

CITY OF COKATO, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

This page intentionally left blank

CITY OF COKATO, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>PAGE</u>
ELECTED AND APPOINTED OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	5-11
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Tax Increment No. 4-7 Special Revenue Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Fire Special Revenue Fund	20
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23-24
Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26-52

CITY OF COKATO, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	53
Schedule of Employer Contributions	54
Schedule of Changes in the City Fire Relief Association's Net Pension Liability and Related Ratios	55
Notes to Required Supplementary Information	56-57
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS OF NONMAJOR FUNDS	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	59
Combining Balance Sheet - Nonmajor Special Revenue Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	61
Combining Balance Sheet - Nonmajor Debt Service Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	63
Combining Balance Sheet - Nonmajor Capital Projects Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	65
INDIVIDUAL FUND STATEMENTS	
Balance Sheet - General Fund	66
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	67-68
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Revolving Rehabilitation Loan Special Revenue Fund	69
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Cemetery Special Revenue Fund	70
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Fire Special Revenue Fund	71

CITY OF COKATO, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION (Cont'd)	
INDIVIDUAL FUND STATEMENTS (Cont'd)	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Ambulance Special Revenue Fund	72
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Tax Increment No. 4-5 Special Revenue Fund	73
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Tax Increment No. 4-7 Special Revenue Fund	74
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Tax Increment No. 4-8 Special Revenue Fund	75
Sewer Enterprise Fund	
Statement of Net Position	76
Statement of Revenues, Expenses and Changes in Net Position	77
Water Enterprise Fund	
Statement of Net Position	78
Statement of Revenues, Expenses and Changes in Net Position	79
Fiduciary Funds	
Statement of Fiduciary Net Position	80
Statement of Changes in Fiduciary Net Position	81
FINANCIAL SCHEDULES	
Debt Service Requirements	
G.O. Improvement Bonds, Series 2008A	82
G.O. Crossover Refunding Bonds, Series 2012A	83
G.O. Equipment Certificates, Series 2013A	84
G.O. Improvement Bonds, Series 2014A	85
G.O. Improvement Bonds, Series 2017A	86

CITY OF COKATO, MINNESOTA

TABLE OF CONTENTS
DECEMBER 31, 2018

	<u>PAGE</u>
FINANCIAL SCHEDULES (Cont'd)	
Debt Service Requirements (Cont'd)	
2004 G.O. Water Revenue Note	87
COMPLIANCE SECTION	
Independent Auditor's Report on Minnesota Legal Compliance	88
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 <i>Government Auditing Standards</i>	89-90
Schedule of Findings	91-92
Summary Schedule of Prior Audit Findings	93

CITY OF COKATO, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2018

<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

This page intentionally left blank



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, 2018, 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.

Willmar Office

331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office

1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office

401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office

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

Sartell Office

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

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire 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 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated June 11, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 June 10, 2019, 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
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

June 10, 2019

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2018

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, 2018. 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 \$13,887,699. Of this amount, \$3,724,636 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 \$66,208.
- The City's governmental funds reported combined ending fund balances of \$2,708,902, a decrease of \$360,088.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$891,465, or 49.87% of total General Fund expenditures of \$1,787,561.

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, 2018

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 14-20 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 21-24 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 25 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 26-52 of this report.

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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>2018</u>	<u>2017</u>	
Current and Other Assets	\$ 2,845,079	\$ 3,642,091	\$ (797,012)
Net Capital Assets	<u>8,460,597</u>	<u>8,401,680</u>	<u>58,917</u>
Total Assets	11,305,676	12,043,771	(738,095)
Deferred Outflows of Resources	<u>101,031</u>	<u>173,703</u>	<u>(72,672)</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,406,707</u>	<u>\$ 12,217,474</u>	<u>\$ (810,767)</u>
Current and Other Liabilities	\$ 163,659	\$ 660,002	\$ (496,343)
Long-Term Liabilities	<u>5,242,175</u>	<u>5,555,278</u>	<u>(313,103)</u>
Total Liabilities	5,405,834	6,215,280	(809,446)
Deferred Inflows of Resources	139,356	111,250	28,106
Net Position			
Net Investment in Capital Assets	3,911,213	3,836,635	74,578
Restricted	294,563	199,033	95,530
Unrestricted	<u>1,655,741</u>	<u>1,855,276</u>	<u>(199,535)</u>
Total Net Position	<u>5,861,517</u>	<u>5,890,944</u>	<u>(29,427)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 11,406,707</u>	<u>\$ 12,217,474</u>	<u>\$ (810,767)</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Table 2
Comparative Condensed Statement of Net Position

	Business-Type Activities		Change
	2018	2017	
Current and Other Assets	\$ 2,306,400	\$ 2,126,832	\$ 179,568
Net Capital Assets	7,338,287	7,674,277	(335,990)
Total Assets	9,644,687	9,801,109	(156,422)
Deferred Outflows of Resources	32,438	54,487	(22,049)
Total Assets and Deferred Outflows of Resources	<u>\$ 9,677,125</u>	<u>\$ 9,855,596</u>	<u>\$ (178,471)</u>
Current and Other Liabilities	\$ 34,960	\$ 34,278	\$ 682
Long-Term Liabilities	1,568,757	1,850,578	(281,821)
Total Liabilities	1,603,717	1,884,856	(281,139)
Deferred Inflows of Resources	47,226	40,193	7,033
Net Position			
Net Investment in Capital Assets	5,957,287	6,042,277	(84,990)
Unrestricted	2,068,895	1,888,270	180,625
Total Net Position	<u>8,026,182</u>	<u>7,930,547</u>	<u>95,635</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 9,677,125</u>	<u>\$ 9,855,596</u>	<u>\$ (178,471)</u>

Governmental Activities

Net position of the City's governmental activities decreased by \$29,427. Table 3 presents the key elements of the decrease.

Business-Type Activities

The net position of the business-type activities increased by \$95,635. The net increase was due to the following funds' change in net position: Sewer - \$11,480 decrease; and Water - \$107,115 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, 2018

Table 3
Comparative Condensed Statement of Activities

	Governmental Activities		Change
	2018	2017	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 393,125	\$ 417,642	\$ (24,517)
Operating Grants and Contributions	72,000	73,777	(1,777)
General Revenues			
Taxes	1,480,567	1,401,530	79,037
Grants and Contributions not Restricted	645,973	600,244	45,729
Interest Income	20,460	16,124	4,336
Gain on Addition of Assets	20,743		20,743
Other	31,956	16,881	15,075
Total Revenues	<u>2,664,824</u>	<u>2,526,198</u>	<u>138,626</u>
EXPENSES			
General Government	426,721	328,181	98,540
Public Safety	825,344	1,005,920	(180,576)
Public Works	767,415	480,659	286,756
Culture and Recreation	422,700	386,609	36,091
Economic Development	90,493	57,301	33,192
Interest on Long-Term Debt	155,056	227,837	(72,781)
Total Expenses	<u>2,687,729</u>	<u>2,486,507</u>	<u>201,222</u>
Change in Net Position before Interfund Interest	(22,905)	39,691	(62,596)
INTERFUND INTEREST			
Change in Net Position	<u>(6,522)</u>	<u>(8,106)</u>	<u>1,584</u>
NET POSITION, BEGINNING OF YEAR	<u>5,890,944</u>	<u>5,859,359</u>	<u>31,585</u>
NET POSITION, END OF YEAR	<u>\$ 5,861,517</u>	<u>\$ 5,890,944</u>	<u>\$ (29,427)</u>

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Table 4
Comparative Condensed Statement of Activities

	Business-Type Activities		Change
	2018	2017	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 1,309,611	\$ 1,278,420	\$ 31,191
General Revenues			
Interest Income	4,539	4,504	35
Other	56,376	55,840	536
Total Revenues	<u>1,370,526</u>	<u>1,338,764</u>	<u>31,762</u>
EXPENSES			
Sewer	658,932	680,347	(21,415)
Water	622,481	597,529	24,952
Total Expenses	<u>1,281,413</u>	<u>1,277,876</u>	<u>3,537</u>
Change in Net Position before Interfund Interest	89,113	60,888	28,225
INTERFUND INTEREST			
Change in Net Position	<u>6,522</u>	<u>8,106</u>	<u>(1,584)</u>
NET POSITION, BEGINNING OF YEAR	<u>7,930,547</u>	<u>7,861,553</u>	<u>68,994</u>
NET POSITION, END OF YEAR	<u>\$ 8,026,182</u>	<u>\$ 7,930,547</u>	<u>\$ 95,635</u>

Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund Balance was (\$389,951) for 2018. The change in fund balance for 2018 was \$483,733 less than the change in fund balance for 2017. This attributed to an overall increase in public works and capital outlay expenditures.

Special Revenue Funds - The City's special revenue fund balances decreased by \$32,731. This decrease is mainly due to capital outlay expenditures of the Fire and Ambulance funds.

Debt Service Funds - The debt service fund balances decreased by \$37,254. The decrease is due to an increase in interest expenses in relation to G.O. Bonds, Series 2017A.

Capital Project Funds - The capital project fund balances increased by \$99,848. This increase is mainly due to a decrease in capital outlay expenditures in the Revolving Construction fund.

CITY OF COKATO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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 \$8,863 increase in fund balance. Actual revenues were \$78,114 more than budgeted due to additional licenses and permits, intergovernmental, and miscellaneous revenues. Actual expenditures were \$326,928 more than budgeted. This is attributed to more maintenance and repair expenditures in public works, salaries and benefits in public works, and capital outlay expenditures in the general government and culture and recreation.

