

CITY OF COKATO, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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

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CITY OF COKATO, MINNESOTA

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CITY OF COKATO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017

<u>Elected Officials</u>	<u>Title</u>	<u>Term Expires</u>
Gordon Erickson	Mayor	12/31/2018
Carl Harju	Council Member	12/31/2020
Forrest Amundsen	Council Member	12/31/2020
Jarod Sebring	Council Member	12/31/2018
Paul Boger	Council Member	12/31/2018
<u>Administration</u>		
Annita Smythe	City Administrator	Appointed
Andrew Carlson	City Clerk/Treasurer	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, 2017, 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, 2017, 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.

Report on Partial Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated June 12, 2017. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2016 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 and related notes 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.

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 May 14, 2018, 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

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

June 11, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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, 2017. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded liabilities and deferred inflows by \$13,821,491. Of this amount, \$3,743,546 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 \$100,579.
- The City's governmental funds reported combined ending fund balances of \$3,068,990, an increase of \$436,103.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,273,856, or 87.25% of total General Fund expenditures of \$1,460,015.

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, 2017

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 fund 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 25-51 of this report.

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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.

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2017</u>	<u>2016</u>	
Current and Other Assets	\$ 3,642,091	\$ 2,799,827	\$ 842,264
Net Capital Assets	<u>8,401,680</u>	<u>6,002,101</u>	<u>2,399,579</u>
Total Assets	<u>12,043,771</u>	<u>8,801,928</u>	<u>3,241,843</u>
Deferred Outflows of Resources	<u>173,703</u>	<u>246,757</u>	<u>(73,054)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,217,474</u>	<u>\$ 9,048,685</u>	<u>\$ 3,168,789</u>
Current and Other Liabilities	\$ 660,002	\$ 175,972	\$ 484,030
Long-Term Liabilities	<u>5,555,278</u>	<u>2,943,022</u>	<u>2,612,256</u>
Total Liabilities	<u>6,215,280</u>	<u>3,118,994</u>	<u>3,096,286</u>
Deferred Inflows of Resources	111,250	70,332	40,918
Net Position			
Net Investment in Capital Assets	3,836,635	3,753,135	83,500
Restricted	199,033	196,252	2,781
Unrestricted	<u>1,855,276</u>	<u>1,909,972</u>	<u>(54,696)</u>
Total Net Position	<u>5,890,944</u>	<u>5,859,359</u>	<u>31,585</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 12,217,474</u>	<u>\$ 9,048,685</u>	<u>\$ 3,168,789</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Table 2
Comparative Condensed Statement of Net Position

	Business-Type Activities		Change
	2017	2016	
Current and Other Assets	\$ 2,126,832	\$ 2,035,859	\$ 90,973
Net Capital Assets	7,674,277	7,939,216	(264,939)
Total Assets	9,801,109	9,975,075	(173,966)
Deferred Outflows of Resources	54,487	122,983	(68,496)
Total Assets and Deferred Outflows of Resources	<u>\$ 9,855,596</u>	<u>\$ 10,098,058</u>	<u>\$ (242,462)</u>
Current and Other Liabilities	\$ 34,278	\$ 48,381	\$ (14,103)
Long-Term Liabilities	1,850,578	2,166,516	(315,938)
Total Liabilities	1,884,856	2,214,897	(330,041)
Deferred Inflows of Resources	40,193	21,608	18,585
Net Position			
Net Investment in Capital Assets	6,042,277	6,064,216	(21,939)
Unrestricted	1,888,270	1,797,337	90,933
Total Net Position	<u>7,930,547</u>	<u>7,861,553</u>	<u>68,994</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 9,855,596</u>	<u>\$ 10,098,058</u>	<u>\$ (242,462)</u>

Governmental Activities

Net position of the City's governmental activities increased by \$31,585. Table 3 presents the key elements of the increase.

Business-Type Activities

The net position of the business-type activities increased by \$68,994. The net increase was due to the following funds' change in net position: Sewer - \$42,848 decrease; and Water - \$111,842 increase .

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

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Table 3
Comparative Condensed Statement of Activities

	Governmental Activities		Change
	2017	2016	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 417,642	\$ 352,584	\$ 65,058
Operating Grants and Contributions	73,777	52,506	21,271
General Revenues			
Taxes	1,401,530	1,284,940	116,590
Grants and Contributions not Restricted	600,244	575,428	24,816
Interest Income	16,124	10,438	5,686
Gain on Addition of Assets		48,110	(48,110)
Other	16,881	92,191	(75,310)
Total Revenues	<u>2,526,198</u>	<u>2,416,197</u>	<u>110,001</u>
EXPENSES			
General Government	328,181	294,472	33,709
Public Safety	1,005,920	824,583	181,337
Public Works	480,659	331,311	149,348
Culture and Recreation	386,609	381,279	5,330
Economic Development	57,301	28,684	28,617
Interest on Long-Term Debt	227,837	79,908	147,929
Total Expenses	<u>2,486,507</u>	<u>1,940,237</u>	<u>546,270</u>
Change in Net Position before Interfund Interest	39,691	475,960	(436,269)
INTERFUND INTEREST			
Change in Net Position	<u>(8,106)</u>	<u>(7,372)</u>	<u>(734)</u>
NET POSITION, BEGINNING OF YEAR	<u>5,859,359</u>	<u>5,390,771</u>	<u>468,588</u>
NET POSITION, END OF YEAR	<u>\$ 5,890,944</u>	<u>\$ 5,859,359</u>	<u>\$ 31,585</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

Table 4
Comparative Condensed Statement of Activities

	Business-Type Activities		Change
	2017	2016	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 1,278,420	\$ 1,276,093	\$ 2,327
General Revenues			
Interest Income	4,504	4,203	301
Gain (Loss) on Addition of Assets	0	(11,474)	11,474
Other	55,840	62,165	(6,325)
Total Revenues	<u>1,338,764</u>	<u>1,330,987</u>	<u>7,777</u>
EXPENSES			
Sewer	680,347	689,701	(9,354)
Water	597,529	556,300	41,229
Total Expenses	<u>1,277,876</u>	<u>1,246,001</u>	<u>31,875</u>
Change in Net Position before Interfund Interest	60,888	84,986	(24,098)
INTERFUND INTEREST			
Change in Net Position	<u>8,106</u>	<u>7,372</u>	<u>734</u>
NET POSITION, BEGINNING OF YEAR	<u>7,861,553</u>	<u>7,769,195</u>	<u>92,358</u>
NET POSITION, END OF YEAR	<u>\$ 7,930,547</u>	<u>\$ 7,861,553</u>	<u>\$ 68,994</u>

Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund Balance was \$93,782 for 2017. The change in fund balance for 2017 was \$111,621 less than the change in fund balance for 2016. This attributed to an overall increase in public works expenditures.

Special Revenue Funds - The City's special revenue fund balances decreased by \$85,120. This increase is mainly due to capital outlay expenditures of the Fire and Ambulance funds.

Debt Service Funds - The debt service fund balances increased by \$69,154. The increase is due to an increase in property tax revenues in relation to G.O. Bonds, Series 2017A to be used for debt service in future periods.

Capital Project Funds - The capital project fund balances increased by \$358,287. This increase is mainly due to the issuance of bonds related for the Public Safety Building Project.

CITY OF COKATO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

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 did include sufficient revenues to cover expenditures, predicting a \$17,001 increase in fund balance. Actual revenues were \$128,303 more than budgeted due to additional licenses and permits, intergovernmental, and miscellaneous revenues. Actual expenditures were \$51,522 more than budgeted. This is attributed to more building inspection expenditures in public safety and salaries and benefits in public works.

Capital Assets

At the end of 2017, the City of Cokato had \$32,442,896 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 2017 included costs related to the public safety building project, sewer improvements, and other equipment.

Long-Term Liabilities

At year-end, the City of Cokato had \$7,405,856 in long-term liabilities. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term liabilities activity.

Economic Factors and Next Year's Budget

The City of Cokato's appointed officials considered many factors when setting the fiscal year 2018 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 2017 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, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Totals	
			2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash	\$ 2,995,677	\$ 1,795,838	\$ 4,791,515	\$ 4,507,809
Restricted Cash	709,656		709,656	
Receivables	39,441	147,524	186,965	223,108
Due from Other Governmental Units	23,469		23,469	46,016
Prepaid Items	36,900	20,418	57,318	58,753
Internal Balances	(163,052)	163,052		
Capital Assets				
Assets Not Being Depreciated	3,319,867	427,781	3,747,648	1,104,640
Other Capital Assets, Net of Depreciation	5,081,813	7,246,496	12,328,309	12,836,677
Total Assets	12,043,771	9,801,109	21,844,880	18,777,003
Deferred Outflows of Resources				
Related to Pensions	173,703	54,487	228,190	369,740
Total Assets and Deferred Outflows of Resources	\$ 12,217,474	\$ 9,855,596	\$ 22,073,070	\$ 19,146,743
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 174,790	\$ 5,577	\$ 180,367	\$ 133,246
Contracts Payable	348,013		348,013	
Due to Other Governmental Units	6,648		6,648	6,470
Accrued Salaries	15,495	8,616	24,111	19,854
Accrued Interest Payable	108,256	18,655	126,911	52,097
Bonds Held in Escrow		1,430	1,430	1,430
Unearned Revenue	6,800		6,800	11,256
Long-Term Liabilities				
Due Within One Year	205,000	251,000	456,000	453,000
Due in More than One Year	5,350,278	1,599,578	6,949,856	4,656,538
Total Liabilities	6,215,280	1,884,856	8,100,136	5,333,891
Deferred Inflows of Resources				
Related to Pensions	111,250	40,193	151,443	91,940
Net Position				
Net Investment in Capital Assets	3,836,635	6,042,277	9,878,912	9,817,351
Restricted for Debt Service	188,202		188,202	196,252
Restricted for Capital Projects	10,831		10,831	
Unrestricted	1,855,276	1,888,270	3,743,546	3,707,309
Total Net Position	5,890,944	7,930,547	13,821,491	13,720,912
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 12,217,474	\$ 9,855,596	\$ 22,073,070	\$ 19,146,743

