711	232,120
Fund Balance						
Restricted for Debt Service	3,730	95,073	44,146	53,145	196,094	118,465
	<u>3,730</u>	<u>95,073</u>	<u>44,146</u>	<u>53,145</u>	<u>196,094</u>	<u>118,465</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,193</u>	<u>\$ 96,454</u>	<u>\$ 44,757</u>	<u>\$ 54,401</u>	<u>\$ 199,805</u>	<u>\$ 352,921</u>

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	G.O. Improvement Bonds, Series 2008A	G.O. Crossover Refunding Bonds, Series 2012A	G.O. Equipment Certificates, Series 2013A	G.O. Improvement Bonds, Series 2014A	Totals	
					2015	2014
REVENUES						
Property Taxes	\$ 34,941	\$ 104,229	\$ 46,103	\$ 94,808	\$ 280,081	\$ 136,646
Interest Income	2	72	36	43	153	83
Total Revenues	<u>34,943</u>	<u>104,301</u>	<u>46,139</u>	<u>94,851</u>	<u>280,234</u>	<u>136,729</u>
EXPENDITURES						
Debt Service						
Principal	35,000	100,000			135,000	130,000
Interest and Other	17,560	10,030	3,985	41,706	73,281	32,069
Total Expenditures	<u>52,560</u>	<u>110,030</u>	<u>3,985</u>	<u>41,706</u>	<u>208,281</u>	<u>162,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,617)	(5,729)	42,154	53,145	71,953	(25,340)
OTHER FINANCING SOURCES (USES)						
Transfers In		5,676			5,676	5,723
Net Change in Fund Balances	<u>(17,617)</u>	<u>(53)</u>	<u>42,154</u>	<u>53,145</u>	<u>77,629</u>	<u>(19,617)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>21,347</u>	<u>95,126</u>	<u>1,992</u>	<u></u>	<u>118,465</u>	<u>138,082</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,730</u>	<u>\$ 95,073</u>	<u>\$ 44,146</u>	<u>\$ 53,145</u>	<u>\$ 196,094</u>	<u>\$ 118,465</u>

CITY OF COKATO, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	Capital	Park	Totals	
	Equipment	Dedication	2015	2014
ASSETS				
Cash	\$ 109,784	\$ 101,980	\$ 211,764	\$ 136,775
Total Assets	<u>\$ 109,784</u>	<u>\$ 101,980</u>	<u>\$ 211,764</u>	<u>\$ 136,775</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$	\$	\$	\$ 2,360
Contracts Payable		47,627	47,627	
Total Liabilities		<u>47,627</u>	<u>47,627</u>	<u>2,360</u>
Fund Balance				
Assigned	109,784	54,353	164,137	134,415
Total Fund Balance	<u>109,784</u>	<u>54,353</u>	<u>164,137</u>	<u>134,415</u>
Total Liabilities and Fund Balance	<u>\$ 109,784</u>	<u>\$ 101,980</u>	<u>\$ 211,764</u>	<u>\$ 136,775</u>

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Capital Equipment	Park Dedication	Totals	
			2015	2014
REVENUES				
Interest Income	\$ 197	\$ 242	\$ 439	\$ 866
EXPENDITURES				
Capital Outlay				
Public Safety	3,662		3,662	21,750
Public Works				148,393
Culture and Recreation		62,055	62,055	
Total Expenditures	<u>3,662</u>	<u>62,055</u>	<u>65,717</u>	<u>170,143</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,465)	(61,813)	(65,278)	(169,277)
OTHER FINANCING SOURCES (USES)				
Transfers In	25,000	70,000	95,000	31,000
Net Change in Fund Balances	<u>21,535</u>	<u>8,187</u>	<u>29,722</u>	<u>(138,277)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>88,249</u>	<u>46,166</u>	<u>134,415</u>	<u>272,692</u>
FUND BALANCE, END OF YEAR	<u>\$ 109,784</u>	<u>\$ 54,353</u>	<u>\$ 164,137</u>	<u>\$ 134,415</u>

