

CITY OF COSMOS
COSMOS, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

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SECTION I

INTRODUCTORY SECTION

CITY OF COSMOS
COSMOS, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

MAYOR	Gary Martin
COUNCIL MEMBER	Emily Schmeling
COUNCIL MEMBER	Tom McCarthy
COUNCIL MEMBER	Angelica Hopp
COUNCIL MEMBER	Jody Fruetel
CITY ADMINISTRATOR	John Douville

SECTION II

FINANCIAL SECTION

Dennis E. Oberloh, CPA
Sara J. Oberloh, CPA



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the City of Cosmos, Minnesota, as of and for the year ended December 31, 2019, 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Cosmos, Minnesota as of December 31, 2019, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension reporting schedules on pages 5 through 12 and 45 through 51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cosmos, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and Summary Financial Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and Summary Financial Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and Summary Financial Report are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2020 on our consideration of City of Cosmos, Minnesota'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 the effectiveness of the City of Cosmos, Minnesota's 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 City of Cosmos, Minnesota's internal control over financial reporting and compliance.

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.

May 14, 2020

CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

FINANCIAL HIGHLIGHTS

As Management of the City of Cosmos (hereinafter referred to as “the City”) we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,140,157 (net position). Of this amount \$1,460,702 (unrestricted net position) may be used to meet the City's on going obligations to citizens and creditors.
- The City's total net position decreased by \$92,117, compared to an increase of \$68,910 in the previous year. The governmental activities net position decreased during 2019 by \$103,630 and the business-type activities net position increased by \$11,513.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$840,313, an increase of \$69,694 in comparison with the prior year. Approximately 86.1 percent of this total amount, \$723,229, is available for spending at the City's discretion, although \$300,243 has been assigned for specific purposes.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The Statement of Net Position (on page 13) provides information on all the City’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 14) provides information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, and sanitation. The business-type activities of the City include water utility and sewer utility.

CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of nonspendable and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 15) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 17) provide a reconciliation (on pages 16 and 18) to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and 2013A G.O. Improvement Fund; both of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. The budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

Proprietary Funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility and sewer utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Water Fund and Sewer Fund; which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 22 through 44 of this report.

CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis and the General Fund Budgetary Comparison, and Pension Schedules (on pages 45 - 53) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes to the financial statements, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 58) includes optional financial information such as combining nonmajor governmental fund statements (which are added together and shown in the fund financial statements in a single column) and the summary financial report - governmental funds. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current Assets	\$ 1,346,616	\$ 1,421,275	\$ 393,998	\$ 367,744	\$ 1,740,614	\$ 1,789,019
Capital Assets	<u>2,232,665</u>	<u>2,286,848</u>	<u>2,504,307</u>	<u>2,616,956</u>	<u>4,736,972</u>	<u>4,903,804</u>
Total Assets	<u>3,579,281</u>	<u>3,708,123</u>	<u>2,898,305</u>	<u>2,984,700</u>	<u>6,477,586</u>	<u>6,692,823</u>
Deferred Outflows of						
Resources	<u>32,103</u>	<u>50,134</u>	<u>4,161</u>	<u>6,473</u>	<u>36,264</u>	<u>56,607</u>
Current Liabilities	<u>53,789</u>	<u>55,349</u>	<u>102,019</u>	<u>105,102</u>	<u>155,808</u>	<u>160,451</u>
Long-term Liabilities	<u>520,247</u>	<u>548,348</u>	<u>616,976</u>	<u>713,621</u>	<u>1,137,223</u>	<u>1,261,969</u>
Total Liabilities	<u>574,036</u>	<u>603,697</u>	<u>718,995</u>	<u>818,723</u>	<u>1,293,031</u>	<u>1,422,420</u>
Deferred Inflows of						
Resources	<u>73,555</u>	<u>54,064</u>	<u>7,107</u>	<u>7,599</u>	<u>80,662</u>	<u>61,663</u>
Net Position						
Net Investment in						
Capital Assets	<u>1,759,790</u>	<u>1,795,776</u>	<u>1,809,542</u>	<u>1,829,192</u>	<u>3,569,332</u>	<u>3,624,968</u>
Restricted	<u>110,123</u>	<u>60,374</u>	<u>-</u>	<u>-</u>	<u>110,123</u>	<u>60,374</u>
Unrestricted	<u>1,093,880</u>	<u>1,244,346</u>	<u>366,822</u>	<u>335,659</u>	<u>1,460,702</u>	<u>1,580,005</u>
Total Net Position	<u>\$ 2,963,793</u>	<u>\$ 3,100,496</u>	<u>\$ 2,176,364</u>	<u>\$ 2,164,851</u>	<u>\$ 5,140,157</u>	<u>\$ 5,265,347</u>