Capital Assets

At the end of 2018, the City of Cokato had \$33,016,516 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 2018 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 \$6,405,958 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 2019 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 2018 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.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Totals	
			2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash	\$ 2,894,550	\$ 1,994,264	\$ 4,888,814	\$ 4,791,515
Restricted Cash				709,656
Receivables	30,808	140,077	170,885	186,965
Due from Other Governmental Units	14,985		14,985	23,469
Prepaid Items	38,979	21,532	60,511	57,318
Internal Balances	(150,527)	150,527		
Capital Assets				
Assets Not Being Depreciated	3,113,505	567,095	3,680,600	3,747,648
Other Capital Assets, Net of Depreciation	5,347,092	6,771,192	12,118,284	12,328,309
Net Pension Asset	16,284		16,284	
Total Assets	<u>11,305,676</u>	<u>9,644,687</u>	<u>20,950,363</u>	<u>21,844,880</u>
Deferred Outflows of Resources				
Related to Pensions	<u>101,031</u>	<u>32,438</u>	<u>133,469</u>	<u>228,190</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,406,707</u>	<u>\$ 9,677,125</u>	<u>\$ 21,083,832</u>	<u>\$ 22,073,070</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 61,956	\$ 8,225	\$ 70,181	\$ 180,367
Contracts Payable				348,013
Due to Other Governmental Units	6,048		6,048	6,648
Accrued Salaries	13,907	9,519	23,426	24,111
Accrued Interest Payable	66,929	15,786	82,715	126,911
Bonds Held in Escrow		1,430	1,430	1,430
Unearned Revenue	14,819		14,819	6,800
Long-Term Liabilities				
Net Pension Liability	241,503	163,471	404,974	521,349
Due Within One Year	205,000	259,000	464,000	456,000
Due in More than One Year	4,795,672	1,146,286	5,941,958	6,428,507
Total Liabilities	<u>5,405,834</u>	<u>1,603,717</u>	<u>7,009,551</u>	<u>8,100,136</u>
Deferred Inflows of Resources				
Related to Pensions	139,356	47,226	186,582	151,443
Net Position				
Net Investment in Capital Assets	3,911,213	5,957,287	9,868,500	9,878,912
Restricted for Debt Service	194,207		194,207	188,202
Restricted for Capital Projects	100,356		100,356	10,831
Unrestricted	1,655,741	2,068,895	3,724,636	3,743,546
Total Net Position	<u>5,861,517</u>	<u>8,026,182</u>	<u>13,887,699</u>	<u>13,821,491</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 11,406,707</u>	<u>\$ 9,677,125</u>	<u>\$ 21,083,832</u>	<u>\$ 22,073,070</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

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

	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	
							2018	2017
GOVERNMENTAL ACTIVITIES								
General Government	\$ 426,721	\$ 71,424	\$	\$	\$ (355,297)	\$	\$ (355,297)	\$ (206,975)
Public Safety	825,344	281,806	63,021		(480,517)		(480,517)	(670,764)
Public Works	767,415	21,248	3,979		(742,188)		(742,188)	(463,772)
Culture and Recreation	422,700	18,647	5,000		(399,053)		(399,053)	(368,439)
Economic Development	90,493				(90,493)		(90,493)	(57,301)
Interest on Long-Term Debt	155,056				(155,056)		(155,056)	(227,837)
Total Governmental Activities	2,687,729	393,125	72,000	0	(2,222,604)	0	(2,222,604)	(1,995,088)
BUSINESS-TYPE ACTIVITIES								
Sewer	658,932	621,117				(37,815)	(37,815)	(70,656)
Water	622,481	688,494				66,013	66,013	71,200
Total Business-Type Activities	1,281,413	1,309,611	0	0	0	28,198	28,198	544
Total	\$ 3,969,142	\$ 1,702,736	\$ 72,000	\$ 0	(2,222,604)	28,198	(2,194,406)	(1,994,544)
GENERAL REVENUES								
Taxes					1,480,567		1,480,567	1,401,530
Grants and Contributions not Restricted to Specific Programs					645,973		645,973	600,244
Interest Income					20,460	4,539	24,999	20,628
Gain on Sale of Assets					20,743		20,743	
Other					31,956	56,376	88,332	72,721
INTERFUND INTEREST					(6,522)	6,522		
Total General Revenues and Interfund Interest					2,193,177	67,437	2,260,614	2,095,123
Change in Net Position					(29,427)	95,635	66,208	100,579
NET POSITION, BEGINNING OF YEAR					5,890,944	7,930,547	13,821,491	13,720,912
NET POSITION, END OF YEAR					\$ 5,861,517	\$ 8,026,182	\$ 13,887,699	\$ 13,821,491

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	General	Tax Increment No. 4-7	Fire	Nonmajor Governmental Funds	Totals	
					2018	2017
ASSETS						
Cash	\$ 970,627	\$	\$ 284,263	\$ 1,639,660	\$ 2,894,550	\$ 2,995,677
Restricted Cash						709,656
Receivables						
Accounts				7,645	7,645	18,086
Delinquent Taxes	16,893			6,270	23,163	16,149
Special Assessments						5,206
Due from Other Governmental Units	11,599			3,386	14,985	23,469
Prepaid Items	32,185		4,740	2,054	38,979	36,900
Advance to Other Funds	39,200			147,687	186,887	207,135
Total Assets	\$ 1,070,504	\$ 0	\$ 289,003	\$ 1,806,702	\$ 3,166,209	\$ 4,012,278
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 28,771	\$	\$	\$ 33,185	\$ 61,956	\$ 174,790
Contracts Payable						348,013
Due to Other Governmental Units	6,048				6,048	6,648
Accrued Salaries	13,907				13,907	15,495
Advance from Other Funds	16,451	285,700		35,263	337,414	370,187
Unearned Revenue	14,819				14,819	6,800
Total Liabilities	79,996	285,700	0	68,448	434,144	921,933
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Taxes	16,893			6,270	23,163	16,149
Special Assessments						5,206
Total Deferred Inflows of Resources	16,893	0	0	6,270	23,163	21,355
Fund Balance						
Nonspendable	71,385		4,740	2,054	78,179	85,404
Restricted				681,558	681,558	930,372
Assigned	10,765		284,263	1,083,635	1,378,663	1,131,789
Unassigned	891,465	(285,700)		(35,263)	570,502	921,425
Total Fund Balance	973,615	(285,700)	289,003	1,731,984	2,708,902	3,068,990
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,070,504	\$ 0	\$ 289,003	\$ 1,806,702	\$ 3,166,209	\$ 4,012,278

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, 2018
WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Total Fund Balances - Governmental Funds	\$ 2,708,902	\$ 3,068,990
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	16,275,037	15,905,821
Less: Accumulated Depreciation	(7,814,440)	(7,504,141)
Net Pension Asset	16,284	
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	23,163	16,149
Special Assessments		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	101,031	173,703
Deferred Inflows of Resources Related to Pensions	(139,356)	(111,250)
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	(4,870,000)	(5,075,000)
Bond Premium	(111,260)	(117,466)
Bond Discount	5,184	6,606
Accrued Interest Payable	(66,929)	(108,256)
Net Pension Liability	(241,503)	(331,397)
Compensated Absences	(24,596)	(38,021)
	<u> </u>	<u> </u>
Total Net Position - Governmental Activities	<u>\$ 5,861,517</u>	<u>\$ 5,890,944</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Tax Increment No. 4-7	Fire	Nonmajor Governmental Funds	Totals	
					2018	2017
REVENUES						
Property Taxes	\$ 995,101	\$	\$	\$ 368,765	\$ 1,363,866	\$ 1,311,763
Tax Increment		34,027		80,866	114,893	89,946
Licenses and Permits	59,534				59,534	98,895
Intergovernmental	647,175		33,351		680,526	656,417
Charges for Services	49,924		96,400	157,107	303,431	294,034
Interest Income	3,952	20	168	23,747	27,887	24,751
Miscellaneous	45,324		22,814	37,664	105,802	58,441
Total Revenues	1,801,010	34,047	152,733	668,149	2,655,939	2,534,247
EXPENDITURES						
Current						
General Government	317,628			380	318,008	285,250
Public Safety	368,586		197,068	229,728	795,382	1,088,438
Public Works	463,534			16,909	480,443	359,237
Culture and Recreation	392,555				392,555	345,066
Economic Development		13,064		92,117	105,181	74,034
Capital Outlay						
General Government	85,275				85,275	
Public Safety			131,699	123,752	255,451	2,230,937
Public Works	83,874			97,431	181,305	320,962
Culture and Recreation	76,109			8,780	84,889	41,656
Debt Service						
Principal				205,000	205,000	210,000
Interest and Other				201,167	201,167	154,464
Total Expenditures	1,787,561	13,064	328,767	975,264	3,104,656	5,110,044
Excess (Deficiency) of Revenues Over (Under) Expenditures	13,449	20,983	(176,034)	(307,115)	(448,717)	(2,575,797)
OTHER FINANCING SOURCES (USES)						
Bond Issuance						2,790,000
Premium on Bonds Issued						111,900
Proceeds from Sale of Assets				88,629	88,629	110,000
Transfers In			96,400	307,000	403,400	204,810
Transfers Out	(403,400)				(403,400)	(204,810)
Total Other Financing Sources (Uses)	(403,400)	0	96,400	395,629	88,629	3,011,900
Net Change in Fund Balances	(389,951)	20,983	(79,634)	88,514	(360,088)	436,103
FUND BALANCE, BEGINNING OF YEAR	1,363,566	(306,683)	368,637	1,643,470	3,068,990	2,632,887
FUND BALANCE, END OF YEAR	\$ 973,615	\$ (285,700)	\$ 289,003	\$ 1,731,984	\$ 2,708,902	\$ 3,068,990