CITY OF COKATO, MINNESOTA

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 993,068	\$ 924,378
Receivables		
Accounts	30,270	38,879
Delinquent Taxes	13,904	13,489
Special Assessments	5,206	5,206
Due from Other Governmental Units	6,484	10,386
Prepaid Items	27,661	26,009
Advance to Other Funds	<u>46,081</u>	<u>34,018</u>
Total Assets	<u>\$ 1,122,674</u>	<u>\$ 1,052,365</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 32,223	\$ 26,996
Interest Payable	13,560	
Due to Other Governmental Units	5,080	2,964
Accrued Salaries	13,813	10,630
Unearned Revenue	<u>5,100</u>	<u>13,975</u>
Total Liabilities	69,776	54,565
Deferred Inflows of Resources		
Unavailable Revenue		
Delinquent Taxes	13,904	13,489
Special Assessments	<u>5,206</u>	<u>5,206</u>
Total Deferred Inflows of Resources	19,110	18,695
Fund Balance		
Nonspendable	73,742	60,027
Assigned		57
Unassigned	<u>960,046</u>	<u>919,021</u>
Total Fund Balance	<u>1,033,788</u>	<u>979,105</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,122,674</u>	<u>\$ 1,052,365</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015			2014 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Property Taxes	\$ 902,788	\$ 905,645	\$ 2,857	\$ 899,503
Tax Increment				3,757
Licenses and Permits				
Franchise Fee		11,646	11,646	16,434
Building Permits	12,000	43,057	31,057	12,913
Liquor Licenses	2,200	5,225	3,025	5,200
Other	450	1,730	1,280	1,460
Total Licenses and Permits	14,650	61,658	47,008	36,007
Intergovernmental				
Local Government Aid	567,796	567,796		552,496
Police Aid	13,000	16,703	3,703	15,801
Other State Aids	1,276	35,978	34,702	1,380
Total Intergovernmental	582,072	620,477	38,405	569,677
Charges for Services				
City Hall Rent	7,000	9,830	2,830	8,655
Planning-Zoning Fees	400	9,107	8,707	470
Sanitation-Recycling Collection	3,250	4,684	1,434	5,707
Swimming Pool Fees	16,000	19,112	3,112	15,968
Other	700	1,569	869	21,102
Total Charges for Services	27,350	44,302	16,952	51,902
Interest Income	3,160	3,985	825	4,472
Miscellaneous				
Fines and Forfeits	10,000	6,322	(3,678)	6,358
Refunds and Reimbursements		88,861	88,861	37,749
Contributions and Donations		3,588	3,588	1,050
Sale of Fixed Assets		3,500	3,500	
Other	1,100	1,623	523	
Total Miscellaneous	11,100	103,894	92,794	45,157
Total Revenues	1,541,120	1,739,961	198,841	1,610,475
EXPENDITURES				
Current				
General Government				
Mayor and Council	35,003	25,255	(9,748)	28,062
Planning and Zoning	4,200	3,916	(284)	717
Professional Services	45,000	121,820	76,820	42,009
Assessors	13,000	12,298	(702)	12,102
Administrator's Salary and Expenditures	53,943	50,975	(2,968)	51,070
Clerk's Salary and Expenditures	75,222	85,129	9,907	75,124
City Hall	32,414	30,832	(1,582)	32,778
Election	100		(100)	4,635
Total General Government	258,882	330,225	71,343	246,497