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	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	
							2017	2016
GOVERNMENTAL ACTIVITIES								
General Government	\$ 328,181	\$ 121,206	\$	\$	\$ (206,975)	\$	\$ (206,975)	\$ (226,739)
Public Safety	1,005,920	265,652	69,504		(670,764)		(670,764)	(513,024)
Public Works	480,659	12,614	4,273		(463,772)		(463,772)	(320,929)
Culture and Recreation	386,609	18,170			(368,439)		(368,439)	(365,863)
Economic Development	57,301				(57,301)		(57,301)	(28,684)
Interest on Long-Term Debt	227,837				(227,837)		(227,837)	(79,908)
Total Governmental Activities	2,486,507	417,642	73,777	0	(1,995,088)	0	(1,995,088)	(1,535,147)
BUSINESS-TYPE ACTIVITIES								
Sewer	680,347	609,691				(70,656)	(70,656)	(73,913)
Water	597,529	668,729				71,200	71,200	104,005
Total Business-Type Activities	1,277,876	1,278,420	0	0	0	544	544	30,092
Total	\$ 3,764,383	\$ 1,696,062	\$ 73,777	\$ 0	(1,995,088)	544	(1,994,544)	(1,505,055)
GENERAL REVENUES								
Taxes					1,401,530		1,401,530	1,284,940
Grants and Contributions not Restricted to Specific Programs					600,244		600,244	575,428
Interest Income					16,124	4,504	20,628	14,641
Gain on Sale of Assets								36,636
Other					16,881	55,840	72,721	154,356
INTERFUND INTEREST					(8,106)	8,106		
Total General Revenues and Interfund Interest					2,026,673	68,450	2,095,123	2,066,001
Change in Net Position					31,585	68,994	100,579	560,946
NET POSITION, BEGINNING OF YEAR					5,859,359	7,861,553	13,720,912	13,159,966
NET POSITION, END OF YEAR					\$ 5,890,944	\$ 7,930,547	\$ 13,821,491	\$ 13,720,912

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	General	Tax Increment No. 4-7	Public Safety Building Project	Nonmajor Governmental Funds	Totals	
					2017	2016
ASSETS						
Cash	\$ 1,353,193	\$	\$	\$ 1,642,484	\$ 2,995,677	\$ 2,815,828
Restricted Cash			709,656		709,656	
Receivables						
Accounts				18,086	18,086	51,861
Delinquent Taxes	11,811			4,338	16,149	16,328
Special Assessments	5,206				5,206	5,206
Due from Other Governmental Units	10,608			12,861	23,469	46,016
Prepaid Items	30,455			6,445	36,900	37,830
Due from Other Funds						59,401
Advance to Other Funds	48,504			158,631	207,135	220,578
Total Assets	\$ 1,459,777	\$ 0	\$ 709,656	\$ 1,842,845	\$ 4,012,278	\$ 3,253,048
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 33,777	\$	\$ 29,635	\$ 111,378	\$ 174,790	\$ 115,144
Contracts Payable			299,472	48,541	348,013	
Due to Other Governmental Units	6,648				6,648	6,470
Accrued Salaries	14,213			1,282	15,495	12,536
Due to Other Funds						59,401
Advance from Other Funds	17,756	306,683		45,748	370,187	393,820
Unearned Revenue	6,800				6,800	11,256
Total Liabilities	79,194	306,683	329,107	206,949	921,933	598,627
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Taxes	11,811			4,338	16,149	16,328
Special Assessments	5,206				5,206	5,206
Total Deferred Inflows of Resources	17,017	0	0	4,338	21,355	21,534
Fund Balance						
Nonspendable	78,959			6,445	85,404	238,848
Restricted			380,549	549,823	930,372	222,966
Assigned	10,751			1,121,038	1,131,789	1,427,247
Unassigned	1,273,856	(306,683)		(45,748)	921,425	743,826
Total Fund Balance	1,363,566	(306,683)	380,549	1,631,558	3,068,990	2,632,887
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,459,777	\$ 0	\$ 709,656	\$ 1,842,845	\$ 4,012,278	\$ 3,253,048

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, 2017
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
Total Fund Balances - Governmental Funds	\$ 3,068,990	\$ 2,632,887
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	15,905,821	13,135,493
Less: Accumulated Depreciation	(7,504,141)	(7,133,392)
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	16,149	16,328
Special Assessments	5,206	5,206
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	173,703	246,757
Deferred Inflows of Resources Related to Pensions	(111,250)	(70,332)
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.		
Bonds Payable and Equipment Certificates	(5,075,000)	(2,495,000)
Bond Premium	(117,466)	(11,306)
Bond Discount	6,606	8,029
Accrued Interest Payable	(108,256)	(30,566)
Net Pension Liability	(331,397)	(414,743)
Compensated Absences	(38,021)	(30,002)
	<u> </u>	<u> </u>
Total Net Position - Governmental Activities	<u>\$ 5,890,944</u>	<u>\$ 5,859,359</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Tax Increment No. 4-7	Public Safety Building Project	Nonmajor Governmental Funds	Totals	
					2017	2016
REVENUES						
Property Taxes	\$ 959,831	\$	\$	\$ 351,932	\$ 1,311,763	\$ 1,217,295
Tax Increment		33,801		56,145	89,946	68,932
Licenses and Permits	98,895				98,895	53,190
Intergovernmental	619,968			36,449	656,417	629,903
Charges for Services	42,795			251,239	294,034	282,413
Interest Income	4,326	20	10,468	9,937	24,751	16,993
Miscellaneous	32,792			25,649	58,441	116,364
Total Revenues	1,758,607	33,821	10,468	731,351	2,534,247	2,385,090
EXPENDITURES						
Current						
General Government	284,880			370	285,250	249,582
Public Safety	397,395		374,983	316,060	1,088,438	691,889
Public Works	285,511			73,726	359,237	261,247
Culture and Recreation	345,066				345,066	329,202
Economic Development		13,957		60,077	74,034	42,611
Capital Outlay						
General Government						8,336
Public Safety			2,015,929	215,008	2,230,937	170,380
Public Works	131,198			189,764	320,962	102,588
Culture and Recreation	15,965			25,691	41,656	37,828
Debt Service						
Principal				210,000	210,000	190,000
Interest and Other			81,506	72,958	154,464	81,199
Total Expenditures	1,460,015	13,957	2,472,418	1,163,654	5,110,044	2,164,862
Excess (Deficiency) of Revenues Over (Under) Expenditures	298,592	19,864	(2,461,950)	(432,303)	(2,575,797)	220,228
OTHER FINANCING SOURCES (USES)						
Bond Issuance			2,790,000		2,790,000	
Premium on Bonds Issued			111,900		111,900	
Proceeds from Sale of Assets				110,000	110,000	19,000
Transfers In				204,810	204,810	253,593
Transfers Out	(204,810)				(204,810)	(253,593)
Total Other Financing Sources (Uses)	(204,810)	0	2,901,900	314,810	3,011,900	19,000
Net Change in Fund Balances	93,782	19,864	439,950	(117,493)	436,103	239,228
FUND BALANCE, BEGINNING OF YEAR	1,269,784	(326,547)	(59,401)	1,749,051	2,632,887	2,393,659
FUND BALANCE, END OF YEAR	\$ 1,363,566	\$ (306,683)	\$ 380,549	\$ 1,631,558	\$ 3,068,990	\$ 2,632,887

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, 2017
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 436,103	\$ 239,228
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	2,770,328	344,413
Depreciation Expense	(370,749)	(262,745)
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	(179)	(1,287)
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	(8,019)	905
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).		
	(30,626)	(43,217)
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.		
Issuance of Long-Term Debt	(2,790,000)	
Premium Related to Issuance of Long-Term Debt	(111,900)	
Principal Retirement of Long-Term Debt	210,000	190,000
Change in Accrued Interest Payable	(77,690)	2,104
Amortization of Bond Premium	5,740	611
Amortization of Bond Discount	(1,423)	(1,424)
Change in Net Position - Governmental Activities	<u>\$ 31,585</u>	<u>\$ 468,588</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017				2016 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Property Taxes	\$ 957,600	\$ 957,600	\$ 959,831	\$ 2,231	\$ 930,389
Licenses and Permits	33,000	33,000	98,895	65,895	53,190
Intergovernmental	596,504	596,504	619,968	23,464	595,919
Charges for Services	28,800	28,800	42,795	13,995	35,825
Interest Income	8,400	8,400	4,326	(4,074)	7,236
Miscellaneous	6,000	6,000	32,792	26,792	116,081
Total Revenues	<u>1,630,304</u>	<u>1,630,304</u>	<u>1,758,607</u>	<u>128,303</u>	<u>1,738,640</u>
EXPENDITURES					
Current					
General Government	278,021	278,021	284,880	6,859	249,226
Public Safety	328,714	328,714	397,395	68,681	331,099
Public Works	320,501	320,501	285,511	(34,990)	259,112
Culture and Recreation	327,757	327,757	345,066	17,309	329,202
Economic Development					4,134
Capital Outlay					
General Government	3,500	3,500		(3,500)	8,336
Public Works	125,000	125,000	131,198	6,198	75,881
Culture and Recreation	25,000	25,000	15,965	(9,035)	28,633
Total Expenditures	<u>1,408,493</u>	<u>1,408,493</u>	<u>1,460,015</u>	<u>51,522</u>	<u>1,285,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	221,811	221,811	298,592	76,781	453,017
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(204,810)</u>	<u>(204,810)</u>	<u>(204,810)</u>		<u>(247,614)</u>
Net Change in Fund Balances	<u>\$ 17,001</u>	<u>\$ 17,001</u>	93,782	<u>\$ 76,781</u>	205,403
FUND BALANCE, BEGINNING OF YEAR			<u>1,269,784</u>		<u>1,064,381</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,363,566</u>		<u>\$ 1,269,784</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017				2016 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Tax Increment	\$ 34,000	\$ 34,000	\$ 33,801	\$ (199)	\$ 33,248
Interest Income	50	50	20	(30)	24
Total Revenues	<u>34,050</u>	<u>34,050</u>	<u>33,821</u>	<u>(229)</u>	<u>33,272</u>
EXPENDITURES					
Current					
Economic Development	14,320	14,320	13,957	(363)	13,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,730	19,730	19,864	134	19,386
OTHER FINANCING USES (USES)					
Transfers Out	(19,730)	(19,730)		19,730	
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	19,864	<u>\$ 19,864</u>	19,386
FUND BALANCE, BEGINNING OF YEAR			<u>(326,547)</u>		<u>(345,933)</u>
FUND BALANCE, END OF YEAR			<u>\$ (306,683)</u>		<u>\$ (326,547)</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash	\$ 969,590	\$ 826,248	\$ 1,795,838	\$ 1,691,981
Accounts Receivable	69,622	77,902	147,524	149,713
Prepaid Items	11,672	8,746	20,418	20,923
Total Current Assets	1,050,884	912,896	1,963,780	1,862,617
Noncurrent Assets				
Advance to Other Funds	120,069	42,983	163,052	173,242
Capital Assets				
Assets Not Being Depreciated	283,845	143,936	427,781	389,048
Other Capital Assets, Net of Depreciation	2,949,999	4,296,497	7,246,496	7,550,168
Total Noncurrent Assets	3,353,913	4,483,416	7,837,329	8,112,458
Total Assets	4,404,797	5,396,312	9,801,109	9,975,075
Deferred Outflows of Resources				
Related to Pensions	28,821	25,666	54,487	122,983
Total Assets and Deferred Outflows of Resources	\$ 4,433,618	\$ 5,421,978	\$ 9,855,596	\$ 10,098,058
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 3,349	\$ 2,228	\$ 5,577	\$ 18,102
Accrued Salaries	4,546	4,070	8,616	7,318
Accrued Interest Payable		18,655	18,655	21,531
Bonds Held in Escrow		1,430	1,430	1,430
Current Portion of Long-Term Liabilities		251,000	251,000	243,000
Total Current Liabilities	7,895	277,383	285,278	291,381
Long-Term Liabilities				
Long-Term Liabilities, Net of Current Portion	116,689	1,482,889	1,599,578	1,923,516
Total Liabilities	124,584	1,760,272	1,884,856	2,214,897
Deferred Inflows of Resources				
Related to Pensions	21,260	18,933	40,193	21,608
Net Position				
Net Investment in Capital Assets	3,233,844	2,808,433	6,042,277	6,064,216
Unrestricted	1,053,930	834,340	1,888,270	1,797,337
Total Net Position	4,287,774	3,642,773	7,930,547	7,861,553
Total Liabilities, Deferred Inflows of Resources and Net position	\$ 4,433,618	\$ 5,421,978	\$ 9,855,596	\$ 10,098,058