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, 2018
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (360,088)	\$ 436,103
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	369,216	2,770,328
Depreciation Expense	(310,299)	(370,749)
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	7,014	(179)
Special Assessments	(5,206)	
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	13,425	(8,019)
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).		
	5,400	(30,626)
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	205,000	210,000
Change in Accrued Interest Payable	41,327	(77,690)
Amortization of Bond Premium	6,206	5,740
Amortization of Bond Discount	(1,422)	(1,423)
Change in Net Position - Governmental Activities	<u>\$ (29,427)</u>	<u>\$ 31,585</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018				2017 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Property Taxes	\$ 991,700	\$ 991,700	\$ 995,101	\$ 3,401	\$ 959,831
Licenses and Permits	48,100	48,100	59,534	11,434	98,895
Intergovernmental	645,396	645,396	647,175	1,779	619,968
Charges for Services	28,700	28,700	49,924	21,224	42,795
Interest Income	3,000	3,000	3,952	952	4,326
Miscellaneous	6,000	6,000	45,324	39,324	32,792
Total Revenues	<u>1,722,896</u>	<u>1,722,896</u>	<u>1,801,010</u>	<u>78,114</u>	<u>1,758,607</u>
EXPENDITURES					
Current					
General Government	301,703	301,703	317,628	15,925	284,880
Public Safety	369,560	369,560	368,586	(974)	397,395
Public Works	359,500	359,500	463,534	104,034	285,511
Culture and Recreation	335,370	335,370	392,555	57,185	345,066
Capital Outlay					
General Government	8,500	8,500	85,275	76,775	
Public Works	60,000	60,000	83,874	23,874	131,198
Culture and Recreation	26,000	26,000	76,109	50,109	15,965
Total Expenditures	<u>1,460,633</u>	<u>1,460,633</u>	<u>1,787,561</u>	<u>326,928</u>	<u>1,460,015</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	262,263	262,263	13,449	(248,814)	298,592
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(253,400)</u>	<u>(253,400)</u>	<u>(403,400)</u>	<u>(150,000)</u>	<u>(204,810)</u>
Net Change in Fund Balances	<u>\$ 8,863</u>	<u>\$ 8,863</u>	<u>(389,951)</u>	<u>\$ (398,814)</u>	<u>93,782</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,363,566</u>		<u>1,269,784</u>
FUND BALANCE, END OF YEAR			<u>\$ 973,615</u>		<u>\$ 1,363,566</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018				2017 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Tax Increment	\$ 34,000	\$ 34,000	\$ 34,027	\$ 27	\$ 33,801
Interest Income	25	25	20	(5)	20
Total Revenues	<u>34,025</u>	<u>34,025</u>	<u>34,047</u>	<u>22</u>	<u>33,821</u>
EXPENDITURES					
Current					
Economic Development	<u>34,025</u>	<u>34,025</u>	<u>13,064</u>	<u>(20,961)</u>	<u>13,957</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>20,983</u>	<u>\$ 20,983</u>	<u>19,864</u>
FUND BALANCE, BEGINNING OF YEAR			<u>(306,683)</u>		<u>(326,547)</u>
FUND BALANCE, END OF YEAR			<u>\$ (285,700)</u>		<u>\$ (306,683)</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FIRE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018				2017 Actual
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Intergovernmental	\$ 25,000	\$ 25,000	\$ 33,351	\$ 33,351	\$ 35,849
Charges for Services	96,401	96,401	96,400	(1)	94,810
Interest Income			168	168	268
Miscellaneous			22,814	22,814	17,628
Total Revenues	<u>121,401</u>	<u>121,401</u>	<u>152,733</u>	<u>56,332</u>	<u>148,555</u>
EXPENDITURES					
Current					
Public Safety	163,301	163,301	197,068	33,767	151,807
Capital Outlay					
Public Safety	229,500	229,500	131,699	(97,801)	102,844
Total Expenditures	<u>392,801</u>	<u>392,801</u>	<u>328,767</u>	<u>(64,034)</u>	<u>254,651</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(271,400)	(271,400)	(176,034)	120,366	(106,096)
OTHER FINANCING SOURCES (USES)					
Transfers Out	96,400	96,400	96,400		94,810
Net Change in Fund Balances	<u>\$ (175,000)</u>	<u>\$ (175,000)</u>	(79,634)	<u>\$ 120,366</u>	(11,286)
FUND BALANCE, BEGINNING OF YEAR			<u>368,637</u>		<u>379,923</u>
FUND BALANCE, END OF YEAR			<u>\$ 289,003</u>		<u>\$ 368,637</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2018	2017
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash	\$ 1,069,072	\$ 925,192	\$ 1,994,264	\$ 1,795,838
Accounts Receivable	65,717	74,360	140,077	147,524
Prepaid Items	12,308	9,224	21,532	20,418
Total Current Assets	1,147,097	1,008,776	2,155,873	1,963,780
Noncurrent Assets				
Advance to Other Funds	110,485	40,042	150,527	163,052
Capital Assets				
Assets Not Being Depreciated	422,336	144,759	567,095	427,781
Other Capital Assets, Net of Depreciation	2,708,696	4,062,496	6,771,192	7,246,496
Total Noncurrent Assets	3,241,517	4,247,297	7,488,814	7,837,329
Total Assets	4,388,614	5,256,073	9,644,687	9,801,109
Deferred Outflows of Resources				
Related to Pensions	17,018	15,420	32,438	54,487
Total Assets and Deferred Outflows of Resources	\$ 4,405,632	\$ 5,271,493	\$ 9,677,125	\$ 9,855,596
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable	\$	\$ 8,225	\$ 8,225	\$ 5,577
Accrued Salaries	4,970	4,549	9,519	8,616
Accrued Interest Payable		15,786	15,786	18,655
Bonds Held in Escrow		1,430	1,430	1,430
Current Portion of Long-Term Liabilities		259,000	259,000	251,000
Total Current Liabilities	4,970	288,990	293,960	285,278
Long-Term Liabilities				
Long-Term Liabilities, Net of Current Portion		1,122,000	1,122,000	1,381,000
Net Pension Liability	85,761	77,710	163,471	189,952
Compensated Absences	13,831	10,455	24,286	28,626
Total Long-Term Liabilities	99,592	1,210,165	1,309,757	1,599,578
Total Liabilities	104,562	1,499,155	1,603,717	1,884,856
Deferred Inflows of Resources				
Related to Pensions	24,776	22,450	47,226	40,193
Net Position				
Net Investment in Capital Assets	3,131,032	2,826,255	5,957,287	6,042,277
Unrestricted	1,145,262	923,633	2,068,895	1,888,270
Total Net Position	4,276,294	3,749,888	8,026,182	7,930,547
Total Liabilities, Deferred Inflows of Resources and Net position	\$ 4,405,632	\$ 5,271,493	\$ 9,677,125	\$ 9,855,596

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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2018	2017
OPERATING REVENUES				
Charges for Services	\$ 613,484	\$ 672,762	\$ 1,286,246	\$ 1,257,471
Other	7,633	15,732	23,365	20,949
Total Operating Revenues	<u>621,117</u>	<u>688,494</u>	<u>1,309,611</u>	<u>1,278,420</u>
OPERATING EXPENSES				
Salaries and Benefits	155,444	142,523	297,967	286,505
Utilities	81,094	39,652	120,746	130,454
Maintenance and Repair	72,781	55,309	128,090	92,385
Supplies and Minor Equipment	6,095	5,094	11,189	18,155
Chemicals	5,295	7,703	12,998	10,754
Insurance	25,715	19,307	45,022	45,244
Professional Services	7,539	15,745	23,284	48,908
Miscellaneous	16,009	24,587	40,596	42,533
Depreciation	288,960	263,532	552,492	546,189
Total Operating Expenses	<u>658,932</u>	<u>573,452</u>	<u>1,232,384</u>	<u>1,221,127</u>
Operating Income (Loss)	<u>(37,815)</u>	<u>115,042</u>	<u>77,227</u>	<u>57,293</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	7,335	3,726	11,061	12,610
Bond Interest and Fees		(49,029)	(49,029)	(56,749)
Refunds and Reimbursements		(961)	(961)	1,450
Rental Income	19,000	38,337	57,337	54,390
Total Nonoperating Revenues (Expenses)	<u>26,335</u>	<u>(7,927)</u>	<u>18,408</u>	<u>11,701</u>
Change in Net Position	<u>(11,480)</u>	<u>107,115</u>	<u>95,635</u>	<u>68,994</u>
NET POSITION, BEGINNING OF YEAR,	<u>4,287,774</u>	<u>3,642,773</u>	<u>7,930,547</u>	<u>7,861,553</u>
NET POSITION, END OF YEAR	<u>\$ 4,276,294</u>	<u>\$ 3,749,888</u>	<u>\$ 8,026,182</u>	<u>\$ 7,930,547</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2018

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

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 625,022	\$ 685,324	\$ 1,310,346	\$ 1,274,070
Payments Received from Other Sources		6,712	6,712	6,539
Payments to Suppliers	(218,513)	(161,878)	(380,391)	(400,453)
Payments to Employees	(156,798)	(142,005)	(298,803)	(271,064)
Net Cash Provided (Used) by Operating Activities	249,711	388,153	637,864	609,092
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) Decrease in Advance to Other Funds	9,584	2,941	12,525	10,190
Refunds and Reimbursements		(961)	(961)	1,450
Rental Income	19,000	38,337	57,337	54,390
Net Cash Provided (Used) by Noncapital Financing Activities	28,584	40,317	68,901	66,030
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Long-Term Debt		(251,000)	(251,000)	(243,000)
Interest Paid on Long-Term Debt		(51,898)	(51,898)	(59,625)
Acquisition of Capital Assets	(186,148)	(30,354)	(216,502)	(281,250)
Net Cash Provided (Used) by Capital and Related Financing Activities	(186,148)	(333,252)	(519,400)	(583,875)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Income	7,335	3,726	11,061	12,610
Net Increase (Decrease) in Cash	99,482	98,944	198,426	103,857
CASH, BEGINNING OF YEAR	969,590	826,248	1,795,838	1,691,981
CASH, END OF YEAR	\$ 1,069,072	\$ 925,192	\$ 1,994,264	\$ 1,795,838

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2018

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

	Business-Type Activities - Enterprise Funds			
	Sewer	Water	Totals	
			2018	2017
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (37,815)	\$ 115,042	\$ 77,227	\$ 57,293
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	288,960	263,532	552,492	546,189
Pension Related Adjustments	605	1,996	2,601	11,038
(Increase) Decrease In				
Accounts Receivable	3,905	3,542	7,447	2,189
Prepaid Items	(636)	(478)	(1,114)	505
Increase (Decrease) In				
Accounts Payable	(3,349)	5,997	2,648	(12,525)
Accrued Salaries	424	479	903	1,298
Compensated Absences	(2,383)	(1,957)	(4,340)	3,105
Net Cash Provided (Used) By Operating Activities	<u>\$ 249,711</u>	<u>\$ 388,153</u>	<u>\$ 637,864</u>	<u>\$ 609,092</u>

See Accompanying Notes to the Financial Statements

CITY OF COKATO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	Private Purpose Trust Funds
ASSETS	
Cash	\$ 24,458
NET POSITION	
Net Position	
Held in Trust for Community Development	\$ 16,236
Held in Trust for Library	8,222
Total Net Position	\$ 24,458

CITY OF COKATO, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2018

	Private Purpose Trust Funds
ADDITIONS	
Interest Income	\$ 90
DEDUCTIONS	
Professional Fees	551
Other	155
Total Deductions	706
Change in Net Position	(616)
NET POSITION, BEGINNING OF YEAR	25,074
NET POSITION, END OF YEAR	\$ 24,458

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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 Fire Special Revenue Fund is used to account for the costs incurred related to the Fire Department.