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Safety				
Police Contract	\$ 293,960	\$ 287,118	\$ (6,842)	\$ 281,543
Animal Control	10,000	6,257	(3,743)	5,826
Building Inspection	12,000	55,092	43,092	12,905
Total Public Safety	<u>315,960</u>	<u>348,467</u>	<u>32,507</u>	<u>300,274</u>
Public Works				
Salaries	28,700	48,791	20,091	35,830
Materials and Supplies	40,700	24,516	(16,184)	44,915
Maintenance and Repair	121,500	4,101	(117,399)	130,852
Snow and Ice Removal	80,845	28,645	(52,200)	70,243
Street Lighting	64,000	90,204	26,204	63,958
Insurance	25,000	19,924	(5,076)	20,489
Utilities	13,497	1,983	(11,514)	12,439
Engineering and Other Professional Services	25,000	5,454	(19,546)	36,310
Miscellaneous	32,400	7,045	(25,355)	8,148
Total Public Works	<u>431,642</u>	<u>230,663</u>	<u>(200,979)</u>	<u>423,184</u>
Culture and Recreation				
Parks, Pool and Rink	162,888	166,247	3,359	134,512
Library and Museum	118,341	131,215	12,874	119,912
Community Education	19,503	20,621	1,118	19,436
Total Culture and Recreation	<u>300,732</u>	<u>318,083</u>	<u>17,351</u>	<u>273,860</u>
Economic Development				
Community Development		12,909	12,909	17,192
Capital Outlay				
General Government	12,000	16,282	4,282	9,975
Public Works	105,000	108,255	3,255	3,300
Culture and Recreation	17,500	35,059	17,559	64,970
Total Capital Outlay	<u>134,500</u>	<u>159,596</u>	<u>25,096</u>	<u>78,245</u>
Total Expenditures	<u>1,441,716</u>	<u>1,399,943</u>	<u>(41,773)</u>	<u>1,339,252</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	99,404	340,018	240,614	271,223
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(89,635)</u>	<u>(285,335)</u>	<u>(195,700)</u>	<u>(219,987)</u>
Net Change in Fund Balances	<u>\$ 9,769</u>	<u>54,683</u>	<u>\$ 44,914</u>	<u>51,236</u>
FUND BALANCE, BEGINNING OF YEAR		<u>979,105</u>		<u>927,869</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,033,788</u>		<u>\$ 979,105</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 REVOLVING REHABILITATION LOAN SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Interest Income	\$	\$ 365	\$ 365	\$ 170
Loan Principal Repayments		6,420	6,420	12,830
Total Revenues	0	6,785	6,785	13,000
EXPENDITURES				
Current				
Economic Development				
Professional Services		10,728	10,728	13,866
Net Change in Fund Balances	\$ 0	(3,943)	\$ (3,943)	(866)
FUND BALANCE, BEGINNING OF YEAR		97,420		98,286
FUND BALANCE, END OF YEAR		\$ 93,477		\$ 97,420

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Interest Income	\$ 40	\$ 76	\$ 36	\$ 55
Miscellaneous		150	150	300
Total Revenues	<u>40</u>	<u>226</u>	<u>186</u>	<u>355</u>
EXPENDITURES				
Current				
General Government				
Salaries	1,013	40	(973)	1,439
Insurance	225	203	(22)	190
Utilities	240	181	(59)	203
Miscellaneous	34		(34)	616
Total Expenditures	<u>1,512</u>	<u>424</u>	<u>(1,088)</u>	<u>2,448</u>
Net Change in Fund Balances	<u>\$ (1,472)</u>	<u>(198)</u>	<u>\$ 1,274</u>	<u>(2,093)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>17,264</u>		<u>19,357</u>
FUND BALANCE, END OF YEAR		<u>\$ 17,066</u>		<u>\$ 17,264</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FIRE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015			2014 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Intergovernmental	\$ 20,000	\$ 25,275	\$ 5,275	\$ 30,576
Charges for Services	89,635	98,684	9,049	88,837
Interest Income		223	223	523
Miscellaneous		72,112	72,112	26,566
Total Revenues	<u>109,635</u>	<u>196,294</u>	<u>86,659</u>	<u>146,502</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	29,067	36,979	7,912	31,316
Maintenance, Supplies and Repair	25,043	61,126	36,083	34,942
Utilities	7,360	5,054	(2,306)	6,485
Legal and Audit	5,500	4,715	(785)	4,440
Telephone	2,900	2,747	(153)	2,712
Insurance	16,000	17,007	1,007	16,636
Payments to Relief	51,500	34,343	(17,157)	39,441
Travel	6,000	7,784	1,784	4,203
Miscellaneous	1,400	464	(936)	858
Capital Outlay				
Public Safety	9,500	51,556	42,056	22,601
Total Expenditures	<u>154,270</u>	<u>221,775</u>	<u>67,505</u>	<u>163,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,635)	(25,481)	19,154	(17,132)
OTHER FINANCING SOURCES (USES)				
Transfers In	89,635	89,635		88,987
Transfers Out		(53,000)	(53,000)	
Total Other Financing Sources (Uses)	<u>89,635</u>	<u>36,635</u>	<u>(53,000)</u>	<u>88,987</u>
Net Change in Fund Balances	<u>\$ 45,000</u>	11,154	<u>\$ (33,846)</u>	71,855
FUND BALANCE, BEGINNING OF YEAR		<u>272,244</u>		<u>200,389</u>
FUND BALANCE, END OF YEAR		<u>\$ 283,398</u>		<u>\$ 272,244</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AMBULANCE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Charges for Services	\$ 147,348	\$ 164,154	\$ 16,806	\$ 172,249
Interest Income	550	674	124	586
Miscellaneous		1,205	1,205	1,598
Total Revenues	<u>147,898</u>	<u>166,033</u>	<u>18,135</u>	<u>174,433</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	81,998	97,540	15,542	80,800
Maintenance, Supplies and Repair	26,050	23,281	(2,769)	27,174
Insurance	4,000	4,646	646	3,607
Professional Services	19,000	17,093	(1,907)	21,308
Miscellaneous	16,850	19,946	3,096	13,694
Capital Outlay				
Public Safety		22,195	22,195	37,373
Total Expenditures	<u>147,898</u>	<u>184,701</u>	<u>36,803</u>	<u>183,956</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(18,668)	(18,668)	(9,523)
OTHER FINANCING USES (USES)				
Transfers Out				
		(53,000)	(53,000)	
Net Change in Fund Balances	<u>\$ 0</u>	<u>(71,668)</u>	<u>\$ (71,668)</u>	<u>(9,523)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>205,098</u>		<u>214,621</u>
FUND BALANCE, END OF YEAR		<u>\$ 133,430</u>		<u>\$ 205,098</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