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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2017	2016
OPERATING REVENUES				
Charges for Services	\$ 603,328	\$ 654,143	\$ 1,257,471	\$ 1,260,637
Other	6,363	14,586	20,949	15,456
Total Operating Revenues	<u>609,691</u>	<u>668,729</u>	<u>1,278,420</u>	<u>1,276,093</u>
OPERATING EXPENSES				
Salaries and Benefits	152,351	134,154	286,505	281,663
Utilities	94,723	35,731	130,454	134,705
Maintenance and Repair	44,894	47,491	92,385	90,598
Supplies and Minor Equipment	12,053	6,102	18,155	8,991
Chemicals	3,875	6,879	10,754	13,517
Insurance	25,792	19,452	45,244	43,127
Professional Services	41,516	7,392	48,908	39,685
Miscellaneous	19,573	22,960	42,533	29,141
Depreciation	285,570	260,619	546,189	539,723
Total Operating Expenses	<u>680,347</u>	<u>540,780</u>	<u>1,221,127</u>	<u>1,181,150</u>
Operating Income (Loss)	<u>(70,656)</u>	<u>127,949</u>	<u>57,293</u>	<u>94,943</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	8,793	3,817	12,610	11,575
Bond Interest and Fees		(56,749)	(56,749)	(64,851)
Refunds and Reimbursements	15	1,435	1,450	2,699
Rental Income	19,000	35,390	54,390	59,466
Loss on Sale of Assets				(11,474)
Total Nonoperating Revenues (Expenses)	<u>27,808</u>	<u>(16,107)</u>	<u>11,701</u>	<u>(2,585)</u>
Change in Net Position	<u>(42,848)</u>	<u>111,842</u>	<u>68,994</u>	<u>92,358</u>
NET POSITION, BEGINNING OF YEAR,	<u>4,330,622</u>	<u>3,530,931</u>	<u>7,861,553</u>	<u>7,769,195</u>
NET POSITION, END OF YEAR	<u>\$ 4,287,774</u>	<u>\$ 3,642,773</u>	<u>\$ 7,930,547</u>	<u>\$ 7,861,553</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 608,861	\$ 665,209	\$1,274,070	\$1,283,233
Payments Received from Other Sources		6,539	6,539	811
Payments to Suppliers	(253,151)	(147,302)	(400,453)	(369,707)
Payments to Employees	(143,207)	(127,857)	(271,064)	(247,323)
Net Cash Provided (Used) by Operating Activities	212,503	396,589	609,092	667,014
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) Decrease in Advance to Other Funds	7,406	2,784	10,190	11,083
Refunds and Reimbursements	15	1,435	1,450	2,699
Rental Income	19,000	35,390	54,390	59,466
Net Cash Provided (Used) by Noncapital Financing Activities	26,421	39,609	66,030	73,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Long-Term Debt		(243,000)	(243,000)	(329,424)
Interest Paid on Long-Term Debt		(59,625)	(59,625)	(68,681)
Acquisition of Capital Assets	(119,368)	(161,882)	(281,250)	(133,466)
Net Cash Provided (Used) by Capital and Related Financing Activities	(119,368)	(464,507)	(583,875)	(531,571)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	8,793	3,817	12,610	11,575
Net Increase (Decrease) in Cash	128,349	(24,492)	103,857	220,266
CASH, BEGINNING OF YEAR	841,241	850,740	1,691,981	1,471,715
CASH, END OF YEAR	\$ 969,590	\$ 826,248	\$1,795,838	\$1,691,981

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (70,656)	\$ 127,949	\$ 57,293	\$ 94,943
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	285,570	260,619	546,189	539,723
Pension Related Adjustments	6,685	4,353	11,038	35,726
(Increase) Decrease In				
Accounts Receivable	(830)	3,019	2,189	7,951
Prepaid Items	288	217	505	(2,476)
Increase (Decrease) In				
Accounts Payable	(11,013)	(1,512)	(12,525)	(7,467)
Accrued Salaries	708	590	1,298	(1,967)
Compensated Absences	1,751	1,354	3,105	581
Net Cash Provided (Used) By Operating Activities	<u>\$ 212,503</u>	<u>\$ 396,589</u>	<u>\$ 609,092</u>	<u>\$ 667,014</u>

CITY OF COKATO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017

	Private Purpose Trust Funds
ASSETS	
Cash	\$ 25,074
NET POSITION	
Net Position	
Held in Trust for Community Development	\$ 16,731
Held in Trust for Library	8,343
Total Net Position	\$ 25,074

CITY OF COKATO, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2017

	Private Purpose Trust Funds
ADDITIONS	
Interest Income	\$ 92
DEDUCTIONS	
Professional Fees	705
Other	155
Total Deductions	860
Change in Net Position	(768)
NET POSITION, BEGINNING OF YEAR	25,842
NET POSITION, END OF YEAR	\$ 25,074

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CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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 Public Safety Building Project Capital Project Fund is used to account for the costs incurred related to Public Safety Building 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.

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.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

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.

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

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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. Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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.

The City participates in various pension plans; total pension expense for the fiscal year ended was \$45,843. The components of pension expense are noted in the plan summaries.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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, 2016, 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, 2017

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. 4-7 Special Revenue Fund	\$	306,683
Nonmajor Governmental Funds		
Tax Increment No. 4-5 Special Revenue Fund		29,682
Tax Increment No. 4-8 Special Revenue Fund		16,066

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>
General Fund	\$ 1,460,015	\$ 1,408,493
Nonmajor Governmental Funds		
Revolving Rehabilitation Loan Special Revenue Fund	5,280	
Fire Special Revenue Fund	254,651	169,621
Ambulance Special Revenue Fund	275,697	176,600
Tax Increment No. 4-8 Special Revenue Fund	46,878	15,000

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. DEPOSITS AND INVESTMENTS

A. 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	\$ 2,258,944
Pooled Cash in Savings Account	1,862,090
Pooled Cash in Escrow	286
Petty Cash	<u>500</u>

Governmental and Business-Type Activities Total Deposits	4,121,820
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Fiduciary Funds

Pooled Cash in Bank Accounts	<u>25,074</u>
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Total Deposits	<u><u>\$ 4,146,894</u></u>
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B. INVESTMENTS

The City had the following investments:

	Fair Value	Interest Rate Risk <u>Weighted Average Maturity (Years)</u>	Credit Risk <u>Credit Ratings</u>	Concentration Risk <u>Over 5 Percent of Portfolio</u>
Federated Government				
Obligations Mutual Funds	\$ 1,224,370	N/A	AAAm	89%
US Treasury Note	<u>154,981</u>	0.04	AAA	11%
Total Investments	<u><u>\$ 1,379,351</u></u>			

	Fair Value	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Federated Government				
Obligations Mutual Funds	\$ 1,224,370	\$ 1,224,370	\$	\$
US Treasury Note	<u>154,981</u>	<u>154,981</u>		
Total Investments	<u><u>\$ 1,379,351</u></u>			

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

C. PRESENTATION

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 4,146,894
Investments (Note 3.B.)	1,379,351
	<hr/>
Total Deposits and Investments	<u>\$ 5,526,245</u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 4,791,515
Restricted Cash and Investments	709,656
Statement of Fiduciary Net Position	
Cash and Investments	<hr/> 25,074
	<hr/>
Total Cash and Investments	<u>\$ 5,526,245</u>