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, 2018

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, 2018

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, 2018

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 acquisition 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.

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, 2018

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 \$73,302. The components of pension expense are noted in the plan summaries.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2017, 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, 2018

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	\$	285,700
Nonmajor Governmental Funds		
Tax Increment No. 4-5 Special Revenue Fund		22,659
Tax Increment No. 4-8 Special Revenue Fund		12,604

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	\$ 1,787,561	\$ 1,460,633
Nonmajor Governmental Funds		
Revolving Rehabilitation Loan Special Revenue Fund	21,709	
Tax Increment No. 4-5 Special Revenue Fund	24,964	7,400

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	\$ 2,024,112
Pooled Cash in Savings Account	1,870,351
Pooled Cash in Escrow	27
Petty Cash	<u>500</u>

Governmental and Business-Type Activities Total Deposits	3,894,990
--	-----------

Fiduciary Funds

Pooled Cash in Bank Accounts	<u>24,458</u>
------------------------------	---------------

Total Deposits	<u><u>\$ 3,919,448</u></u>
----------------	----------------------------

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	<u>\$ 993,824</u>	N/A	AAA	100%
Total Investments	<u><u>\$ 993,824</u></u>			
	<u>Fair Value</u>	<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	<u>\$ 993,824</u>	\$ 993,824	\$	\$
Total Investments	<u><u>\$ 993,824</u></u>			

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

C. PRESENTATION

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 3,919,448
Investments (Note 3.B.)	993,824
	<hr/>
Total Deposits and Investments	<u>\$ 4,913,272</u>

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

Statement of Net Position	
Cash and Investments	\$ 4,888,814
Statement of Fiduciary Net Position	
Cash and Investments	<hr/> 24,458
Total Cash and Investments	<u>\$ 4,913,272</u>

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
	<hr/>	<hr/>
Governmental Activities		
Accounts	\$ 7,645	\$
Delinquent Taxes	23,163	
	<hr/>	<hr/>
Total Governmental Activities	<u>\$ 30,808</u>	<u>\$ 0</u>
Business-Type Activities		
Accounts	<u>\$ 140,077</u>	<u>\$ 0</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 544,944	\$ 1,000	\$ (28,480)	\$ 517,464
Construction in Progress	2,774,923	394,520	(573,402)	2,596,041
Total Capital Assets, Not Being Depreciated	3,319,867	395,520	(601,882)	3,113,505
Capital Assets, Being Depreciated				
Improvements Other Than Buildings	8,823,436	437,034		9,260,470
Machinery and Equipment	2,696,045	287,541	(148,997)	2,834,589
Buildings	1,066,473			1,066,473
Total Capital Assets, Being Depreciated	12,585,954	724,575	(148,997)	13,161,532
Less Accumulated Depreciation for				
Improvements Other Than Buildings	4,793,437	257,571		5,051,008
Machinery and Equipment	1,803,538	134,302	(103,717)	1,834,123
Buildings	907,166	22,143		929,309
Total Accumulated Depreciation	7,504,141	414,016	(103,717)	7,814,440
Total Capital Assets, Being Depreciated, Net	5,081,813	310,559	(45,280)	5,347,092
Governmental Activities Net Capital Assets	<u>\$ 8,401,680</u>	<u>\$ 706,079</u>	<u>\$ (647,162)</u>	<u>\$ 8,460,597</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 20,045
Public Safety	82,280
Public Works	279,392
Culture and Recreation	32,299
Total Depreciation Expense - Governmental Activities	<u>\$ 414,016</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5. CAPITAL ASSETS (Cont'd)

Capital asset activity was as follows:

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 359,051	\$	\$	\$ 359,051
Construction in Progress	68,730	139,314		208,044
Total Capital Assets, Not Being Depreciated	427,781	139,314	0	567,095
Capital Assets, Being Depreciated				
Improvements Other Than Buildings	6,439,572	43,156		6,482,728
Machinery and Equipment	653,185	34,031	(12,097)	675,119
Buildings	9,016,537			9,016,537
Total Capital Assets, Being Depreciated	16,109,294	77,187	(12,097)	16,174,384
Less Accumulated Depreciation for				
Improvements Other Than Buildings	3,668,266	239,119		3,907,385
Machinery and Equipment	359,775	38,323	(12,097)	386,001
Buildings	4,834,757	275,049		5,109,806
Total Accumulated Depreciation	8,862,798	552,491	(12,097)	9,403,192
Total Capital Assets, Being Depreciated, Net	7,246,496	(475,304)	0	6,771,192
Business-Type Activities Net Capital Assets	\$ 7,674,277	\$ (335,990)	\$ 0	\$ 7,338,287

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities	
Sewer	\$ 263,531
Water	288,960
Total Depreciation Expense - Business-Type Activities	\$ 552,491

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	\$ 16,541
General	Nonmajor Governmental Funds	22,659
Water	Tax Increment No. 4-7	40,042
Sewer	Tax Increment No. 4-7	97,881
Sewer	Nonmajor Governmental Funds	12,604
Nonmajor Governmental Funds	General	16,451
Nonmajor Governmental Funds	Tax Increment No. 4-7	131,236
		<u>131,236</u>
Total Interfund Advance Balances		<u>\$ 337,414</u>

The interfund loans are for the financing of the Tax Increment Financing Districts No. 4-5, 4-7, and 4-8.

B. INTERFUND TRANSFERS AND INTEREST

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

	<u>Transfers In</u>	
	<u>Fire Fund</u>	<u>Nonmajor Governmental Funds</u>
Transfers Out		
General	<u>\$ 96,400</u>	<u>\$ 307,000</u>
		<u>Interest Expense</u>
		<u>Nonmajor Governmental Funds</u>
Interest Income		
General		\$ 2,534
Water		1,719
Sewer		4,803
Nonmajor Governmental Funds		5,632
		<u>5,632</u>
Total Interfund Interest		<u>\$ 14,688</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, 2018

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	\$ 290,000
G.O. Crossover Refunding Bonds, Series 2012A	1.00-2.00%	02/01/2022	375,000
G.O. Equipment Certificates, Series 2013A	0.80-2.15%	02/01/2022	170,000
G.O. Improvement Bonds, Series 2014A	3.00-4.00%	02/01/2035	1,245,000
G.O. Improvement Bonds, Series 2017A	3.00-3.50%	02/01/2038	2,790,000
Compensated Absences			24,596
Unamortized Bond Premium			111,260
Unamortized Bond Discount			<u>(5,184)</u>
Total Governmental Activities			<u>\$ 5,000,672</u>
<u>Business-Type Activities</u>			
2004 G.O. Water Revenue Note	3.18%	08/20/2023	\$ 1,381,000
Compensated Absences			<u>24,286</u>
Total Business-Type Activities			<u>\$ 1,405,286</u>

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

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

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, 2018

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.

C. MINIMUM DEBT PAYMENTS

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

Year Ending December 31	Governmental Activities			
	G.O. Improvement Bonds, Series 2008A		G.O. Crossover Refunding Bonds, Series 2012A	
	Principal	Interest	Principal	Interest
2019	\$ 20,000	\$ 13,330	\$ 90,000	\$ 5,760
2020	20,000	12,450	95,000	4,370
2021	20,000	11,540	95,000	2,755
2022	25,000	10,483	95,000	950
2023	25,000	9,307		
2024-2028	145,000	27,463		
2029	35,000	857		
	<u>\$ 290,000</u>	<u>\$ 85,430</u>	<u>\$ 375,000</u>	<u>\$ 13,835</u>

Year Ending December 31	Governmental Activities			
	G.O. Equipment Certificates, Series 2013A		G.O. Improvement Bonds, Series 2014A	
	Principal	Interest	Principal	Interest
2019	\$ 40,000	\$ 2,775	\$ 55,000	\$ 41,687
2020	40,000	2,175	60,000	39,963
2021	45,000	1,407	60,000	37,862
2022	45,000	483	60,000	35,463
2023			65,000	32,962
2024-2028			355,000	132,438
2029-2033			405,000	73,493
2034-2035			185,000	7,500
	<u>\$ 170,000</u>	<u>\$ 6,840</u>	<u>\$ 1,245,000</u>	<u>\$ 401,368</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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
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	140,000	85,700	294,000	9,349
2024-2028	750,000	363,250		
2029-2033	875,000	241,144		
2034-2038	1,025,000	89,868		
	<u>\$ 2,790,000</u>	<u>\$ 1,131,162</u>	<u>\$ 1,381,000</u>	<u>\$ 134,546</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	\$ 310,000	\$	\$ (20,000)	\$ 290,000	\$ 20,000
G.O. Crossover Refunding Bonds, Series 2012A	470,000		(95,000)	375,000	90,000
G.O. Equipment Certificates, Series 2013A	210,000		(40,000)	170,000	40,000
G.O. Bonds, Series 2014A	1,295,000		(50,000)	1,245,000	55,000
G.O. Bonds, Series 2017A	2,790,000			2,790,000	
Compensated Absences	38,021	33,256	(46,681)	24,596	
Unamortized Bond Premium	117,466		(6,206)	111,260	
Discount	(6,606)		1,422	(5,184)	
	<u>\$ 5,223,881</u>	<u>\$ 33,256</u>	<u>\$ (256,465)</u>	<u>\$ 5,000,672</u>	<u>\$ 205,000</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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	\$ 1,632,000	\$	\$ (251,000)	\$ 1,381,000	\$ 259,000
Compensated Absences	28,626	21,365	(25,705)	24,286	
	<u>\$ 1,660,626</u>	<u>\$ 21,365</u>	<u>\$ (276,705)</u>	<u>\$ 1,405,286</u>	<u>\$ 259,000</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, 2018, the aggregate balance outstanding was \$2,860,000.