TAX INCREMENT NO. 54 SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 6,000	\$ 6,380	\$ 380	\$ 6,647
Interest Income	11	5	(6)	9
Total Revenues	<u>6,011</u>	<u>6,385</u>	<u>374</u>	<u>6,656</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	1,115	683	(432)	918
Miscellaneous		26	26	15
Total Expenditures	<u>1,115</u>	<u>709</u>	<u>(406)</u>	<u>933</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,896	5,676	780	5,723
OTHER FINANCING USES (USES)				
Transfers Out		(5,676)	(5,676)	(5,723)
Net Change in Fund Balances	<u>\$ 4,896</u>	0	<u>\$ (4,896)</u>	0
FUND BALANCE, BEGINNING OF YEAR				
FUND BALANCE, END OF YEAR		<u>\$ 0</u>		<u>\$ 0</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

TAX INCREMENT NO. 4-5 SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 13,000	\$ 16,071	\$ 3,071	\$ 12,650
Interest Income	16	5	(11)	8
Total Revenues	<u>13,016</u>	<u>16,076</u>	<u>3,060</u>	<u>12,658</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	1,100	837	(263)	1,273
Developer Payment	10,050	11,248	1,198	8,855
Interest		2,144	2,144	2,515
Miscellaneous		26	26	15
Total Expenditures	<u>11,150</u>	<u>14,255</u>	<u>3,105</u>	<u>12,658</u>
Net Change in Fund Balances	<u>\$ 1,866</u>	<u>1,821</u>	<u>\$ (45)</u>	<u>0</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(34,018)</u>		<u>(34,018)</u>
FUND BALANCE, END OF YEAR		<u>\$ (32,197)</u>		<u>\$ (34,018)</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

TAX INCREMENT NO. 4-7 SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$	\$ 33,304	\$ 33,304	\$
Interest Income	100	25	(75)	86
Total Revenues	<u>100</u>	<u>33,329</u>	<u>33,229</u>	<u>86</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	201	2,022	1,821	724
Interest		12,815	12,815	12,322
Miscellaneous		25	25	15
Total Expenditures	<u>201</u>	<u>14,862</u>	<u>14,661</u>	<u>13,061</u>
Net Change in Fund Balances	<u>\$ (101)</u>	18,467	<u>\$ 18,568</u>	(12,975)
FUND BALANCE, BEGINNING OF YEAR		<u>(364,400)</u>		<u>(351,425)</u>
FUND BALANCE, END OF YEAR		<u>\$ (345,933)</u>		<u>\$ (364,400)</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