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
	<hr/>	<hr/>
Governmental Activities		
Accounts	\$ 18,086	\$
Delinquent Taxes	16,149	
Special Assessments	<hr/> 5,206	<hr/> 5,206
	<hr/>	<hr/>
Total Governmental Activities	<u>\$ 39,441</u>	<u>\$ 5,206</u>
Business-Type Activities		
Accounts	<hr/> \$ 147,524	<hr/> \$ 0
	<hr/>	<hr/>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 656,657	\$	\$ (111,713)	\$ 544,944
Construction in Progress	58,935	2,715,988		2,774,923
Total Capital Assets, Not Being Depreciated	715,592	2,715,988	(111,713)	3,319,867
Capital Assets, Being Depreciated				
Improvements Other Than Buildings	8,792,745	30,691		8,823,436
Machinery and Equipment	2,560,683	135,362		2,696,045
Buildings	1,066,473			1,066,473
Total Capital Assets, Being Depreciated	12,419,901	166,053	0	12,585,954
Less Accumulated Depreciation for				
Improvements Other Than Buildings	4,552,970	240,467		4,793,437
Machinery and Equipment	1,695,399	108,139		1,803,538
Buildings	885,023	22,143		907,166
Total Accumulated Depreciation	7,133,392	370,749	0	7,504,141
Total Capital Assets, Being Depreciated, Net	5,286,509	(204,696)	0	5,081,813
 Governmental Activities Net Capital Assets	 \$ 6,002,101	 \$ 2,511,292	 \$ (111,713)	 \$ 8,401,680

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 28,810
Public Safety	254,636
Public Works	59,230
Culture and Recreation	28,073
 Total Depreciation Expense - Governmental Activities	 \$ 370,749

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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
Construction in Progress	29,997	38,733		68,730
Total Capital Assets, Not Being Depreciated	<u>389,048</u>	<u>38,733</u>	<u>0</u>	<u>427,781</u>
Capital Assets, Being Depreciated				
Improvements Other Than Buildings	6,230,278	209,294		6,439,572
Machinery and Equipment	619,962	33,223		653,185
Buildings	9,016,537			9,016,537
Total Capital Assets, Being Depreciated	<u>15,866,777</u>	<u>242,517</u>	<u>0</u>	<u>16,109,294</u>
Less Accumulated Depreciation for				
Improvements Other Than Buildings	3,433,377	234,889		3,668,266
Machinery and Equipment	323,888	35,887		359,775
Buildings	4,559,344	275,413		4,834,757
Total Accumulated Depreciation	<u>8,316,609</u>	<u>546,189</u>	<u>0</u>	<u>8,862,798</u>
Total Capital Assets, Being Depreciated, Net	<u>7,550,168</u>	<u>(303,672)</u>	<u>0</u>	<u>7,246,496</u>
Business-Type Activities Net Capital Assets	<u>\$ 7,939,216</u>	<u>\$ (264,939)</u>	<u>\$ 0</u>	<u>\$ 7,674,277</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 285,570
Water	260,619
Total Depreciation Expense - Business-Type Activities	<u>\$ 546,189</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>	<u>Amount</u>
General	Tax Increment No. 4-7	\$ 17,756
General	Nonmajor Governmental Funds	30,748
Water	Tax Increment No. 4-7	42,983
Sewer	Tax Increment No. 4-7	105,069
Sewer	Nonmajor Governmental Funds	15,000
Nonmajor Governmental Funds	General	17,756
Nonmajor Governmental Funds	Tax Increment No. 4-7	<u>140,875</u>
Total Interfund Advance Balances		<u>\$ 370,187</u>

The interfund loans are for the financing of the Tax Increment Financing Districts No. 4-5 and 4-7, and for the financing of the Public Safety Building Project.

B. INTERFUND TRANSFERS AND INTEREST

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

	<u>Transfers In</u> Nonmajor Governmental Funds
Transfers Out	
General	<u>\$ 204,810</u>
	<u>Interest</u> Expense Nonmajor Governmental Funds
Interest Income	
General	\$ 2,627
Water	1,831
Sewer	6,275
Nonmajor Governmental Funds	<u>6,000</u>
Total Interfund Interest	<u>\$ 16,733</u>

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

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7. LONG-TERM LIABILITIES

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.

B. COMPONENTS OF LONG-TERM LIABILITIES

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>			
G.O. Improvement Bonds, Series 2008A	4.40-4.90%	02/01/2029	\$ 310,000
G.O. Crossover Refunding Bonds, Series 2012A	1.00-2.00%	02/01/2022	470,000
G.O. Equipment Certificates, Series 2013A	0.80-2.15%	02/01/2022	210,000
G.O. Improvement Bonds, Series 2014A	3.00-4.00%	02/01/2035	1,295,000
G.O. Improvement Bonds, Series 2017A	3.00-3.50%	02/01/2038	2,790,000
Net Pension Liability			331,397
Compensated Absences			38,021
Unamortized Bond Premium			117,466
Unamortized Bond Discount			<u>(6,606)</u>
Total Governmental Activities			<u>\$ 5,555,278</u>
<u>Business-Type Activities</u>			
2004 G.O. Water Revenue Note	3.18%	08/20/2023	\$ 1,632,000
Net Pension Liability			189,952
Compensated Absences			<u>28,626</u>
Total Business-Type Activities			<u>\$ 1,850,578</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 and net pension liability.

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.

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.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

B. COMPONENTS OF LONG-TERM LIABILITIES (Cont'd)

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.

In February 2017, the City issued \$2,790,000 of General Obligation Improvement Bonds, Series 2017A. The bonds were issued to finance the costs of the Public Safety Building Project.

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
2018	\$ 20,000	\$ 14,210	\$ 95,000	\$ 6,960
2019	20,000	13,330	90,000	5,760
2020	20,000	66,450	95,000	4,370
2021	20,000	11,540	95,000	2,755
2022	25,000	10,483	95,000	950
2023-2027	135,000	34,198		
2028-2029	70,000	3,430		
	<u>\$ 310,000</u>	<u>\$ 153,641</u>	<u>\$ 470,000</u>	<u>\$ 20,795</u>

Year Ending December 31	Governmental Activities			
	G.O. Equipment Certificates, Series 2013A		G.O. Improvement Bonds, Series 2014A	
	Principal	Interest	Principal	Interest
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	45,000	1,407	60,000	37,863
2022	45,000	483	60,000	35,463
2023-2027			345,000	128,963
2028-2032			395,000	86,531
2033-2035			270,000	16,600
	<u>\$ 210,000</u>	<u>\$ 10,095</u>	<u>\$ 1,295,000</u>	<u>\$ 430,331</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Governmental Activities G.O. Improvement Bonds, Series 2017A		Business-Type Activities 2004 G.O. Water Revenue Note	
	Principal	Interest	Principal	Interest
2018	\$	\$ 131,456	\$ 251,000	\$ 51,898
2019		87,800	259,000	43,916
2020		87,800	267,000	35,680
2021		87,800	276,000	27,189
2022		87,800	285,000	18,412
2023-2027	730,000	343,650	294,000	9,349
2028-2032	850,000	267,250		
2033-2037	990,000	123,413		
2038	220,000	3,850		
	<u>\$ 2,790,000</u>	<u>\$ 1,220,819</u>	<u>\$ 1,632,000</u>	<u>\$ 186,443</u>

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	\$ 330,000	\$	\$ (20,000)	\$ 310,000	\$ 20,000
G.O. Crossover Refunding Bonds, Series 2012A	570,000		(100,000)	470,000	95,000
G.O. Equipment Certificates, Series 2013A	250,000		(40,000)	210,000	40,000
G.O. Bonds, Series 2014A	1,345,000		(50,000)	1,295,000	50,000
G.O. Bonds, Series 2017A		2,790,000		2,790,000	
Net Pension Liability	414,743	143,339	(226,685)	331,397	
Compensated Absences	30,002	32,196	(24,177)	38,021	
Unamortized Bond Premium	11,306	111,900	(5,740)	117,466	
Discount	(8,029)		1,423	(6,606)	
	<u>\$ 2,943,022</u>	<u>\$ 3,077,435</u>	<u>\$ (465,179)</u>	<u>\$ 5,555,278</u>	<u>\$ 205,000</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. CHANGES IN LONG-TERM LIABILITIES (Cont'd)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
2004 G.O. Water					
Revenue Note	\$ 1,875,000	\$	\$ (243,000)	\$ 1,632,000	\$ 251,000
Net Pension Liability	265,995	79,903	(155,946)	189,952	
Compensated Absences	25,521	20,530	(17,425)	28,626	
	<u>\$ 2,166,516</u>	<u>\$ 100,433</u>	<u>\$ (416,371)</u>	<u>\$ 1,850,578</u>	<u>\$ 251,000</u>

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, 2017, the aggregate balance outstanding was \$3,105,000.

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 2016 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.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

A. PLAN DESCRIPTION

Firefighters of the City are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2016, the plan covered 23 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred.

B. 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%.

C. CONTRIBUTIONS

The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. As of December 31, 2016, the State of Minnesota contributed \$35,584 in fire state aid to the plan on behalf of the Fire Department. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan were \$2,123. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

The City reported a net pension liability (asset) of \$55,323. The City's net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) in accordance with GASB 68 was determined by an independent actuary applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. PENSION COSTS (Cont'd)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 1/1/2016	\$ 782,590	\$ 735,173	\$ 47,417
Changes for the Year:			
Service Cost	21,259		21,259
Interest	35,467		35,467
Differences Between Expected and Actual Experience	16,971		16,971
Changes in Assumptions	(12,424)		(12,424)
Contributions - Employer		2,123	(2,123)
Contributions - State		35,584	(35,584)
Net Investment Income		16,634	(16,634)
Benefit Payments	(189,000)	(189,000)	
Administrative Expense		(974)	974
Net Change	<u>(127,727)</u>	<u>(135,633)</u>	<u>7,906</u>
Balances at 12/31/2016	<u>\$ 654,863</u>	<u>\$ 599,540</u>	<u>\$ 55,323</u>

For the year ended December 31, 2017, the City recognized pension expense of \$36,708.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,770	\$
Changes in actuarial assumptions		17,170
Net differences between projected and actual investment earnings	42,612	
Contributions paid to plan subsequent to measurement date	37,131	
State aid received for the plan subsequent to measurement date		35,665
	<u>\$ 94,513</u>	<u>\$ 52,835</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

D. PENSION COSTS (Cont'd)

\$37,131 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 (asset) in the year ended December 31, 2018. \$35,665 reported as deferred inflows of resources related to pensions resulting from state aid received for the plan subsequent to the measurement date will be recognized as an increase of the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension plans will be recognized in pension expense as follows:

<u>December 31,</u>	<u>Pension Expense Amount</u>	
2018	\$	13,083
2019		13,085
2020		10,672
2021		1,928
2022		437
Thereafter		1,007

E. ACTUARIAL ASSUMPTIONS

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

The actuarial assumptions used in the May 15, 2017 valuation were based on the results of an actuarial experience study for the period ending December 31, 2016.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.00%. 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.