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 2018 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, 2018

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, 2017, the plan covered 24 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred.

B. BENEFITS PROVIDED

The lump sum pension is based on completed months of service. The current lump sum pension is based on \$2,000 (effective February 9, 2015) per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000.

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, 2017, the State of Minnesota contributed \$33,665 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 \$3,301. 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 \$(16,284). The City's net pension liability (asset) was measured as of December 31, 2017, 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, 2018

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)
	<u> </u>	<u> </u>	<u> </u>
Balances at 1/1/2017	\$ 654,863	\$ 599,540	\$ 55,323
Changes for the Year:			
Service Cost	18,886		18,886
Interest	39,108		39,108
Changes in Assumptions	4,509		4,509
Contributions - Employer		3,301	(3,301)
Contributions - State		33,665	(33,665)
Net Investment Income		98,119	(98,119)
Benefit Payments	(43,883)	(43,883)	
Administrative Expense		(975)	975
Net Change	<u>18,620</u>	<u>90,227</u>	<u>(71,607)</u>
Balances at 12/31/2017	<u>\$ 673,483</u>	<u>\$ 689,767</u>	<u>\$ (16,284)</u>

For the year ended December 31, 2018, the City recognized pension expense of \$13,138.

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
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 12,569	\$
Changes in actuarial assumptions	3,890	14,008
Net differences between projected and actual investment earnings		22,229
Contributions paid to plan subsequent to measurement date	36,652	
State aid received for the plan subsequent to measurement date		33,351
	<u>\$ 53,111</u>	<u>\$ 69,588</u>

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

D. PENSION COSTS (Cont'd)

\$36,652 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, 2019. \$33,351 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, 2019. 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>	
2019	\$	1,005
2020		(1,408)
2021		(10,152)
2022		(11,644)
2023		1,209
Thereafter		1,212

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 2, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2017.

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 5.50%. 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.

G. 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 (4.50%)	Discount Rate (5.50%)	1% Increase in Discount Rate (6.50%)
City's Net Pension Liability (Asset)	\$ (6,982)	\$ (16,284)	\$ (25,199)

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

H. 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	24.95%	5.39%
International Equity	38.15%	5.20%
Fixed Income	20.00%	1.98%
Real Estate and Alternatives	0.62%	4.25%
Cash and Equivalents	16.28%	0.79%

I. 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; General Employees Plan; accounted for in the General Employees Fund):

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

B. BENEFITS PROVIDED

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

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits:

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. CONTRIBUTIONS

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

GERP Contributions:

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018; the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 were \$39,136. The City's contributions were equal to the required contributions as set by state statute.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

D. PENSION COSTS

GERP Pension Costs:

At December 31, 2018 the City reported a liability of \$404,974 for its proportionate share of the General Employees Fund's net pension liability. The City net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$13,391. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018 the City's proportion share was 0.0073% which was no change from its proportion measured as of June 30, 2017.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the City recognized pension expense of \$8,966 for its proportionate share of GERP's pension expense. In addition, the City recognized an additional \$3,123 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, 2018, 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	\$ 10,719	\$ 12,620
Changes in actuarial assumptions	41,335	45,503
Differences between projected and actual investment earnings		38,572
Changes in proportion	7,774	20,299
Contributions paid to PERA subsequent to measurement date	<u>20,530</u>	
Totals	<u>\$ 80,358</u>	<u>\$ 116,994</u>

\$20,530 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

<u>Year ended December 31,</u>	<u>Pension Expense Amount</u>
2019	\$ 14,733
2020	(30,586)
2021	(32,860)
2022	(8,453)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018 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% after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees and Police and Fire Plans. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service. In the Police and Fire Plan, salary growth assumptions decrease from 12.25 percent after one year of service to 3.25 percent after 25 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERP:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

GERP: (Cont'd)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, and the Police and Fire Fund. 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%	\$ 658,135
Current Discount	7.50%	404,974
1% Higher	8.50%	195,997

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.

CITY OF COKATO, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 11. RECLASSIFICATIONS

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

NOTE 12. FUND BALANCE

	General	Tax Increment No. 4-7	Fire	Nonmajor Governmental Funds	Total
Nonspendable					
Prepaid Items	\$ 32,185	\$	\$ 4,740	\$ 2,054	\$ 38,979
Advance to Other Funds	39,200				39,200
Total Nonspendable	71,385	0	4,740	2,054	78,179
Restricted for					
Debt Service				254,866	254,866
Capital Projects				426,692	426,692
Total Restricted	0	0	0	681,558	681,558
Assigned					
Developer Expense	10,765				10,765
Rehabilitation Loan Cemetery				67,742 20,093	67,742 20,093
Fire Protection			284,263		284,263
Ambulance Service				99,098	99,098
Construction				352,971	352,971
Capital Equipment				372,267	372,267
Public Safety Building				24,796	24,796
Capital Projects				75,560	75,560
Park Dedication				71,108	71,108
Total Assigned	10,765	0	284,263	1,083,635	1,378,663
Unassigned	891,465	(285,700)		(35,263)	570,502
	<u>\$ 973,615</u>	<u>\$ (285,700)</u>	<u>\$ 289,003</u>	<u>\$ 1,731,984</u>	<u>\$ 2,708,902</u>

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF COKATO, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2018

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 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>GERP</u>							
6/30/2018	0.0073%	\$ 404,974	\$ 13,391	\$ 418,365	\$ 493,149	84.84%	79.53%
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.

See Accompanying Notes to the Required Supplementary Information

CITY OF COKATO, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pension</u>					
<u>GERP</u>					
12/31/2018	\$ 39,136	\$ 39,136	\$	\$ 521,808	7.50%
12/31/2017	36,861	36,861		491,479	7.50%
12/31/2016	34,262	34,262		456,824	7.50%
12/31/2015	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, 2018

	December 31,			
	2017	2016	2015	2014
Service Cost	\$ 18,886	\$ 21,259	\$ 22,130	\$ 21,538
Interest	39,108	35,467	30,463	28,441
Differences Between Expected and Actual Experience		16,971		
Changes in Assumptions	4,509	(12,424)	(9,459)	
Benefit Payments	(43,883)	(189,000)		
Net Change in Total Pension Liability	18,620	(127,727)	43,134	49,979
Total Pension Liability - Beginning of Year	654,863	782,590	739,456	689,477
Total Pension Liability - End of Year	\$ 673,483	\$ 654,863	\$ 782,590	\$ 739,456
Contributions - Employer	\$ 36,966	\$ 37,707	\$ 34,343	\$ 39,441
Net Investment Income	98,119	16,634	(14,991)	15,231
Benefit Payments	(43,883)	(189,000)		
Administrative Expense	(975)	(974)	(976)	(976)
Net Change in Plan Fiduciary Net Position	90,227	(135,633)	18,376	53,696
Total Plan Fiduciary Net Position - Beginning of Year	599,540	735,173	716,797	663,101
Total Plan Fiduciary Net Position - End of Year	\$ 689,767	\$ 599,540	\$ 735,173	\$ 716,797
Fire Relief Association's Net Pension Liability	\$ (16,284)	\$ 55,323	\$ 47,417	\$ 22,659
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.42%	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.

This page intentionally left blank

CITY OF COKATO, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

No changes.

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. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

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%.

CITY OF COKATO, MINNESOTA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2016 Changes: (Cont'd)

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

This page intentionally left blank

CITY OF COKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash	\$ 212,473	\$ 251,480	\$ 1,175,707	\$ 1,639,660
Receivables				
Accounts	7,645			7,645
Delinquent Taxes		6,270		6,270
Due from Other Governmental Units		3,386		3,386
Prepaid Items	2,054			2,054
Advance to Other Funds			147,687	147,687
	<u>222,172</u>	<u>261,136</u>	<u>1,323,394</u>	<u>1,806,702</u>
Total Assets	\$ 222,172	\$ 261,136	\$ 1,323,394	\$ 1,806,702
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 33,185	\$	\$	\$ 33,185
Advance from Other Funds	35,263			35,263
Total Liabilities	<u>68,448</u>	<u>0</u>	<u>0</u>	<u>68,448</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Taxes		6,270		6,270
Fund Balance				
Nonspendable	2,054			2,054
Restricted		254,866	426,692	681,558
Assigned	186,933		896,702	1,083,635
Unassigned	(35,263)			(35,263)
Total Fund Balance	<u>153,724</u>	<u>254,866</u>	<u>1,323,394</u>	<u>1,731,984</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 222,172	\$ 261,136	\$ 1,323,394	\$ 1,806,702

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property Taxes	\$	\$ 368,765	\$	\$ 368,765
Tax Increment	80,866			80,866
Charges for Services	157,107			157,107
Interest Income	1,266	148	22,333	23,747
Miscellaneous	11,929		25,735	37,664
Total Revenues	<u>251,168</u>	<u>368,913</u>	<u>48,068</u>	<u>668,149</u>
EXPENDITURES				
Current				
General Government	380			380
Public Safety	152,751		76,977	229,728
Public Works			16,909	16,909
Economic Development	92,117			92,117
Capital Outlay				
Public Safety			123,752	123,752
Public Works			97,431	97,431
Culture and Recreation			8,780	8,780
Debt Service				
Principal		205,000		205,000
Interest and Other		201,167		201,167
Total Expenditures	<u>245,248</u>	<u>406,167</u>	<u>323,849</u>	<u>975,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,920	(37,254)	(275,781)	(307,115)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets			88,629	88,629
Transfers In	20,000		287,000	307,000
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>0</u>	<u>375,629</u>	<u>395,629</u>
Net Change in Fund Balances	25,920	(37,254)	99,848	88,514
FUND BALANCE, BEGINNING OF YEAR	<u>127,804</u>	<u>292,120</u>	<u>1,223,546</u>	<u>1,643,470</u>
FUND BALANCE, END OF YEAR	<u>\$ 153,724</u>	<u>\$ 254,866</u>	<u>\$ 1,323,394</u>	<u>\$ 1,731,984</u>