TAX INCREMENT NO. 4-8 SPECIAL REVENUE FUND

YEAR ENDED DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015		Over (Under) Final Budget	2014 Actual
	Final Budget	Actual		
EXPENDITURES				
Current				
Economic Development				
Project Costs	\$	\$ 15,000	\$ 15,000	\$
Interest		21	21	
Total Expenditures	<u>0</u>	<u>15,021</u>	<u>15,021</u>	<u>0</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(15,021)</u>	<u>\$ (15,021)</u>	<u>0</u>
FUND BALANCE, BEGINNING OF YEAR				
FUND BALANCE, END OF YEAR		<u>\$ (15,021)</u>		<u>\$ 0</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION
SEWER ENTERPRISE FUND
DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash	\$ 799,967	\$ 726,258
Accounts Receivable	73,243	69,303
Due from Other Governmental Units		347
Prepaid Items	10,479	12,513
Advance to Other Funds	135,166	115,544
Total Current Assets	<u>1,018,855</u>	<u>923,965</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	215,115	215,115
Other Capital Assets, Net of Depreciation	3,377,769	3,525,745
Total Noncurrent Assets	<u>3,592,884</u>	<u>3,740,860</u>
Total Assets	<u>4,611,739</u>	<u>4,664,825</u>
Deferred Outflows of Resources		
Related to Pensions	<u>14,010</u>	
Total Assets and Deferred Outflows of Resources	<u>\$ 4,625,749</u>	<u>\$ 4,664,825</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 25,087	\$ 3,268
Accrued Salaries	4,878	3,680
Accrued Interest Payable	1,120	3,051
Current Portion of Long-Term Debt	93,424	182,298
Total Current Liabilities	<u>124,509</u>	<u>192,297</u>
Noncurrent Liabilities		
Long-Term Portion of Long-Term Debt	<u>88,819</u>	<u>105,281</u>
Total Liabilities	<u>213,328</u>	<u>297,578</u>
Deferred Inflows of Resources		
Related to Pensions	3,763	
Net Position		
Net Investment in Capital Assets	3,499,460	3,465,138
Unrestricted	909,198	902,109
Total Net Position	<u>4,408,658</u>	<u>4,367,247</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,625,749</u>	<u>\$ 4,664,825</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2015
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015	2014
OPERATING REVENUES		
Charges for Services	\$ 616,854	\$ 600,233
Other		
Penalties	6,631	6,772
Other	810	
Total Operating Revenues	<u>624,295</u>	<u>607,005</u>
OPERATING EXPENSES		
Salaries and Benefits	147,956	123,908
Utilities	40,491	54,331
Maintenance and Repair	46,385	46,282
Supplies and Minor Equipment	5,140	4,130
Chemicals	2,013	3,283
Insurance	25,132	23,222
Professional Services	6,699	10,134
Miscellaneous	15,320	16,240
Depreciation	278,079	272,576
Total Operating Expenses	<u>567,215</u>	<u>554,106</u>
Operating Income (Loss)	57,080	52,899
NONOPERATING REVENUES (EXPENSES)		
Interest Income	6,906	6,262
Bond Interest and Fees	(5,722)	(11,605)
Refunds and Reimbursements	1,806	(511)
Rental Income	25,450	25,450
Total Nonoperating Revenues (Expenses)	<u>28,440</u>	<u>19,596</u>
Income (Loss) Before Capital Contributions	85,520	72,495
CAPITAL CONTRIBUTIONS		
Developer Contributions	16,929	
Change in Net Position	<u>102,449</u>	<u>72,495</u>
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	4,367,247	4,294,752
PRIOR PERIOD ADJUSTMENT	<u>(61,038)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>4,306,209</u>	<u>4,294,752</u>
NET POSITION, END OF YEAR	<u>\$ 4,408,658</u>	<u>\$ 4,367,247</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION

WATER ENTERPRISE FUND

DECEMBER 31, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash	\$ 702,341	\$ 631,771
Accounts Receivable	84,421	78,641
Due from Other Governmental Units		499
Prepaid Items	7,968	8,193
Advance to Other Funds	49,159	47,268
Total Current Assets	<u>843,889</u>	<u>766,372</u>
Noncurrent Assets		
Capital Assets		
Assets Not Being Depreciated	143,936	143,936
Other Capital Assets, Net of Depreciation	4,620,127	4,825,668
Total Noncurrent Assets	<u>4,764,063</u>	<u>4,969,604</u>
Total Assets	<u>5,607,952</u>	<u>5,735,976</u>
Deferred Outflows of Resources		
Related to Pensions	<u>14,010</u>	
Total Assets and Deferred Outflows of Resources	<u>\$ 5,621,962</u>	<u>\$ 5,735,976</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 482	\$ 381
Accrued Salaries	4,407	3,343
Accrued Interest Payable	24,241	25,560
Bonds Held in Escrow	1,430	1,430
Current Portion of Long-Term Debt	236,000	287,000
Total Current Liabilities	<u>266,560</u>	<u>317,714</u>
Noncurrent Liabilities		
Long-Term Portion of Long-Term Debt	1,960,509	2,124,612
Total Liabilities	<u>2,227,069</u>	<u>2,442,326</u>
Deferred Inflows of Resources		
Related to Pensions	3,763	
Net Position		
Net Investment in Capital Assets	2,653,063	2,571,604
Unrestricted	738,067	722,046
Total Net Position	<u>3,391,130</u>	<u>3,293,650</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,621,962</u>	<u>\$ 5,735,976</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015	2014
OPERATING REVENUES		
Charges for Services	\$ 664,256	\$ 660,359
Other		
Connection Fees	703	300
Penalties	7,652	8,022
Miscellaneous	724	973
Total Operating Revenues	673,335	669,654
OPERATING EXPENSES		
Salaries and Benefits	124,687	117,615
Utilities	31,765	33,313
Maintenance and Repair	27,010	26,176
Supplies and Minor Equipment	13,464	11,371
Chemicals	9,245	11,429
Insurance	17,788	15,405
Professional Services	12,171	12,291
Miscellaneous	10,751	8,414
Depreciation	253,956	251,017
Total Operating Expenses	500,837	487,031
Operating Income (Loss)	172,498	182,623
NONOPERATING REVENUES (EXPENSES)		
Interest Income	3,706	3,494
Bond Interest and Fees	(75,361)	(82,846)
Refunds and Reimbursements	751	(869)
Rental Income	32,760	33,707
Total Nonoperating Revenues (Expenses)	(38,144)	(46,514)
Income (Loss) Before Capital Contributions	134,354	136,109
CAPITAL CONTRIBUTIONS		
Developer Contributions	24,164	
Change in Net Position	158,518	136,109
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	3,293,650	3,157,541
PRIOR PERIOD ADJUSTMENT	(61,038)	
NET POSITION, BEGINNING OF YEAR, AS RESTATED	3,232,612	3,157,541
NET POSITION, END OF YEAR	\$ 3,391,130	\$ 3,293,650

CITY OF COKATO, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2014

	Community Development Private Purpose Trust Fund	Library Private Purpose Trust Fund	Best of Highway 12 Agency Fund	Totals	
				2015	2014
ASSETS					
Cash	\$ 17,277	\$ 8,516	\$ 909	\$ 26,702	\$ 33,114
Accounts Receivable	676			676	3,540
Total Assets	\$ 17,953	\$ 8,516	\$ 909	\$ 27,378	\$ 36,654
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
Liabilities					
Accounts Payable	\$	\$	\$ 909	\$ 909	\$ 908
Unearned Revenue	676			676	3,540
Total Liabilities	676	0	909	1,585	4,448
Net Position					
Held in Trust for Community Development	17,277			17,277	15,168
Held in Trust for Library		8,516		8,516	17,038
Total Net Position	17,277	8,516	0	25,793	32,206
Total Liabilities, Deferred Inflows of Resource	\$ 17,953	\$ 8,516	\$ 909	\$ 27,378	\$ 36,654

CITY OF COKATO, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Community Development Private Purpose Trust Fund	Library Private Purpose Trust Fund	Totals	
			2015	2014
ADDITIONS				
Loan Principal Repayments	\$ 2,639	\$	\$ 2,639	\$ 2,549
Loan Interest Repayments	82		82	172
Interest Income	54	67	121	88
Total Additions	<u>2,775</u>	<u>67</u>	<u>2,842</u>	<u>2,809</u>
DEDUCTIONS				
Professional Fees	666		666	670
Repairs, Maintenance and Supplies		8,504	8,504	
Other		85	85	85
Total Deductions	<u>666</u>	<u>8,589</u>	<u>9,255</u>	<u>755</u>
Change in Net Position	<u>2,109</u>	<u>(8,522)</u>	<u>(6,413)</u>	<u>2,054</u>
NET POSITION, BEGINNING OF YEAR	<u>15,168</u>	<u>17,038</u>	<u>32,206</u>	<u>30,152</u>
NET POSITION, END OF YEAR	<u>\$ 17,277</u>	<u>\$ 8,516</u>	<u>\$ 25,793</u>	<u>\$ 32,206</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2008A
DECEMBER 31, 2015