PENSION LIABILITY (ASSET) SENSITIVITY

The following presents the net pension liability (asset) calculated using the discount rate as well as what the City's net pension liability (asset) 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 (5.00%)	Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
City's Net Pension Liability (Asset)	\$ 67,747	\$ 55,323	\$ 43,300

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

G. ASSET ALLOCATION

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	22.32%	5.58%
International Equity	33.78%	5.71%
Fixed Income	25.05%	2.27%
Real Estate and Alternatives	8.98%	4.44%
Cash and Equivalents	9.87%	0.84%

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in a separately-issued financial report.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

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.

General Employees Retirement Plan (GERP):

All full-time and certain part-time employees of the City, are covered by GERP. GERP 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.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

B. BENEFITS PROVIDED (Cont'd)

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.

GERP 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.

C. CONTRIBUTIONS

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

General Employees Retirement Plan (GERP) Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the year ended December 31, 2017, were \$36,861. 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, 2017

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

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2017, the City reported a liability of \$466,027 for its proportionate share of the GERP's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,882. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0073% at the end of the measurement period and 0.0078% at the beginning of the period.

For the year ended December 31, 2017, the City recognized pension expense of \$8,966 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$170 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 15,359	\$ 29,982
Changes in actuarial assumptions	77,371	46,719
Differences between projected and actual investment earnings	3,010	
Changes in proportion	19,556	21,907
Contributions paid to PERA subsequent to measurement date	18,381	
	<u>\$ 133,677</u>	<u>\$ 98,608</u>
Totals		

\$18,381 reported as deferred outflows of resources related to pensions resulting from City contributions to subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 25,469
2019	27,130
2020	(16,128)
2021	(19,783)

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2017 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

<u>Assumption</u>	
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

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

Actuarial assumptions used in the June 30, 2017 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

GERP:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39.00%	5.10%
International Stocks	19.00%	5.30%
Bonds	20.00%	0.75%
Alternative Assets	20.00%	5.90%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERS was projected to be available to make all projected future benefit payments of current plan participants. 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.

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:

	<u>GERF</u>	
1% Lower	6.50%	\$ 722,843
Current Discount	7.50%	466,027
1% Higher	8.50%	255,777

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.

NOTE 11. RECLASSIFICATIONS

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

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12. FUND BALANCE

	General	Tax Increment No. 4-7	Public Safety Building Project	Nonmajor Governmental Funds	Total
Nonspendable					
Prepaid Items	\$ 30,455	\$	\$	\$ 6,445	\$ 36,900
Advance to Other Funds	48,504				48,504
Total Nonspendable	78,959	0	0	6,445	85,404
Restricted for					
Debt Service				292,120	292,120
Capital Projects			380,549	257,703	638,252
Total Restricted	0	0	380,549	549,823	930,372
Assigned					
Developer Expense	10,751				10,751
Rehabilitation Loan				89,030	89,030
Cemetery				17,791	17,791
Fire Protection				364,139	364,139
Ambulance Service				64,784	64,784
Construction				262,184	262,184
Capital Equipment				263,437	263,437
Park Dedication				59,673	59,673
Total Assigned	10,751	0	0	1,121,038	1,131,789
Unassigned	1,273,856	(306,683)		(45,748)	921,425
	<u>\$ 1,363,566</u>	<u>\$ (306,683)</u>	<u>\$ 380,549</u>	<u>\$ 1,631,558</u>	<u>\$ 3,068,990</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF COKATO, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2017

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pension</u>							
<u>PERA - GERP</u>							
6/30/2017	0.0073%	\$ 466,027	\$ 5,882	\$ 471,909	\$ 472,051	99.97%	75.90%
6/30/2016	0.0078%	633,321	8,269	641,590	482,719	132.91%	68.91%
6/30/2015	0.0072%	373,141		373,141	424,947	87.81%	78.20%

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 EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2017

Fiscal Year Ending	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 - GERP</u>					
2017	\$ 36,861	\$ 36,861	\$	\$ 491,479	7.50%
2016	34,262	34,262		456,824	7.50%
2015	37,392	37,392		498,560	7.50%

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, 2017

	<u>2016</u>	<u>December 31, 2015</u>	<u>2014</u>
Service Cost	\$ 21,259	\$ 22,130	\$ 21,538
Interest	35,467	30,463	28,441
Differences Between Expected and Actual Experience	16,971		
Changes in Assumptions	(12,424)	(9,459)	
Benefit Payments	(189,000)		
Net Change in Total Pension Liability	<u>(127,727)</u>	<u>43,134</u>	<u>49,979</u>
Total Pension Liability - Beginning of Year	<u>782,590</u>	<u>739,456</u>	<u>689,477</u>
Total Pension Liability - End of Year	<u>\$ 654,863</u>	<u>\$ 782,590</u>	<u>\$ 739,456</u>
Contributions - Employer	\$ 37,707	\$ 34,343	\$ 39,441
Net Investment Income	16,634	(14,991)	15,231
Benefit Payments	(189,000)		
Administrative Expense	(974)	(976)	(976)
Net Change in Plan Fiduciary Net Position	<u>(135,633)</u>	<u>18,376</u>	<u>53,696</u>
Total Plan Fiduciary Net Position - Beginning of Year	<u>735,173</u>	<u>716,797</u>	<u>663,101</u>
Total Plan Fiduciary Net Position - End of Year	<u>\$ 599,540</u>	<u>\$ 735,173</u>	<u>\$ 716,797</u>
Fire Relief Association's Net Pension Liability	<u>\$ 55,323</u>	<u>\$ 47,417</u>	<u>\$ 22,659</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.55%	93.94%	96.94%

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

CITY OF COKATO, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GERF

2017 Changes:

No changes.

2016 Changes:

No changes.

2015 Changes:

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GERF:

2017 Changes:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

SUPPLEMENTARY INFORMATION

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CITY OF COKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash	\$ 611,238	\$ 288,740	\$ 742,506	\$ 1,642,484
Receivables				
Accounts	18,086			18,086
Delinquent Taxes		4,338		4,338
Due from Other Governmental Units	9,481	3,380		12,861
Prepaid Items	6,445			6,445
Advance to Other Funds			158,631	158,631
Total Assets	\$ 645,250	\$ 296,458	\$ 901,137	\$ 1,842,845
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 101,779	\$	\$ 9,599	\$ 111,378
Contracts Payable			48,541	48,541
Accrued Salaries	1,282			1,282
Advance from Other Funds	45,748			45,748
Total Liabilities	148,809	0	58,140	206,949
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Taxes		4,338		4,338
Fund Balance				
Nonspendable	6,445			6,445
Restricted		292,120	257,703	549,823
Assigned	535,744		585,294	1,121,038
Unassigned	(45,748)			(45,748)
Total Fund Balance	496,441	292,120	842,997	1,631,558
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 645,250	\$ 296,458	\$ 901,137	\$ 1,842,845

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property Taxes	\$	\$ 351,932	\$	\$ 351,932
Tax Increment	56,145			56,145
Intergovernmental	36,449			36,449
Charges for Services	251,239			251,239
Interest Income	1,519	180	8,238	9,937
Miscellaneous	25,649			25,649
Total Revenues	<u>371,001</u>	<u>352,112</u>	<u>8,238</u>	<u>731,351</u>
EXPENDITURES				
Current				
General Government	370			370
Public Safety	315,340		720	316,060
Public Works			73,726	73,726
Economic Development	60,077			60,077
Capital Outlay				
Public Safety	215,008			215,008
Public Works			189,764	189,764
Culture and Recreation			25,691	25,691
Debt Service				
Principal		210,000		210,000
Interest and Other		72,958		72,958
Total Expenditures	<u>590,795</u>	<u>282,958</u>	<u>289,901</u>	<u>1,163,654</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(219,794)	69,154	(281,663)	(432,303)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets			110,000	110,000
Transfers In	114,810		90,000	204,810
Total Other Financing Sources (Uses)	<u>114,810</u>	<u>0</u>	<u>200,000</u>	<u>314,810</u>
Net Change in Fund Balances	(104,984)	69,154	(81,663)	(117,493)
FUND BALANCE, BEGINNING OF YEAR	<u>601,425</u>	<u>222,966</u>	<u>924,660</u>	<u>1,749,051</u>
FUND BALANCE, END OF YEAR	<u>\$ 496,441</u>	<u>\$ 292,120</u>	<u>\$ 842,997</u>	<u>\$ 1,631,558</u>

CITY OF COKATO, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

	Revolving Rehabilitation Loan	Cemetery	Fire	Ambulance	Tax Increment No. 4-5	Tax Increment No. 4-8	Total
ASSETS							
Cash	\$ 89,030	\$ 17,791	\$ 431,929	\$ 47,980	\$ 2,630	\$ 21,878	\$ 611,238
Receivables							
Accounts				18,086			18,086
Due From Other Governmental Units			9,481				9,481
Prepaid Items		86	4,498	1,861			6,445
Total Assets	\$ 89,030	\$ 17,877	\$ 445,908	\$ 67,927	\$ 2,630	\$ 21,878	\$ 645,250
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$	\$	\$ 77,271	\$	\$ 2,630	\$ 21,878	\$ 101,779
Accrued Salaries				1,282			1,282
Advance from Other Funds					29,682	16,066	45,748
Total Liabilities	0	0	77,271	1,282	32,312	37,944	148,809
Fund Balance							
Nonspendable		86	4,498	1,861			6,445
Assigned	89,030	17,791	364,139	64,784			535,744
Unassigned					(29,682)	(16,066)	(45,748)
Total Fund Balance	89,030	17,877	368,637	66,645	(29,682)	(16,066)	496,441
Total Liabilities and Fund Balance	\$ 89,030	\$ 17,877	\$ 445,908	\$ 67,927	\$ 2,630	\$ 21,878	\$ 645,250