CITY OF COKATO, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Revolving Rehabilitation Loan	Cemetery	Ambulance	Tax Increment No. 4-5	Tax Increment No. 4-8	Total
ASSETS						
Cash	\$ 67,742	\$ 20,093	\$ 91,453	\$ 11,184	\$ 22,001	\$ 212,473
Receivables						
Accounts			7,645			7,645
Prepaid Items		91	1,963			2,054
Total Assets	\$ 67,742	\$ 20,184	\$ 101,061	\$ 11,184	\$ 22,001	\$ 222,172
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$	\$	\$	\$ 11,184	\$ 22,001	\$ 33,185
Advance from Other Funds				22,659	12,604	35,263
Total Liabilities	0	0	0	33,843	34,605	68,448
Fund Balance						
Nonspendable		91	1,963			2,054
Assigned	67,742	20,093	99,098			186,933
Unassigned				(22,659)	(12,604)	(35,263)
Total Fund Balance	67,742	20,184	101,061	(22,659)	(12,604)	153,724
Total Liabilities and Fund Balance	\$ 67,742	\$ 20,184	\$ 101,061	\$ 11,184	\$ 22,001	\$ 222,172

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2018

	Revolving Rehabilitation Loan	Cemetery	Ambulance	Tax Increment No. 4-5	Tax Increment No. 4-8	Total
REVENUES						
Tax Increment	\$	\$	\$	\$ 31,975	\$ 48,891	\$ 80,866
Charges for Services			157,107			157,107
Interest Income	421	87	731	12	15	1,266
Miscellaneous		2,600	9,329			11,929
Total Revenues	<u>421</u>	<u>2,687</u>	<u>167,167</u>	<u>31,987</u>	<u>48,906</u>	<u>251,168</u>
EXPENDITURES						
Current						
General Government		380				380
Public Safety			152,751			152,751
Economic Development	21,709			24,964	45,444	92,117
Total Expenditures	<u>21,709</u>	<u>380</u>	<u>152,751</u>	<u>24,964</u>	<u>45,444</u>	<u>245,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,288)	2,307	14,416	7,023	3,462	5,920
OTHER FINANCING SOURCES (USES)						
Transfers In			20,000			20,000
Net Change in Fund Balances	(21,288)	2,307	34,416	7,023	3,462	25,920
FUND BALANCE, BEGINNING OF YEAR	<u>89,030</u>	<u>17,877</u>	<u>66,645</u>	<u>(29,682)</u>	<u>(16,066)</u>	<u>127,804</u>
FUND BALANCE, END OF YEAR	<u>\$ 67,742</u>	<u>\$ 20,184</u>	<u>\$ 101,061</u>	<u>\$ (22,659)</u>	<u>\$ (12,604)</u>	<u>\$ 153,724</u>

CITY OF COKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2018

	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	\$ 6,112	\$ 93,865	\$ 50,452	\$ 75,235	\$ 25,816	\$ 251,480
Receivables						
Delinquent Taxes	605	1,723	769	1,603	1,570	6,270
Due from Other Governmental Units	326	931	416	865	848	3,386
	<u>7,043</u>	<u>96,519</u>	<u>51,637</u>	<u>77,703</u>	<u>28,234</u>	<u>261,136</u>
Total Assets	\$ 7,043	\$ 96,519	\$ 51,637	\$ 77,703	\$ 28,234	\$ 261,136
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Deferred Inflows of Resources						
Unavailable Revenue						
Delinquent Taxes	\$ 605	\$ 1,723	\$ 769	\$ 1,603	\$ 1,570	\$ 6,270
Fund Balance						
Restricted for Debt Service	6,438	94,796	50,868	76,100	26,664	254,866
	<u>6,438</u>	<u>94,796</u>	<u>50,868</u>	<u>76,100</u>	<u>26,664</u>	<u>254,866</u>
Total Deferred Inflows of Resources and Fund Balance	\$ 7,043	\$ 96,519	\$ 51,637	\$ 77,703	\$ 28,234	\$ 261,136

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 YEAR ENDED DECEMBER 31, 2018

	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	\$ 35,516	\$ 101,377	\$ 45,271	\$ 94,260	\$ 92,341	\$ 368,765
Interest Income	4	55	30	44	15	148
Total Revenues	<u>35,520</u>	<u>101,432</u>	<u>45,301</u>	<u>94,304</u>	<u>92,356</u>	<u>368,913</u>
EXPENDITURES						
Debt Service						
Principal	20,000	95,000	40,000	50,000		205,000
Interest and Other	14,760	7,410	3,254	43,837	131,906	201,167
Total Expenditures	<u>34,760</u>	<u>102,410</u>	<u>43,254</u>	<u>93,837</u>	<u>131,906</u>	<u>406,167</u>
Net Change in Fund Balances	760	(978)	2,047	467	(39,550)	(37,254)
FUND BALANCE, BEGINNING 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>
FUND BALANCE, END OF YEAR	<u>\$ 6,438</u>	<u>\$ 94,796</u>	<u>\$ 50,868</u>	<u>\$ 76,100</u>	<u>\$ 26,664</u>	<u>\$ 254,866</u>

CITY OF COKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2018

	<u>Revolving Construction</u>	<u>Capital Equipment</u>	<u>Public Safety Building</u>	<u>Millard Avenue</u>	<u>Park Dedication</u>	<u>Total</u>
ASSETS						
Cash	\$ 205,284	\$ 372,267	\$ 194,148	\$ 332,900	\$ 71,108	\$ 1,175,707
Advances to Other Funds	147,687					147,687
Total Assets	<u>\$ 352,971</u>	<u>\$ 372,267</u>	<u>\$ 194,148</u>	<u>\$ 332,900</u>	<u>\$ 71,108</u>	<u>\$ 1,323,394</u>
FUND BALANCE						
Fund Balance						
Restricted	\$	\$	\$ 169,352	\$ 257,340	\$	\$ 426,692
Assigned	352,971	372,267	24,796	75,560	71,108	896,702
Total Fund Balance	<u>\$ 352,971</u>	<u>\$ 372,267</u>	<u>\$ 194,148</u>	<u>\$ 332,900</u>	<u>\$ 71,108</u>	<u>\$ 1,323,394</u>

CITY OF COKATO, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED DECEMBER 31, 2018

	Revolving Construction	Capital Equipment	Public Safety Building	Millard Avenue	Park Dedication	Total
REVENUES						
Interest Income	\$ 7,253	\$ 340	\$ 14,328	\$ 197	\$ 215	\$ 22,333
Miscellaneous Revenue	20,735				5,000	25,735
Total Revenues	<u>27,988</u>	<u>340</u>	<u>14,328</u>	<u>197</u>	<u>5,215</u>	<u>48,068</u>
EXPENDITURES						
Current						
Public Safety			76,977			76,977
Public Works	16,909					16,909
Capital Outlay						
Public Safety			123,752			123,752
Public Works	83,921	13,510				97,431
Culture and Recreation					8,780	8,780
Total Expenditures	<u>100,830</u>	<u>13,510</u>	<u>200,729</u>	<u>0</u>	<u>8,780</u>	<u>323,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,842)	(13,170)	(186,401)	197	(3,565)	(275,781)
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Assets	88,629					88,629
Transfers In	75,000	122,000		75,000	15,000	287,000
Total Other Financing Sources (Uses)	<u>163,629</u>	<u>122,000</u>	<u>0</u>	<u>75,000</u>	<u>15,000</u>	<u>375,629</u>
Net Change in Fund Balances	90,787	108,830	(186,401)	75,197	11,435	99,848
FUND BALANCE, BEGINNING OF YEAR	<u>262,184</u>	<u>263,437</u>	<u>380,549</u>	<u>257,703</u>	<u>59,673</u>	<u>1,223,546</u>
FUND BALANCE, END OF YEAR	<u>\$ 352,971</u>	<u>\$ 372,267</u>	<u>\$ 194,148</u>	<u>\$ 332,900</u>	<u>\$ 71,108</u>	<u>\$ 1,323,394</u>

CITY OF COKATO, MINNESOTA

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 970,627	\$ 1,353,193
Receivables		
Delinquent Taxes	16,893	11,811
Special Assessments		5,206
Due from Other Governmental Units	11,599	10,608
Prepaid Items	32,185	30,455
Advance to Other Funds	<u>39,200</u>	<u>48,504</u>
Total Assets	<u>\$ 1,070,504</u>	<u>\$ 1,459,777</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 28,771	\$ 33,777
Accrued Salaries	13,907	14,213
Due to Other Governmental Units	6,048	6,648
Advance from Other Funds	16,451	17,756
Unearned Revenue	<u>14,819</u>	<u>6,800</u>
Total Liabilities	79,996	79,194
Deferred Inflows of Resources		
Unavailable Revenue		
Delinquent Taxes	16,893	11,811
Special Assessments		5,206
Total Deferred Inflows of Resources	<u>16,893</u>	<u>17,017</u>
Fund Balance		
Nonspendable	71,385	78,959
Assigned	10,765	10,751
Unassigned	<u>891,465</u>	<u>1,273,856</u>
Total Fund Balance	<u>973,615</u>	<u>1,363,566</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,070,504</u>	<u>\$ 1,459,777</u>

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Property Taxes	\$ 991,700	\$ 995,101	\$ 3,401	\$ 959,831
Licenses and Permits				
Franchise Fee	10,000	18,044	8,044	6,282
Building Permits	32,775	35,201	2,426	86,883
Liquor Licenses	5,150	5,400	250	5,500
Other	175	889	714	230
Total Licenses and Permits	48,100	59,534	11,434	98,895
Intergovernmental				
Local Government Aid	602,611	602,611		575,128
Police Aid	16,000	17,958	1,958	17,740
Other County Aids	4,000	3,979	(21)	4,273
Other State Aids	22,785	22,627	(158)	22,827
Total Intergovernmental	645,396	647,175	1,779	619,968
Charges for Services				
City Hall Rent	8,600	10,551	1,951	10,775
Planning-Zoning Fees	4,600	14,833	10,233	6,657
Sanitation-Recycling Collection		1,949	1,949	2,068
Swimming Pool Fees	14,500	16,047	1,547	16,870
Other	1,000	6,544	5,544	6,425
Total Charges for Services	28,700	49,924	21,224	42,795
Interest Income	3,000	3,952	952	4,326
Miscellaneous				
Fines and Forfeits	6,000	7,554	1,554	4,956
Refunds and Reimbursements		31,896	31,896	25,547
Contributions and Donations				2,289
Sale of Fixed Assets		5,874	5,874	
Total Miscellaneous	6,000	45,324	39,324	32,792
Total Revenues	1,722,896	1,801,010	78,114	1,758,607
EXPENDITURES				
Current				
General Government				
Mayor and Council	42,000	30,361	(11,639)	26,835
Planning and Zoning	4,200	2,332	(1,868)	2,346
Professional Services	53,500	62,480	8,980	56,553
Assessors	15,800	16,293	493	11,781
Administrator's Salary and Expenditures	57,800	61,598	3,798	58,492
Clerk's Salary and Expenditures	92,400	108,238	15,838	97,005
City Hall	31,775	31,545	(230)	30,588
Election	4,228	4,781	553	1,280
Total General Government	301,703	317,628	15,925	284,880