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/01/16	4.40%	\$ 20,000	\$ 8,205	\$ 28,205
08/01/16			7,765	7,765
02/01/17	4.40%	20,000	7,765	27,765
08/01/17			7,325	7,325
02/01/18	4.40%	20,000	7,325	27,325
08/01/18			6,885	6,885
02/01/19	4.40%	20,000	6,885	26,885
08/01/19			6,445	6,445
02/01/20	4.70%	20,000	6,445	26,445
08/01/20			6,005	6,005
02/01/21	4.70%	20,000	6,005	26,005
08/01/21			5,535	5,535
02/01/22	4.70%	25,000	5,534	30,534
08/01/22			4,948	4,948
02/01/23	4.70%	25,000	4,948	29,948
08/01/23			4,360	4,360
02/01/24	4.70%	25,000	4,360	29,360
08/01/24			3,773	3,773
02/01/25	4.70%	25,000	3,773	28,773
08/01/25			3,185	3,185
02/01/26	4.90%	30,000	3,185	33,185
08/01/26			2,450	2,450
02/01/27	4.90%	30,000	2,450	32,450
08/01/27			1,715	1,715
02/01/28	4.90%	35,000	1,715	36,715
08/01/28			858	858
02/01/29	4.90%	35,000	856	35,856
TOTAL		<u>\$ 350,000</u>	<u>\$ 130,700</u>	<u>\$ 480,700</u>

CITY OF COKATO, MINNESOTA

G.O. WASTEWATER TREATMENT NOTE
DECEMBER 31, 2015

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/20/16	3.32%	\$ 93,424	\$ 1,551	\$ 94,975

CITY OF COKATO, MINNESOTA

2004 G.O. WATER REVENUE NOTE
DECEMBER 31, 2015

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/20/16	3.18%	\$	\$ 33,565	\$ 33,565
08/20/16		236,000	33,565	269,565
02/20/17	3.18%		29,813	29,813
08/20/17		243,000	29,812	272,812
02/20/18	3.18%		25,949	25,949
08/20/18		251,000	25,949	276,949
02/20/19	3.18%		21,958	21,958
08/20/19		259,000	21,958	280,958
02/20/20	3.18%		17,840	17,840
08/20/20		267,000	17,840	284,840
02/20/21	3.18%		13,595	13,595
08/20/21		276,000	13,595	289,595
02/20/22	3.18%		9,206	9,206
08/20/22		285,000	9,204	294,204
02/20/23	3.18%		4,675	4,675
08/20/23		294,000	4,674	298,674
TOTAL		<u>\$ 2,111,000</u>	<u>\$ 313,198</u>	<u>\$ 2,424,198</u>

CITY OF COKATO, MINNESOTA

G.O. CROSSOVER REFUNDING BONDS, SERIES 2012A
DECEMBER 31, 2015

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/01/16	0.75%	\$ 100,000	\$ 4,640	\$ 104,640
08/01/16			4,265	4,265
02/01/17	1.00%	100,000	4,265	104,265
08/01/17			3,765	3,765
02/01/18	1.20%	95,000	3,765	98,765
08/01/18			3,195	3,195
02/01/19	1.40%	90,000	3,195	93,195
08/01/19			2,565	2,565
02/01/20	1.60%	95,000	2,565	97,565
08/01/20			1,805	1,805
02/01/21	1.80%	95,000	1,805	96,805
08/01/21			950	950
02/01/22	2.00%	95,000	950	95,950
TOTAL		<u>\$ 670,000</u>	<u>\$ 37,730</u>	<u>\$ 707,730</u>