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2017

	Revolving Rehabilitation Loan	Cemetery	Fire	Ambulance	Tax Increment No. 4-5	Tax Increment No. 4-8	Total
REVENUES							
Tax Increment	\$	\$	\$	\$	\$ 7,527	\$ 48,618	\$ 56,145
Intergovernmental			35,849	600			36,449
Charges for Services			94,810	156,429			251,239
Interest Income	439	86	268	710		16	1,519
Miscellaneous		1,300	17,628	6,721			25,649
Total Revenues	439	1,386	148,555	164,460	7,527	48,634	371,001
EXPENDITURES							
Current							
General Government		370					370
Public Safety			151,807	163,533			315,340
Economic Development	5,280				7,919	46,878	60,077
Capital Outlay							
Public Safety			102,844	112,164			215,008
Total Expenditures	5,280	370	254,651	275,697	7,919	46,878	590,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,841)	1,016	(106,096)	(111,237)	(392)	1,756	(219,794)
OTHER FINANCING SOURCES (USES)							
Transfers In							
Net Change in Fund Balances	(4,841)	1,016	(11,286)	(91,237)	(392)	1,756	(104,984)
FUND BALANCE, BEGINNING OF YEAR	93,871	16,861	379,923	157,882	(29,290)	(17,822)	601,425
FUND BALANCE, END OF YEAR	\$ 89,030	\$ 17,877	\$ 368,637	\$ 66,645	\$ (29,682)	\$ (16,066)	\$ 496,441

CITY OF COKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2017

	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	G.O. Improvement Bonds, Series 2017A	Total
ASSETS						
Cash	\$ 5,328	\$ 94,739	\$ 48,382	\$ 74,713	\$ 65,578	\$ 288,740
Receivables						
Delinquent Taxes	449	1,329	564	1,180	816	4,338
Due from Other Governmental Units	350	1,035	439	920	636	3,380
	<u>350</u>	<u>1,035</u>	<u>439</u>	<u>920</u>	<u>636</u>	<u>3,380</u>
Total Assets	<u>\$ 6,127</u>	<u>\$ 97,103</u>	<u>\$ 49,385</u>	<u>\$ 76,813</u>	<u>\$ 67,030</u>	<u>\$ 296,458</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Taxes	\$ 449	\$ 1,329	\$ 564	\$ 1,180	\$ 816	\$ 4,338
Fund Balance						
Restricted for Debt Service	5,678	95,774	48,821	75,633	66,214	292,120
	<u>5,678</u>	<u>95,774</u>	<u>48,821</u>	<u>75,633</u>	<u>66,214</u>	<u>292,120</u>
Total Deferred Inflows of Resources and Fund Balance	<u>\$ 6,127</u>	<u>\$ 97,103</u>	<u>\$ 49,385</u>	<u>\$ 76,813</u>	<u>\$ 67,030</u>	<u>\$ 296,458</u>

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2017

	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	G.O. Improvement Bonds, Series 2017A	Total
REVENUES						
Property Taxes	\$ 36,434	\$ 107,807	\$ 45,703	\$ 95,815	\$ 66,173	\$ 351,932
Interest Income	4	58	30	47	41	180
Total Revenues	<u>36,438</u>	<u>107,865</u>	<u>45,733</u>	<u>95,862</u>	<u>66,214</u>	<u>352,112</u>
EXPENDITURES						
Debt Service						
Principal	20,000	100,000	40,000	50,000		210,000
Interest and Other	<u>15,640</u>	<u>8,480</u>	<u>3,625</u>	<u>45,213</u>		<u>72,958</u>
Total Expenditures	<u>35,640</u>	<u>108,480</u>	<u>43,625</u>	<u>95,213</u>	<u>0</u>	<u>282,958</u>
Net Change in Fund Balances	798	(615)	2,108	649	66,214	69,154
FUND BALANCE, BEGINNING OF YEAR	<u>4,880</u>	<u>96,389</u>	<u>46,713</u>	<u>74,984</u>		<u>222,966</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,678</u>	<u>\$ 95,774</u>	<u>\$ 48,821</u>	<u>\$ 75,633</u>	<u>\$ 66,214</u>	<u>\$ 292,120</u>

CITY OF COKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2017

	<u>Revolving Construction</u>	<u>Capital Equipment</u>	<u>7th Street Project</u>	<u>Park Dedication</u>	<u>Total</u>
ASSETS					
Cash	\$ 161,693	\$ 263,437	\$ 257,703	\$ 59,673	\$ 742,506
Advances to Other Funds	158,631				158,631
Total Assets	<u>\$ 320,324</u>	<u>\$ 263,437</u>	<u>\$ 257,703</u>	<u>\$ 59,673</u>	<u>\$ 901,137</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 9,599	\$	\$	\$	\$ 9,599
Contracts Payable	48,541				48,541
Total Liabilities	<u>58,140</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>58,140</u>
Fund Balance					
Restricted			257,703		257,703
Assigned	262,184	263,437		59,673	585,294
Total Fund Balance	<u>262,184</u>	<u>263,437</u>	<u>257,703</u>	<u>59,673</u>	<u>842,997</u>
Total Liabilities and Fund Balance	<u>\$ 320,324</u>	<u>\$ 263,437</u>	<u>\$ 257,703</u>	<u>\$ 59,673</u>	<u>\$ 901,137</u>

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Revolving Construction	Capital Equipment	7th Street Project	Park Dedication	Total
REVENUES					
Interest Income	\$ 7,582	\$ 284	\$ 363	\$ 9	\$ 8,238
EXPENDITURES					
Current					
Public Safety	720				720
Public Works	73,726				73,726
Capital Outlay					
Public Works	183,554	6,210			189,764
Culture and Recreation				25,691	25,691
Total Expenditures	<u>258,000</u>	<u>6,210</u>	<u>0</u>	<u>25,691</u>	<u>289,901</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,418)	(5,926)	363	(25,682)	(281,663)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Assets	110,000				110,000
Transfers In		65,000		25,000	90,000
Total Expenditures	<u>110,000</u>	<u>65,000</u>	<u>0</u>	<u>25,000</u>	<u>200,000</u>
Net Change in Fund Balances	(140,418)	59,074	363	(682)	(81,663)
FUND BALANCE, BEGINNING OF YEAR	<u>402,602</u>	<u>204,363</u>	<u>257,340</u>	<u>60,355</u>	<u>924,660</u>
FUND BALANCE, END OF YEAR	<u>\$ 262,184</u>	<u>\$ 263,437</u>	<u>\$ 257,703</u>	<u>\$ 59,673</u>	<u>\$ 842,997</u>

CITY OF COKATO, MINNESOTA

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 1,353,193	\$ 1,236,604
Receivables		
Accounts		21,608
Delinquent Taxes	11,811	12,476
Special Assessments	5,206	5,206
Due from Other Governmental Units	10,608	9,641
Prepaid Items	30,455	31,223
Advance to Other Funds	<u>48,504</u>	<u>51,018</u>
 Total Assets	 <u>\$ 1,459,777</u>	 <u>\$ 1,367,776</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 33,777	\$ 31,257
Accrued Salaries	14,213	11,167
Due to Other Governmental Units	6,648	6,470
Advance from Other Funds	17,756	20,160
Unearned Revenue	<u>6,800</u>	<u>11,256</u>
Total Liabilities	79,194	80,310
 Deferred Inflows of Resources		
Unavailable Revenue		
Delinquent Taxes	11,811	12,476
Special Assessments	<u>5,206</u>	<u>5,206</u>
Total Deferred Inflows of Resources	17,017	17,682
 Fund Balance		
Nonspendable	78,959	82,241
Assigned	10,751	10,657
Unassigned	<u>1,273,856</u>	<u>1,176,886</u>
Total Fund Balance	<u>1,363,566</u>	<u>1,269,784</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 1,459,777</u>	 <u>\$ 1,367,776</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Property Taxes	\$ 957,600	\$ 959,831	\$ 2,231	\$ 930,389
Licenses and Permits				
Franchise Fee	10,000	6,282	(3,718)	12,433
Building Permits	17,675	86,883	69,208	35,984
Liquor Licenses	5,150	5,500	350	4,533
Other	175	230	55	240
Total Licenses and Permits	33,000	98,895	65,895	53,190
Intergovernmental				
Local Government Aid	575,128	575,128		572,883
Police Aid	16,000	17,740	1,740	17,179
Other County Aids	4,000	4,273	273	4,441
Other State Aids	1,376	22,827	21,451	1,416
Total Intergovernmental	596,504	619,968	23,464	595,919
Charges for Services				
City Hall Rent	8,600	10,775	2,175	8,673
Planning-Zoning Fees	3,400	6,657	3,257	3,040
Sanitation-Recycling Collection		2,068	2,068	1,675
Swimming Pool Fees	16,000	16,870	870	15,341
Other	800	6,425	5,625	7,096
Total Charges for Services	28,800	42,795	13,995	35,825
Interest Income	8,400	4,326	(4,074)	7,236
Miscellaneous				
Fines and Forfeits	6,000	4,956	(1,044)	3,761
Refunds and Reimbursements		25,547	25,547	92,191
Contributions and Donations		2,289	2,289	
Sale of Fixed Assets				19,000
Other				1,129
Total Miscellaneous	6,000	32,792	26,792	116,081
Total Revenues	1,630,304	1,758,607	128,303	1,738,640
EXPENDITURES				
Current				
General Government				
Mayor and Council	44,300	26,835	(17,465)	26,093
Planning and Zoning	4,200	2,346	(1,854)	1,732
Professional Services	46,000	56,553	10,553	41,004
Assessors	13,400	11,781	(1,619)	11,926
Administrator's Salary and Expenditures	52,106	58,492	6,386	52,573
Clerk's Salary and Expenditures	87,140	97,005	9,865	61,758
City Hall	30,875	30,588	(287)	51,836
Election		1,280	1,280	2,304
Total General Government	278,021	284,880	6,859	249,226