CITY OF COKATO, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017 Actual
	Final Budget	Actual	Over (Under) Final Budget	
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Public Safety				
Police Contract	\$ 322,560	\$ 324,494	\$ 1,934	\$ 310,624
Fire Protection	10,000	8,135	(1,865)	3,787
Animal Control	5,000	5,904	904	5,550
Building Inspection	32,000	30,053	(1,947)	77,434
Total Public Safety	<u>369,560</u>	<u>368,586</u>	<u>(974)</u>	<u>397,395</u>
Public Works				
Salaries and Benefits	56,500	77,903	21,403	66,231
Materials and Supplies	34,700	45,908	11,208	38,976
Maintenance and Repair	67,000	158,445	91,445	15,704
Snow and Ice Removal	89,600	69,082	(20,518)	64,242
Street Lighting	64,400	60,368	(4,032)	62,293
Insurance	18,000	15,836	(2,164)	15,717
Utilities	9,000	2,715	(6,285)	2,478
Engineering and Other Professional Services	14,000	26,098	12,098	13,207
Miscellaneous	6,300	7,179	879	6,663
Total Public Works	<u>359,500</u>	<u>463,534</u>	<u>104,034</u>	<u>285,511</u>
Culture and Recreation				
Parks, Pool and Rink	176,430	219,189	42,759	191,777
Library and Museum	135,030	150,223	15,193	130,854
Community Education	23,910	23,143	(767)	22,435
Total Culture and Recreation	<u>335,370</u>	<u>392,555</u>	<u>57,185</u>	<u>345,066</u>
Total Current	<u>1,366,133</u>	<u>1,542,303</u>	<u>176,170</u>	<u>1,312,852</u>
Capital Outlay				
General Government	8,500	85,275	76,775	
Public Works	60,000	83,874	23,874	131,198
Culture and Recreation	26,000	76,109	50,109	15,965
Total Capital Outlay	<u>94,500</u>	<u>245,258</u>	<u>150,758</u>	<u>147,163</u>
Total Expenditures	<u>1,460,633</u>	<u>1,787,561</u>	<u>326,928</u>	<u>1,460,015</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	262,263	13,449	(248,814)	298,592
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(253,400)</u>	<u>(403,400)</u>	<u>(150,000)</u>	<u>(204,810)</u>
Net Change in Fund Balances	<u>\$ 8,863</u>	<u>(389,951)</u>	<u>\$ (398,814)</u>	<u>93,782</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,363,566</u>		<u>1,269,784</u>
FUND BALANCE, END OF YEAR		<u>\$ 973,615</u>		<u>\$ 1,363,566</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Interest Income	\$ 300	\$ 421	\$ 121	\$ 439
EXPENDITURES				
Current				
Economic Development				
Professional Services		21,709	21,709	5,280
Net Change in Fund Balances	<u>\$ 300</u>	(21,288)	<u>\$ (21,588)</u>	(4,841)
FUND BALANCE, BEGINNING OF YEAR		89,030		93,871
FUND BALANCE, END OF YEAR		<u>\$ 67,742</u>		<u>\$ 89,030</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Interest Income	\$ 75	\$ 87	\$ 12	\$ 86
Miscellaneous		2,600	2,600	1,300
Total Revenues	<u>75</u>	<u>2,687</u>	<u>2,612</u>	<u>1,386</u>
EXPENDITURES				
Current				
General Government				
Salaries	600		(600)	
Insurance	200	193	(7)	187
Utilities	180	187	7	183
Total Expenditures	<u>980</u>	<u>380</u>	<u>(600)</u>	<u>370</u>
Net Change in Fund Balances	<u>\$ (905)</u>	2,307	<u>\$ 3,212</u>	1,016
FUND BALANCE, BEGINNING OF YEAR		<u>17,877</u>		<u>16,861</u>
FUND BALANCE, END OF YEAR		<u>\$ 20,184</u>		<u>\$ 17,877</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018			2017 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Intergovernmental	\$ 25,000	\$ 33,351	\$ 8,351	\$ 35,849
Charges for Services	96,401	96,400	(1)	94,810
Interest Income		168	168	268
Miscellaneous		22,814	22,814	17,628
Total Revenues	<u>121,401</u>	<u>152,733</u>	<u>31,332</u>	<u>148,555</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	41,926	43,838	1,912	48,126
Repair and Maintaince	11,500	36,249	24,749	10,171
Utilities	6,950	19,335	12,385	6,231
Supplies	19,500	28,250	8,750	21,405
Legal and Audit	6,400	12,120	5,720	5,781
Telephone	2,700	1,234	(1,466)	3,432
Insurance	16,000	9,760	(6,240)	9,851
Payments to Relief	51,500	35,186	(16,314)	37,130
Travel	6,000	8,794	2,794	9,134
Miscellaneous	825	2,302	1,477	546
Capital Outlay				
Public Safety	229,500	131,699	(97,801)	102,844
Total Expenditures	<u>392,801</u>	<u>328,767</u>	<u>(64,034)</u>	<u>254,651</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(271,400)</u>	<u>(176,034)</u>	<u>95,366</u>	<u>(106,096)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	96,400	96,400		94,810
Net Change in Fund Balances	<u>\$ (175,000)</u>	<u>(79,634)</u>	<u>\$ 95,366</u>	<u>(11,286)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>368,637</u>		<u>379,923</u>
FUND BALANCE, END OF YEAR		<u>\$ 289,003</u>		<u>\$ 368,637</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, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$	\$	\$	\$ 600
Charges for Services	160,600	157,107	(3,493)	156,429
Interest Income	600	731	131	710
Miscellaneous		9,329	9,329	6,721
Total Revenues	<u>161,200</u>	<u>167,167</u>	<u>5,967</u>	<u>164,460</u>
EXPENDITURES				
Current				
Public Safety				
Salaries	97,900	95,825	(2,075)	101,803
Insurance	4,600	4,122	(478)	4,482
Professional Services	20,000	20,409	409	18,800
Repair and Maintaince	4,000	3,071	(929)	2,010
Supplies	22,500	20,758	(1,742)	16,306
Miscellaneous	18,260	8,566	(9,694)	20,132
Capital Outlay				
Public Safety	113,940		(113,940)	112,164
Total Expenditures	<u>281,200</u>	<u>152,751</u>	<u>(128,449)</u>	<u>275,697</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120,000)	14,416	134,416	(111,237)
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Net Change in Fund Balances	<u>\$ (100,000)</u>	<u>34,416</u>	<u>\$ 134,416</u>	<u>(91,237)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>66,645</u>		<u>157,882</u>
FUND BALANCE, END OF YEAR		<u>\$ 101,061</u>		<u>\$ 66,645</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, 2018

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

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 7,400	\$ 31,975	\$ 24,575	\$ 7,527
Interest Income		12	12	
Total Revenues	<u>7,400</u>	<u>31,987</u>	<u>24,587</u>	<u>7,527</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	1,220	800	(420)	906
Developer Payment	5,180	22,383	17,203	5,256
Interest	1,000	1,781	781	1,757
Total Expenditures	<u>7,400</u>	<u>24,964</u>	<u>17,564</u>	<u>7,919</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>7,023</u>	<u>\$ 7,023</u>	<u>(392)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(29,682)</u>		<u>(29,290)</u>
FUND BALANCE, END OF YEAR		<u>\$ (22,659)</u>		<u>\$ (29,682)</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, 2018

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

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 34,000	\$ 34,027	\$ 27	\$ 33,801
Interest Income	25	20	(5)	20
Total Revenues	<u>34,025</u>	<u>34,047</u>	<u>22</u>	<u>33,821</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	3,400	800	(2,600)	862
Interest	30,600	12,264	(18,336)	13,063
Miscellaneous	25		(25)	32
Total Expenditures	<u>34,025</u>	<u>13,064</u>	<u>(20,961)</u>	<u>13,957</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>20,983</u>	<u>\$ 20,983</u>	<u>19,864</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(306,683)</u>		<u>(326,547)</u>
FUND BALANCE, END OF YEAR		<u>\$ (285,700)</u>		<u>\$ (306,683)</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, 2018

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

	2018		Over (Under) Final Budget	2017 Actual
	Final Budget	Actual		
REVENUES				
Tax Increment	\$ 48,000	\$ 48,891	\$ 891	\$ 48,618
Investment Income		15	15	16
Total Expenditures	<u>48,000</u>	<u>48,906</u>	<u>906</u>	<u>48,634</u>
EXPENDITURES				
Current				
Economic Development				
Professional Services	\$ 4,170	\$ 800	\$ (3,370)	\$ 1,177
Developer Payment	43,200	44,001	801	43,756
Interest	600	643	43	1,913
Miscellaneous	30		(30)	32
Total Expenditures	<u>48,000</u>	<u>45,444</u>	<u>(2,556)</u>	<u>46,878</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>3,462</u>	<u>\$ 3,462</u>	<u>1,756</u>
FUND BALANCE, BEGINNING OF YEAR		<u>(16,066)</u>		<u>(17,822)</u>
FUND BALANCE, END OF YEAR		<u>\$ (12,604)</u>		<u>\$ (16,066)</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION

SEWER ENTERPRISE FUND

DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash	\$ 1,069,072	\$ 969,590
Accounts Receivable	65,717	69,622
Prepaid Items	12,308	11,672
Total Current Assets	<u>1,147,097</u>	<u>1,050,884</u>
Noncurrent Assets		
Advance to Other Funds	110,485	120,069
Capital Assets		
Assets Not Being Depreciated	422,336	283,845
Other Capital Assets, Net of Depreciation	2,708,696	2,949,999
Total Noncurrent Assets	<u>3,241,517</u>	<u>3,353,913</u>
Total Assets	<u>4,388,614</u>	<u>4,404,797</u>
Deferred Outflows of Resources		
Related to Pensions	<u>17,018</u>	<u>28,821</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,405,632</u>	<u>\$ 4,433,618</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 3,349	\$ 3,349
Accrued Salaries	4,970	4,546
Total Current Liabilities	<u>4,970</u>	<u>7,895</u>
Long-Term Liabilities		
Net Pension Liability	85,761	100,475
Compensated Absences	13,831	16,214
Total Long-Term Liabilities	<u>99,592</u>	<u>116,689</u>
Total Liabilities	<u>104,562</u>	<u>124,584</u>
Deferred Inflows of Resources		
Related to Pensions	24,776	21,260
Net Position		
Net Investment in Capital Assets	3,131,032	3,233,844
Unrestricted	1,145,262	1,053,930
Total Net Position	<u>4,276,294</u>	<u>4,287,774</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,405,632</u>	<u>\$ 4,433,618</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEWER ENTERPRISE FUND
YEAR ENDED DECEMBER 31, 2018
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	2018	2017
OPERATING REVENUES		
Charges for Services	\$ 613,484	\$ 603,328
Other		
Penalties	7,633	6,363
Total Operating Revenues	621,117	609,691
OPERATING EXPENSES		
Salaries and Benefits	155,444	152,351
Utilities	81,094	94,723
Maintenance and Repair	72,781	44,894
Supplies and Minor Equipment	6,095	12,053
Chemicals	5,295	3,875
Insurance	25,715	25,792
Professional Services	7,539	41,516
Miscellaneous	16,009	19,573
Depreciation	288,960	285,570
Total Operating Expenses	658,932	680,347
Operating Income (Loss)	(37,815)	(70,656)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	7,335	8,793
Refunds and Reimbursements		15
Rental Income	19,000	19,000
Total Nonoperating Revenues (Expenses)	26,335	27,808
Change in Net Position	(11,480)	(42,848)
NET POSITION, BEGINNING OF YEAR	4,287,774	4,330,622
NET POSITION, END OF YEAR	\$ 4,276,294	\$ 4,287,774

CITY OF COKATO, MINNESOTA

STATEMENT OF NET POSITION

WATER ENTERPRISE FUND

DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash	\$ 925,192	\$ 826,248
Accounts Receivable	74,360	77,902
Prepaid Items	9,224	8,746
Total Current Assets	<u>1,008,776</u>	<u>912,896</u>
Noncurrent Assets		
Advance to Other Funds	40,042	42,983
Capital Assets		
Assets Not Being Depreciated	144,759	143,936
Other Capital Assets, Net of Depreciation	4,062,496	4,296,497
Total Noncurrent Assets	<u>4,247,297</u>	<u>4,483,416</u>
Total Assets	<u>5,256,073</u>	<u>5,396,312</u>
Deferred Outflows of Resources		
Related to Pensions	<u>15,420</u>	<u>25,666</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,271,493</u>	<u>\$ 5,421,978</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 8,225	\$ 2,228
Accrued Salaries	4,549	4,070
Accrued Interest Payable	15,786	18,655
Bonds Held in Escrow	1,430	1,430
Current Portion of Long-Term Liabilities	259,000	251,000
Total Current Liabilities	<u>288,990</u>	<u>277,383</u>
Long-Term Liabilities		
Long-Term Liabilities, Net of Current Portion	1,122,000	1,381,000
Net Pension Liability	77,710	89,477
Compensated Absences	10,455	12,412
Total Long-Term Liabilities	<u>1,210,165</u>	<u>1,482,889</u>
Total Liabilities	<u>1,499,155</u>	<u>1,760,272</u>
Deferred Inflows of Resources		
Related to Pensions	22,450	18,933
Net Position		
Net Investment in Capital Assets	2,826,255	2,808,433
Unrestricted	923,633	834,340
Total Net Position	<u>3,749,888</u>	<u>3,642,773</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,271,493</u>	<u>\$ 5,421,978</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Charges for Services	\$ 672,762	\$ 654,143
Other		
Connection Fees	450	863
Penalties	8,570	7,184
Other	<u>6,712</u>	<u>6,539</u>
Total Operating Revenues	688,494	668,729
OPERATING EXPENSES		
Salaries and Benefits	142,523	134,154
Utilities	39,652	35,731
Maintenance and Repair	55,309	47,491
Supplies and Minor Equipment	5,094	6,102
Chemicals	7,703	6,879
Insurance	19,307	19,452
Professional Services	15,745	7,392
Miscellaneous	24,587	22,960
Depreciation	<u>263,532</u>	<u>260,619</u>
Total Operating Expenses	<u>573,452</u>	<u>540,780</u>
Operating Income (Loss)	115,042	127,949
NONOPERATING REVENUES (EXPENSES)		
Interest Income	3,726	3,817
Bond Interest and Fees	(49,029)	(56,749)
Refunds and Reimbursements	(961)	1,435
Rental Income	<u>38,337</u>	<u>35,390</u>
Total Nonoperating Revenues (Expenses)	<u>(7,927)</u>	<u>(16,107)</u>
Change in Net Position	107,115	111,842
NET POSITION, BEGINNING OF YEAR	<u>3,642,773</u>	<u>3,530,931</u>
NET POSITION, END OF YEAR	<u>\$ 3,749,888</u>	<u>\$ 3,642,773</u>

CITY OF COKATO, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2018

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2017

	Community Development Private Purpose Trust Fund	Library Private Purpose Trust Fund	Totals	
			2018	2017
ASSETS				
Cash	\$ 16,236	\$ 8,222	\$ 24,458	\$ 25,074
NET POSITION				
Held in Trust for Community Development	\$ 16,236	\$	\$ 16,236	\$ 16,731
Held in Trust for Library		8,222	8,222	8,343
Total Net Position	\$ 16,236	\$ 8,222	\$ 24,458	\$ 25,074

CITY OF COKATO, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED DECEMBER 31, 2018
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Community Development Private Purpose Trust Fund	Library Private Purpose Trust Fund	Totals	
			2018	2017
ADDITIONS				
Interest Income	\$ 56	\$ 34	\$ 90	\$ 92
DEDUCTIONS				
Professional Fees	551		551	705
Other		155	155	155
Total Deductions	<u>551</u>	<u>155</u>	<u>706</u>	<u>860</u>
Change in Net Position	(495)	(121)	(616)	(768)
NET POSITION, BEGINNING OF YEAR	<u>16,731</u>	<u>8,343</u>	<u>25,074</u>	<u>25,842</u>
NET POSITION, END OF YEAR	<u>\$ 16,236</u>	<u>\$ 8,222</u>	<u>\$ 24,458</u>	<u>\$ 25,074</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2008A
 DECEMBER 31, 2018

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 290,000</u>	<u>\$ 85,430</u>	<u>\$ 375,430</u>

CITY OF COKATO, MINNESOTA

G.O. CROSSOVER REFUNDING BONDS, SERIES 2012A
 DECEMBER 31, 2018

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
02/01/19	1.40%	\$ 90,000	\$ 3,195	\$ 93,195
08/01/19			2,565	2,565
02/01/20	1.60%	95,000	2,565	97,565
08/01/20			1,805	1,805
02/01/21	1.80%	95,000	1,805	96,805
08/01/21			950	950
02/01/22	2.00%	95,000	950	95,950
TOTAL		<u>\$ 375,000</u>	<u>\$ 13,835</u>	<u>\$ 388,835</u>

CITY OF COKATO, MINNESOTA

G.O. EQUIPMENT CERTIFICATES, SERIES 2013A
 DECEMBER 31, 2018

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 170,000</u>	<u>\$ 6,840</u>	<u>\$ 176,840</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2014A
DECEMBER 31, 2018

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,245,000</u>	<u>\$ 401,368</u>	<u>\$ 1,646,368</u>

CITY OF COKATO, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2017A
 DECEMBER 31, 2018

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		\$ 2,790,000	\$ 1,131,162	\$ 3,921,162

CITY OF COKATO, MINNESOTA

2004 G.O. WATER REVENUE NOTE
DECEMBER 31, 2018

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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%		13,594	13,594
08/20/21		276,000	13,595	289,595
02/20/22	3.18%		9,206	9,206
08/20/22		285,000	9,206	294,206
02/20/23	3.18%		4,675	4,675
08/20/23		294,000	4,674	298,674
TOTAL		<u>\$ 1,381,000</u>	<u>\$ 134,546</u>	<u>\$ 1,515,546</u>

COMPLIANCE SECTION

This page intentionally left blank



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, 2018, 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 10, 2019.

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
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

June 10, 2019

Willmar Office
331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office
1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office
401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

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

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

This page intentionally left blank



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, 2018, 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 10, 2019.

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: 2018-001 and 2018-002.

Willmar Office

331 Third St SW, Ste 2
PO Box 570
Willmar, MN 56201
(320) 235-3311
(888) 388-1040

Benson Office

1209 Pacific Ave, Ste 3
Benson, MN 56215
(320) 843-2302

Morris Office

401 Atlantic Ave
Morris, MN 56267
(320) 589-2602

Litchfield Office

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

Sartell Office

Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(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
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

June 10, 2019

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2018

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

FINDING 2018-001 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, 2019

Plan to Monitor Completion of CAP:
City Council

CITY OF COKATO MINNESOTA

SCHEDULE OF FINDINGS

DECEMBER 31, 2018

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

FINDING 2018-002 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, 2019

Plan to Monitor Completion of CAP:
City Council

CITY OF COKATO MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018

<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:				
2017-001	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2018-001
2017-002	Auditor Prepared Financial Statements	Not Corrected	2006	See current year finding 2018-002
2017-003	Material Audit Adjustments	Resolved	2014	
Minnesota Legal Compliance Findings:				
None				