CITY OF COKATO, MINNESOTA

G.O. EQUIPMENT CERTIFICATES, SERIES 2013A
DECEMBER 31, 2015

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/01/16	0.50%	\$ 40,000	\$ 1,993	\$ 41,993
08/01/16			1,892	1,892
02/01/17	0.80%	40,000	1,893	41,893
08/01/17			1,732	1,732
02/01/18	1.05%	40,000	1,733	41,733
08/01/18			1,522	1,522
02/01/19	1.35%	40,000	1,523	41,523
08/01/19			1,252	1,252
02/01/20	1.65%	40,000	1,253	41,253
08/01/20			922	922
02/01/21	1.95%	45,000	923	45,923
08/01/21			484	484
02/01/22	2.15%	45,000	483	45,483
TOTAL		<u>\$ 290,000</u>	<u>\$ 17,605</u>	<u>\$ 307,605</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2014A
DECEMBER 31, 2015

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/01/16	3.00%	\$ 30,000	\$ 23,207	\$ 53,207
08/01/16			22,756	22,756
02/01/17	3.00%	50,000	22,756	72,756
08/01/17			22,006	22,006
02/01/18	3.00%	50,000	22,006	72,006
08/01/18			21,257	21,257
02/01/19	3.00%	55,000	21,256	76,256
08/01/19			20,431	20,431
02/01/20	3.00%	60,000	20,431	80,431
08/01/20			19,532	19,532
02/01/21	4.00%	60,000	19,531	79,531
08/01/21			18,331	18,331
02/01/22	4.00%	60,000	18,331	78,331
08/01/22			17,132	17,132
02/01/23	4.00%	65,000	17,131	82,131
08/01/23			15,831	15,831
02/01/24	3.00%	65,000	15,831	80,831
08/01/24			14,857	14,857
02/01/25	3.00%	70,000	14,856	84,856
08/01/25			13,806	13,806
02/01/26	3.00%	70,000	13,806	83,806
08/01/26			12,757	12,757
02/01/27	3.00%	75,000	12,756	87,756
08/01/27			11,631	11,631
02/01/28	3.00%	75,000	11,631	86,631
08/01/28			10,507	10,507
02/01/29	3.00%	75,000	10,506	85,506
08/01/29			9,381	9,381
02/01/30	3.25%	80,000	9,381	89,381
08/01/30			8,081	8,081
02/01/31	3.25%	80,000	8,081	88,081
08/01/31			6,782	6,782
02/01/32	3.25%	85,000	6,781	91,781
08/01/32			5,400	5,400
02/01/33	4.00%	85,000	5,400	90,400
08/01/33			3,700	3,700
02/01/34	4.00%	90,000	3,700	93,700
08/01/34			1,900	1,900
02/01/35	4.00%	95,000	1,900	96,900
TOTAL		<u>\$ 1,375,000</u>	<u>\$ 535,356</u>	<u>\$ 1,910,356</u>

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cokato, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains 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 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's noncompliance with the above referenced provisions.

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

June 13, 2016

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cokato, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as 2006-001, 2006-002, and 2014-001 to be material weaknesses.

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St. Cloud-Sartell Office

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

June 13, 2016

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2015

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING 2006-001 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the City has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the City.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the City's current internal control.

Recommendation: The City should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the City can take responsibility for them.

MANAGEMENT'S RESPONSE

The City is aware of this; however, due to significant cost and a limited number of employees, it is in the City's best financial interest to contract for the preparation of the financial statements.

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2015

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd)

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING 2006-002 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The City has assigned duties to staff based on a cost-benefit relationship to the City and the practicality of the level of staffing the City maintains.

Effect: The lack of adequate segregation of duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The City should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

MANAGEMENT'S RESPONSE

The City is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2015

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd)

CURRENT YEAR ITEMS

FINDING 2014-001 MATERIAL AUDIT ADJUSTMENTS

Condition: The audit firm proposed and the City posted to its general ledger accounts certain corrections of misstatements.

Criteria: The City should have controls in place to prevent, or detect and correct a material misstatement in the financial statements in a timely manner.

Cause: The City has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with GAAP.

Effect: No effect on the financial statements.

Recommendation: The City should continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

MANAGEMENT'S RESPONSE

The City will continue to review and approve adjusting journal entries as proposed by the auditor, as well as taking responsibility for the audited financial statements.