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016 Actual
	Final Budget	Actual	Over (Under) Final Budget	
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Safety				
Police Contract	\$ 304,714	\$ 310,624	\$ 5,910	\$ 295,833
Fire Protection		3,787	3,787	
Animal Control	5,000	5,550	550	1,958
Building Inspection	19,000	77,434	58,434	33,308
Total Public Safety	<u>328,714</u>	<u>397,395</u>	<u>68,681</u>	<u>331,099</u>
Public Works				
Salaries and Benefits	55,512	66,231	10,719	47,058
Materials and Supplies	38,700	38,976	276	28,363
Maintenance and Repair	24,000	15,704	(8,296)	24,961
Snow and Ice Removal	84,689	64,242	(20,447)	56,947
Street Lighting	64,700	62,293	(2,407)	58,799
Insurance	20,000	15,717	(4,283)	16,156
Utilities	12,500	2,478	(10,022)	1,625
Engineering and Other Professional Services	14,000	13,207	(793)	14,367
Miscellaneous	6,400	6,663	263	10,836
Total Public Works	<u>320,501</u>	<u>285,511</u>	<u>(34,990)</u>	<u>259,112</u>
Culture and Recreation				
Parks, Pool and Rink	174,179	191,777	17,598	181,205
Library and Museum	130,036	130,854	818	125,820
Community Education	23,542	22,435	(1,107)	22,177
Total Culture and Recreation	<u>327,757</u>	<u>345,066</u>	<u>17,309</u>	<u>329,202</u>
Economic Development				
Community Development				4,134
Total Current	<u>1,254,993</u>	<u>1,312,852</u>	<u>57,859</u>	<u>1,172,773</u>
Capital Outlay				
General Government	3,500		(3,500)	8,336
Public Works	125,000	131,198	6,198	75,881
Culture and Recreation	25,000	15,965	(9,035)	28,633
Total Capital Outlay	<u>153,500</u>	<u>147,163</u>	<u>(6,337)</u>	<u>112,850</u>
Total Expenditures	<u>1,408,493</u>	<u>1,460,015</u>	<u>51,522</u>	<u>1,285,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	221,811	298,592	76,781	453,017
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(204,810)</u>	<u>(204,810)</u>		<u>(247,614)</u>
Net Change in Fund Balances	<u>\$ 17,001</u>	93,782	<u>\$ 76,781</u>	205,403
FUND BALANCE, BEGINNING OF YEAR		<u>1,269,784</u>		<u>1,064,381</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,363,566</u>		<u>\$ 1,269,784</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Interest Income	\$ 300	\$ 439	\$ 139	\$ 394
EXPENDITURES				
Current				
Economic Development				
Professional Services		5,280	5,280	
Net Change in Fund Balances	<u>\$ 300</u>	(4,841)	<u>\$ (5,141)</u>	394
FUND BALANCE, BEGINNING OF YEAR		<u>93,871</u>		<u>93,477</u>
FUND BALANCE, END OF YEAR		<u>\$ 89,030</u>		<u>\$ 93,871</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Charges for Services	\$	\$	\$	\$ 75
Interest Income	50	86	36	76
Miscellaneous		1,300	1,300	
Total Revenues	<u>50</u>	<u>1,386</u>	<u>1,336</u>	<u>151</u>
EXPENDITURES				
Current				
General Government				
Salaries	500		(500)	
Insurance	250	187	(63)	187
Legal and Professional	375		(375)	
Utilities	250	183	(67)	169
Total Expenditures	<u>1,375</u>	<u>370</u>	<u>(1,005)</u>	<u>356</u>
Net Change in Fund Balances	<u>\$ (1,325)</u>	1,016	<u>\$ 2,341</u>	(205)
FUND BALANCE, BEGINNING OF YEAR		<u>16,861</u>		<u>17,066</u>
FUND BALANCE, END OF YEAR		<u>\$ 17,877</u>		<u>\$ 16,861</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Intergovernmental	\$ 25,000	\$ 35,849	\$ 10,849	\$ 33,984
Charges for Services	94,811	94,810	(1)	92,615
Interest Income		268	268	284
Miscellaneous		17,628	17,628	17,455
Total Revenues	<u>119,811</u>	<u>148,555</u>	<u>28,744</u>	<u>144,338</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	42,116	48,126	6,010	39,311
Repair and Maintaince	11,500	10,171	(1,329)	9,378
Utilities	5,950	6,231	281	5,073
Supplies	17,130	21,405	4,275	15,131
Legal and Audit	6,400	5,781	(619)	5,434
Telephone	2,700	3,432	732	2,895
Insurance	16,000	9,851	(6,149)	12,498
Payments to Relief	51,500	37,130	(14,370)	34,707
Travel	6,000	9,134	3,134	5,155
Miscellaneous	825	546	(279)	1,265
Capital Outlay				
Public Safety	9,500	102,844	93,344	9,580
Total Expenditures	<u>169,621</u>	<u>254,651</u>	<u>85,030</u>	<u>140,427</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,810)	(106,096)	(56,286)	3,911
OTHER FINANCING SOURCES (USES)				
Transfers In	94,810	94,810		92,614
Net Change in Fund Balances	<u>\$ 45,000</u>	(11,286)	<u>\$ (56,286)</u>	96,525
FUND BALANCE, BEGINNING OF YEAR		<u>379,923</u>		<u>283,398</u>
FUND BALANCE, END OF YEAR		<u>\$ 368,637</u>		<u>\$ 379,923</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017			2016 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Intergovernmental	\$	\$ 600	\$ 600	\$
Charges for Services	156,000	156,429	429	153,898
Interest Income	600	710	110	688
Miscellaneous		6,721	6,721	1,828
Total Revenues	<u>156,600</u>	<u>164,460</u>	<u>7,860</u>	<u>156,414</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	86,100	101,803	15,703	92,423
Insurance	4,600	4,482	(118)	4,655
Professional Services	20,200	18,800	(1,400)	18,074
Repair and Maintaince	4,000	2,010	(1,990)	1,960
Supplies	21,500	16,306	(5,194)	20,190
Miscellaneous	16,200	20,132	3,932	14,660
Capital Outlay				
Public Safety	24,000	112,164	88,164	
Total Expenditures	<u>176,600</u>	<u>275,697</u>	<u>99,097</u>	<u>151,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	(111,237)	(91,237)	4,452
OTHER FINANCING SOURCES (USES)				
Transfers In	20,000	20,000		20,000
Net Change in Fund Balances	<u>\$ 0</u>	<u>(91,237)</u>	<u>\$ (91,237)</u>	24,452
FUND BALANCE, BEGINNING OF YEAR		<u>157,882</u>		<u>133,430</u>
FUND BALANCE, END OF YEAR		<u>\$ 66,645</u>		<u>\$ 157,882</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, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$	\$	\$	\$ 6,534
Interest Income				4
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,538</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services				537
Miscellaneous				22
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>559</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	5,979
OTHER FINANCING USES (USES)				
Transfers Out				<u>(5,979)</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>0</u>
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, 2017

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 20,000	\$ 7,527	\$ (12,473)	\$ 29,150
Interest Income	20		(20)	14
Total Revenues	<u>20,020</u>	<u>7,527</u>	<u>(12,493)</u>	<u>29,164</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	1,820	906	(914)	826
Developer Payment	15,700	5,256	(10,444)	20,405
Interest	2,500	1,757	(743)	5,026
Total Expenditures	<u>20,020</u>	<u>7,919</u>	<u>(12,101)</u>	<u>26,257</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(392)</u>	<u>\$ (392)</u>	<u>2,907</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(29,290)</u>		<u>(32,197)</u>
FUND BALANCE, END OF YEAR		<u>\$ (29,682)</u>		<u>\$ (29,290)</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 34,000	\$ 33,801	\$ (199)	\$ 33,248
Interest Income	50	20	(30)	24
Total Revenues	<u>34,050</u>	<u>33,821</u>	<u>(229)</u>	<u>33,272</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	1,300	862	(438)	537
Interest	13,000	13,063	63	13,327
Miscellaneous	20	32	12	22
Total Expenditures	<u>14,320</u>	<u>13,957</u>	<u>(363)</u>	<u>13,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,730	19,864	134	19,386
OTHER FINANCING USES (USES)				
Transfers Out	<u>(19,730)</u>		<u>19,730</u>	
Net Change in Fund Balances	<u>\$ 0</u>	19,864	<u>\$ 19,864</u>	19,386
FUND BALANCE, BEGINNING OF YEAR		<u>(326,547)</u>		<u>(345,933)</u>
FUND BALANCE, END OF YEAR		<u>\$ (306,683)</u>		<u>\$ (326,547)</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, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017		Over (Under) Final Budget	2016 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 15,000	\$ 48,618	\$ 33,618	\$
Investment Income		16	16	
Total Expenditures	<u>15,000</u>	<u>48,634</u>	<u>33,634</u>	<u>0</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	\$ 2,300	\$ 1,177	\$ (1,123)	\$ 2,179
Developer Payment	12,680	43,756	31,076	
Interest		1,913	1,913	600
Miscellaneous	20	32	12	22
Total Expenditures	<u>15,000</u>	<u>46,878</u>	<u>31,878</u>	<u>2,801</u>
Net Change in Fund Balances	<u>\$ 0</u>	1,756	<u>\$ 1,756</u>	(2,801)
FUND BALANCE, BEGINNING OF YEAR		<u>(17,822)</u>		<u>(15,021)</u>
FUND BALANCE, END OF YEAR		<u>\$ (16,066)</u>		<u>\$ (17,822)</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION

SEWER ENTERPRISE FUND

DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash	\$ 969,590	\$ 841,241
Accounts Receivable	69,622	68,792
Prepaid Items	11,672	11,960
Interest Due from Other Funds		
Total Current Assets	<u>1,050,884</u>	<u>921,993</u>
Noncurrent Assets		
Advance to Other Funds	120,069	127,475
Capital Assets		
Assets Not Being Depreciated	283,845	245,112
Other Capital Assets, Net of Depreciation	<u>2,949,999</u>	<u>3,154,934</u>
Total Noncurrent Assets	<u>3,353,913</u>	<u>3,527,521</u>
Total Assets	<u>4,404,797</u>	<u>4,449,514</u>
Deferred Outflows of Resources		
Related to Pensions	<u>28,821</u>	<u>64,420</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,433,618</u>	<u>\$ 4,513,934</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 3,349	\$ 14,362
Accrued Salaries	<u>4,546</u>	<u>3,838</u>
Total Current Liabilities	<u>7,895</u>	<u>18,200</u>
Long-Term Liabilities		
Total Liabilities	<u>116,689</u>	<u>153,794</u>
	<u>124,584</u>	<u>171,994</u>
Deferred Inflows of Resources		
Related to Pensions	21,260	11,318
Net Position		
Net Investment in Capital Assets	3,233,844	3,400,046
Unrestricted	<u>1,053,930</u>	<u>930,576</u>
Total Net Position	<u>4,287,774</u>	<u>4,330,622</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,433,618</u>	<u>\$ 4,513,934</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
OPERATING REVENUES		
Charges for Services	\$ 603,328	\$ 609,534
Other		
Penalties	6,363	6,254
Total Operating Revenues	<u>609,691</u>	<u>615,788</u>
OPERATING EXPENSES		
Salaries and Benefits	152,351	152,513
Utilities	94,723	102,656
Maintenance and Repair	44,894	78,012
Supplies and Minor Equipment	12,053	3,919
Chemicals	3,875	3,220
Insurance	25,792	24,586
Professional Services	41,516	22,316
Miscellaneous	19,573	18,061
Depreciation	285,570	283,987
Total Operating Expenses	<u>680,347</u>	<u>689,270</u>
Operating Income (Loss)	(70,656)	(73,482)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	8,793	7,707
Bond Interest and Fees		(431)
Refunds and Reimbursements	15	
Rental Income	19,000	24,500
Loss on Sale of Assets		(5,737)
Total Nonoperating Revenues (Expenses)	<u>27,808</u>	<u>26,039</u>
Change in Net Position	(42,848)	(47,443)
NET POSITION, BEGINNING OF YEAR	<u>4,330,622</u>	<u>4,378,065</u>
NET POSITION, END OF YEAR	<u>\$ 4,287,774</u>	<u>\$ 4,330,622</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION

WATER ENTERPRISE FUND

DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash	\$ 826,248	\$ 850,740
Accounts Receivable	77,902	80,921
Prepaid Items	8,746	8,963
Total Current Assets	<u>912,896</u>	<u>940,624</u>
Noncurrent Assets		
Advance to Other Funds	42,983	45,767
Capital Assets		
Assets Not Being Depreciated	143,936	143,936
Other Capital Assets, Net of Depreciation	4,296,497	4,395,234
Total Noncurrent Assets	<u>4,483,416</u>	<u>4,584,937</u>
Total Assets	<u>5,396,312</u>	<u>5,525,561</u>
Deferred Outflows of Resources		
Related to Pensions	<u>25,666</u>	<u>58,563</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,421,978</u>	<u>\$ 5,584,124</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 2,228	\$ 3,740
Accrued Salaries	4,070	3,480
Accrued Interest Payable	18,655	21,531
Bonds Held in Escrow	1,430	1,430
Current Portion of Long-Term Liabilities	251,000	243,000
Total Current Liabilities	<u>277,383</u>	<u>273,181</u>
Long-Term Liabilities		
Long-Term Liabilities, Net of Current Portion	<u>1,482,889</u>	<u>1,769,722</u>
Total Liabilities	<u>1,760,272</u>	<u>2,042,903</u>
Deferred Inflows of Resources		
Related to Pensions	18,933	10,290
Net Position		
Net Investment in Capital Assets	2,808,433	2,664,170
Unrestricted	834,340	866,761
Total Net Position	<u>3,642,773</u>	<u>3,530,931</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,421,978</u>	<u>\$ 5,584,124</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for Services	\$ 654,143	\$ 651,103
Other		
Connection Fees	863	887
Penalties	7,184	7,504
Other	<u>6,539</u>	<u>811</u>
Total Operating Revenues	<u>668,729</u>	<u>660,305</u>
OPERATING EXPENSES		
Salaries and Benefits	134,154	129,150
Utilities	35,731	32,049
Maintenance and Repair	47,491	12,586
Supplies and Minor Equipment	6,102	5,072
Chemicals	6,879	10,297
Insurance	19,452	18,541
Professional Services	7,392	17,369
Miscellaneous	22,960	11,080
Depreciation	<u>260,619</u>	<u>255,736</u>
Total Operating Expenses	<u>540,780</u>	<u>491,880</u>
Operating Income (Loss)	<u>127,949</u>	<u>168,425</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Income	3,817	3,868
Bond Interest and Fees	(56,749)	(64,420)
Refunds and Reimbursements	1,435	2,699
Rental Income	35,390	34,966
Loss on Sale of Assets		(5,737)
Total Nonoperating Revenues (Expenses)	<u>(16,107)</u>	<u>(28,624)</u>
Change in Net Position	<u>111,842</u>	<u>139,801</u>
NET POSITION, BEGINNING OF YEAR	<u>3,530,931</u>	<u>3,391,130</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,642,773</u></u>	<u><u>\$ 3,530,931</u></u>

CITY OF COKATO, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2017

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Community Development Private Purpose Trust Fund	Library Private Purpose Trust Fund	Totals	
			2017	2016
ASSETS				
Cash	\$ 16,731	\$ 8,343	\$ 25,074	\$ 25,842
NET POSITION				
Held in Trust for Community Development	\$ 16,731	\$	\$ 16,731	\$ 17,379
Held in Trust for Library		8,343	8,343	8,463
Total Net Position	\$ 16,731	\$ 8,343	\$ 25,074	\$ 25,842

CITY OF COKATO, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2017
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Community Development Private Purpose Trust Fund	Library Private Purpose Trust Fund	Totals	
			2017	2016
ADDITIONS				
Loan Principal Repayments	\$	\$	\$	\$ 747
Loan Interest Repayments				6
Interest Income	57	35	92	86
Total Additions	57	35	92	839
DEDUCTIONS				
Professional Fees	705		705	705
Other		155	155	85
Total Deductions	705	155	860	790
Change in Net Position	(648)	(120)	(768)	49
NET POSITION, BEGINNING OF YEAR	17,379	8,463	25,842	25,793
NET POSITION, END OF YEAR	\$ 16,731	\$ 8,343	\$ 25,074	\$ 25,842

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2008A
DECEMBER 31, 2017

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4.40%	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>\$ 310,000</u>	<u>\$ 99,640</u>	<u>\$ 409,640</u>

CITY OF COKATO, MINNESOTA

G.O. CROSSOVER REFUNDING BONDS, SERIES 2012A
 DECEMBER 31, 2017

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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%	<u>95,000</u>	<u>950</u>	<u>95,950</u>
TOTAL		<u>\$ 470,000</u>	<u>\$ 20,795</u>	<u>\$ 490,795</u>

CITY OF COKATO, MINNESOTA

G.O. EQUIPMENT CERTIFICATES, SERIES 2013A
 DECEMBER 31, 2017

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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%	<u>45,000</u>	<u>483</u>	<u>45,483</u>
TOTAL		<u>\$ 210,000</u>	<u>\$ 10,095</u>	<u>\$ 220,095</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2014A
DECEMBER 31, 2017

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,295,000</u>	<u>\$ 444,631</u>	<u>\$ 1,739,631</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2017A
 DECEMBER 31, 2017

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/01/18		\$	\$ 87,556	\$ 87,556
08/01/18			43,900	43,900
02/01/19			43,900	43,900
08/01/19			43,900	43,900
02/01/20			43,900	43,900
08/01/20			43,900	43,900
02/01/21			43,900	43,900
08/01/21			43,900	43,900
02/01/22			43,900	43,900
08/01/22			43,900	43,900
02/01/23	3.00%	140,000	43,900	183,900
08/01/23			41,800	41,800
02/01/24	3.00%	140,000	41,800	181,800
08/01/24			39,700	39,700
02/01/25	3.00%	145,000	39,700	184,700
08/01/25			37,525	37,525
02/01/26	3.00%	150,000	37,525	187,525
08/01/26			35,275	35,275
02/01/27	3.00%	155,000	35,275	190,275
08/01/27			32,950	32,950
02/01/28	3.00%	160,000	32,950	192,950
08/01/28			30,550	30,550
02/01/29	3.00%	165,000	30,550	195,550
08/01/29			28,075	28,075
02/01/30	3.00%	170,000	28,075	198,075
08/01/30			25,525	25,525
02/01/31	3.00%	175,000	25,525	200,525
08/01/31			22,900	22,900
02/01/32	3.00%	180,000	22,900	202,900
08/01/32			20,200	20,200
02/01/33	3.25%	185,000	20,200	205,200
08/01/33			17,194	17,194
02/01/34	3.25%	190,000	17,194	207,194
08/01/34			14,106	14,106
02/01/35	3.25%	200,000	14,106	214,106
08/01/35			10,856	10,856
02/01/36	3.25%	205,000	10,856	215,856
08/01/36			7,525	7,525
02/01/37	3.50%	210,000	7,525	217,525
08/01/37			3,850	3,850
02/01/38	3.50%	220,000	3,850	223,850
TOTAL		<u>\$ 2,790,000</u>	<u>\$ 1,262,618</u>	<u>\$ 4,052,618</u>

CITY OF COKATO, MINNESOTA

2004 G.O. WATER REVENUE NOTE
DECEMBER 31, 2017

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,632,000</u>	<u>\$ 186,443</u>	<u>\$ 1,818,443</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, 2017, 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 11, 2018.

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 & Consultants
Litchfield, Minnesota

June 11, 2018

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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, 2017, 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 11, 2018.

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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be material weaknesses: 2017-001, 2017-002, and 2017-003.

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P (320) 843-2302

Morris Office

401 Atlantic Ave
Morris, MN 56267
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Litchfield Office

820 Sibley Ave N
Litchfield, MN 55355
P (320) 693-7975

St. Cloud-Sartell Office

Ste 110
2351 Connecticut Ave
Sartell, MN 56377
P (320) 252-7565
T (800) 862-1337

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 & Consultants
Litchfield, Minnesota

June 11, 2018

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING 2017-001 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.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Findings:

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.

Official Responsible for Ensuring CAP:
Annita Smythe, City Administrator

Planned Completion Date for CAP:
December 31, 2018

Plan to Monitor Completion of CAP:
City Council

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2017

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

FINDING 2017-002 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.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Findings:
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.

Official Responsible for Ensuring CAP:
Annita Smythe, City Administrator

Planned Completion Date for CAP:
December 31, 2018

Plan to Monitor Completion of CAP:
City Council

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS
DECEMBER 31, 2017

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

FINDING 2017-003 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.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Findings:
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.

Official Responsible for Ensuring CAP:
Annita Smythe, City Administrator

Planned Completion Date for CAP:
December 31, 2018

Plan to Monitor Completion of CAP:
City Council

CITY OF COKATO MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If not corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2016-001	Auditor Prepared Financial Statements	Not Corrected	2006	See current year finding 2017-002
2016-002	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2017-001
2016-003	Material Audit Adjustments	Not Corrected	2014	See current year finding 2017-003

Minnesota Legal Compliance Findings:

None