A large portion of the City's net position (69.4 percent) reflects its net investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

THE CITY AS A WHOLE (Cont.)

Net Position (Cont.)

An additional portion of the City's net position (2.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (28.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

Changes in Net Position

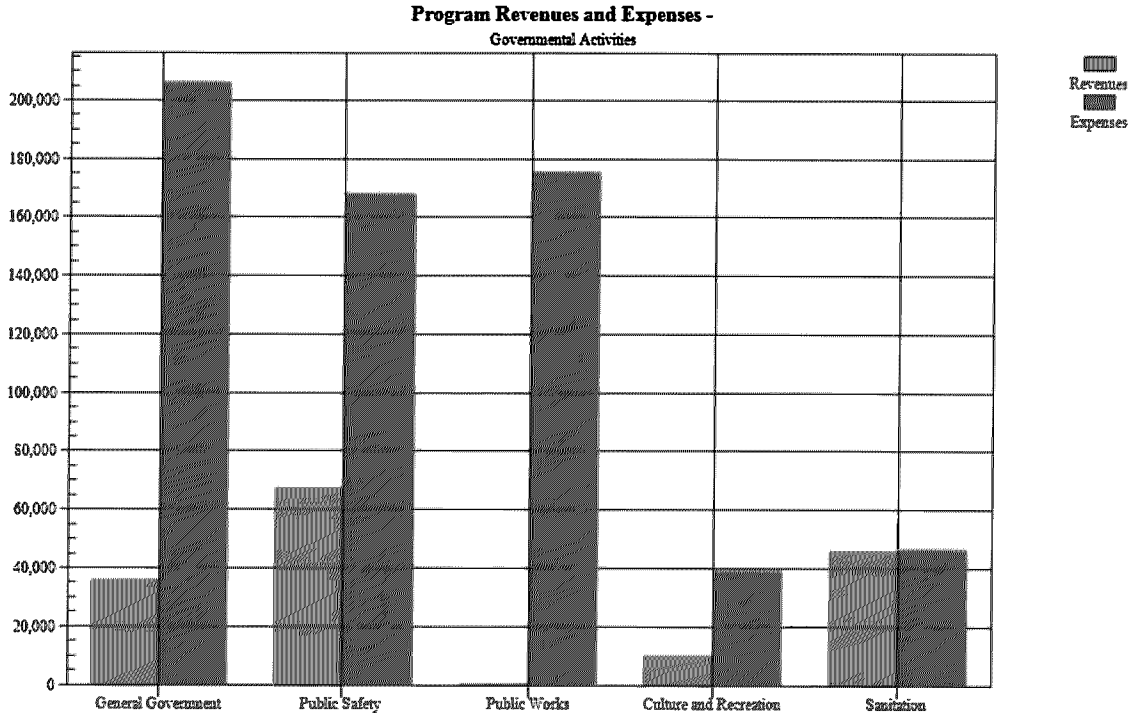
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>Revenues</u>						
<u>Program Revenues:</u>						
Fees, Fines, and Charges for Services	\$ 157,560	\$ 149,382	\$ 234,065	\$ 227,555	\$ 391,625	\$ 376,937
Operating Grants and Contributions	3,050	25,365	-	-	3,050	25,365
<u>General Revenues:</u>						
Taxes and Assessments	199,498	310,084	8,006	342	207,504	310,426
Intergovernmental Revenue	147,760	149,943	-	-	147,760	149,943
Interest Income	10,434	18,560	5,233	11,849	15,667	30,409
Other Income	-	-	406	599	406	599
Miscellaneous Income	13,294	11,411	-	-	13,294	11,411
Total Revenues	<u>531,596</u>	<u>664,745</u>	<u>247,710</u>	<u>240,345</u>	<u>779,306</u>	<u>905,090</u>
<u>Expenses</u>						
General Government	206,115	200,727	-	-	206,115	200,727
Public Safety	167,897	164,695	-	-	167,897	164,695
Public Works	175,440	145,049	-	-	175,440	145,049
Culture and Recreation	39,061	51,752	-	-	39,061	51,752
Sanitation	46,713	51,713	-	-	46,713	51,713
Sewer Utility	-	-	60,184	56,584	60,184	56,584
Water Utility	-	-	176,013	165,660	176,013	165,660
Total Expenses	<u>635,226</u>	<u>613,936</u>	<u>236,197</u>	<u>222,244</u>	<u>871,423</u>	<u>836,180</u>
Change in Net Position	<u>(103,630)</u>	<u>50,809</u>	<u>11,513</u>	<u>18,101</u>	<u>(92,117)</u>	<u>68,910</u>
<u>Net Position Beginning</u>						
Originally Stated Prior Period	3,100,496	3,049,687	2,164,851	2,146,750	5,265,347	5,196,437
Adjustment	<u>(33,073)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33,073)</u>	<u>-</u>
As Restated	<u>3,067,423</u>	<u>3,049,687</u>	<u>2,164,851</u>	<u>2,146,750</u>	<u>5,232,274</u>	<u>5,196,437</u>
Net Position Ending	<u>\$ 2,963,793</u>	<u>\$ 3,100,496</u>	<u>\$ 2,176,364</u>	<u>\$ 2,164,851</u>	<u>\$ 5,140,157</u>	<u>\$ 5,265,347</u>

CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

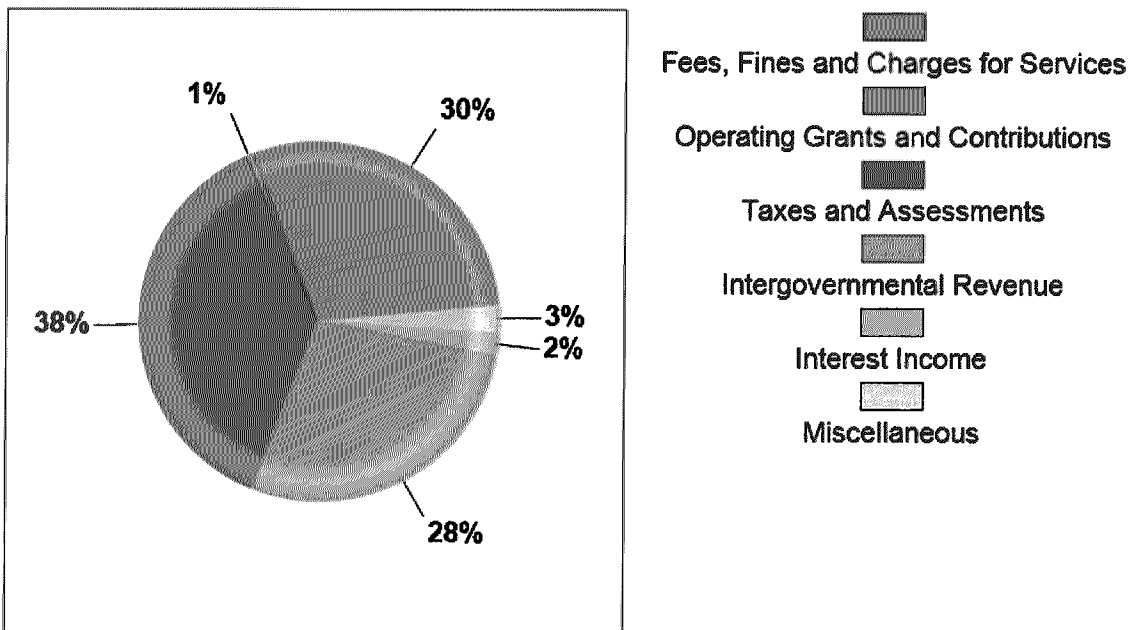
THE CITY AS A WHOLE (Cont.)

Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



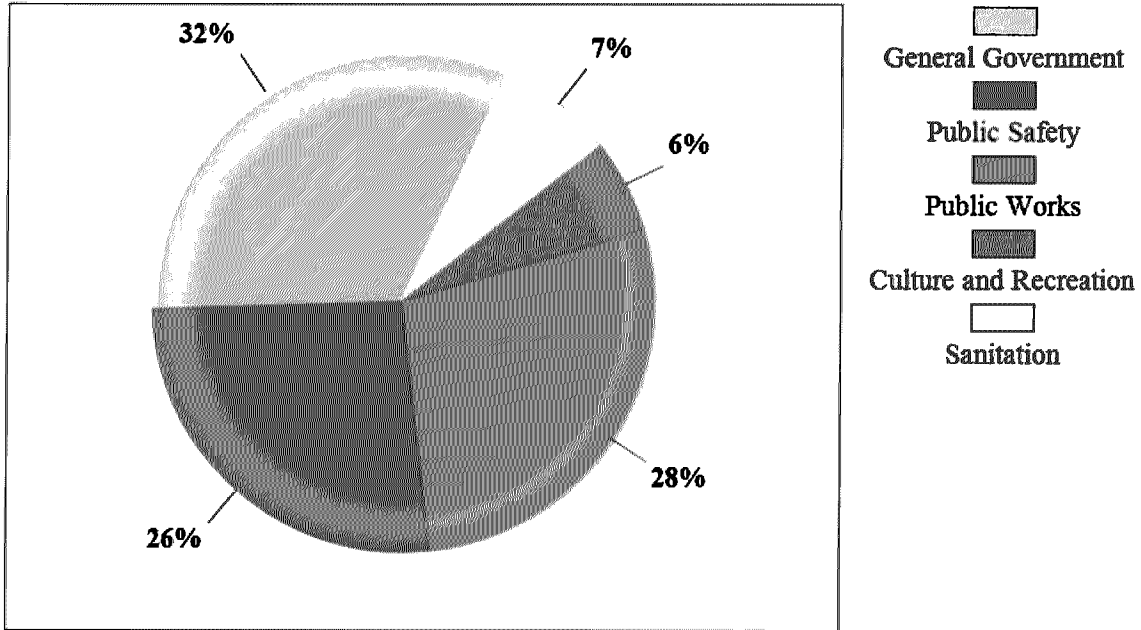
Sources of Funds in Governmental Activities



CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

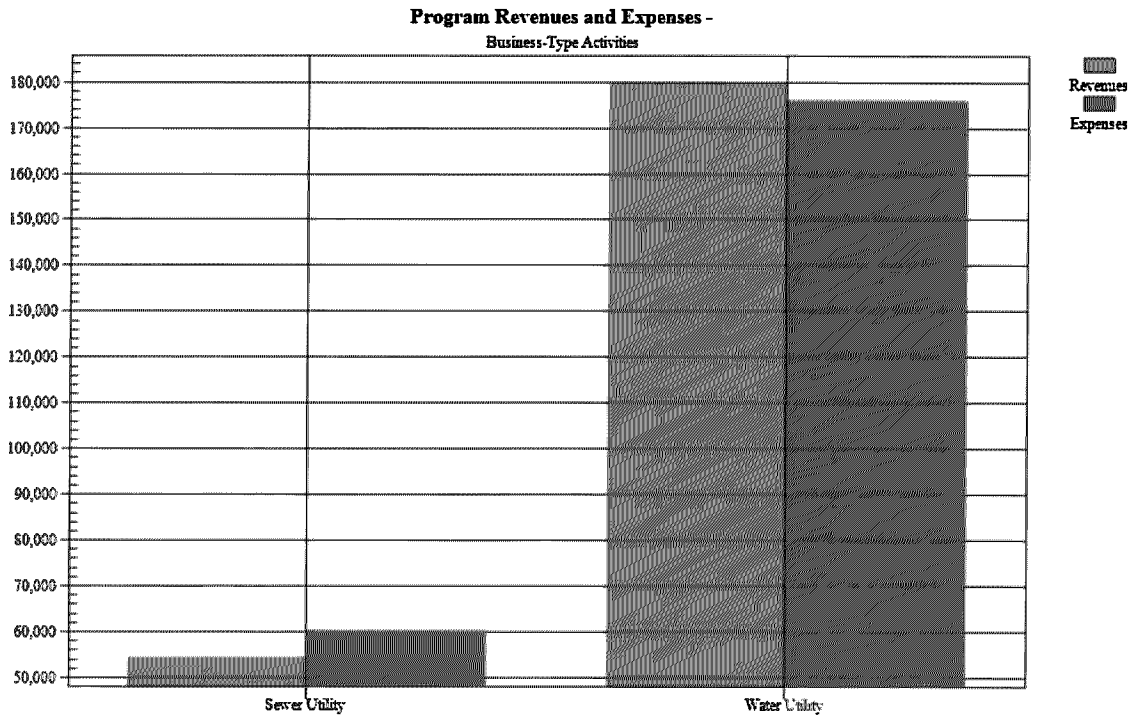
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)

Uses of Funds in Governmental Activities



Business-Type Activities

The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The City of Cosmos currently has seven different funds that will be accounted for in the 2019 audit. Those funds include the General Fund, 2013A G.O. Improvement Fund, Garbage Fund, Capital Project Fund, Water Fund, and Sewer Fund.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$748,324, of which \$289,337 was assigned for specific purposes and \$6,961 was nonspendable to offset prepaid expenses. As a measure of the General Funds liquidity, it may be useful to compare fund balance to fund expenditures. The total unassigned fund balance of \$452,056 represents 85.7 percent of fund expenditures. The fund balance of the City's General Fund increased \$49,546 compared to the prior year.

The 2013A G.O. Improvement Bond Fund has a fund balance of \$110,123, which has been restricted for future debt service payments. The net increase in fund balance during the current year was \$49,749.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the business-type activities in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$366,822. The total increase in net position of the funds was \$11,513. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for expenditures in excess of revenues in the amount of \$108,154 during 2019. Revenues were over expectations by \$25,491 and expenditures came in under budget by \$105,134 during 2019.

CITY OF COSMOS, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$4,707,901 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 4.0 percent (a 4.3 percent decrease for governmental activities and a 4.3 percent decrease for business-type activities). The decrease was due to depreciation exceeding capital outlay.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 83,198	\$ 83,198	\$ -	\$ -	\$ 83,198	\$ 83,198
Buildings	1,219,610	1,219,610	1,321,575	1,304,853	2,541,185	2,524,463
Improvements other than Building	1,672,228	1,662,236	2,915,249	2,915,249	4,587,477	4,577,485
Machinery and Equipment	<u>1,522,506</u>	<u>1,435,516</u>	<u>98,368</u>	<u>98,368</u>	<u>1,620,874</u>	<u>1,533,884</u>
Subtotal	4,497,542	4,400,560	4,335,192	4,318,470	8,832,734	8,719,030
Less: Accumulated Depreciation	<u>2,293,947</u>	<u>2,113,712</u>	<u>1,830,886</u>	<u>1,701,514</u>	<u>4,124,833</u>	<u>3,815,226</u>
Total	<u>\$ 2,203,595</u>	<u>\$ 2,286,848</u>	<u>\$ 2,504,306</u>	<u>\$ 2,616,956</u>	<u>\$ 4,707,901</u>	<u>\$ 4,903,804</u>

The City's major addition in the governmental activities included playground equipment and engineering costs on the preliminary capital project. The City's major addition for the business-type activities included the purchase of doors at the WWTP.

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$1,167,638.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
G.O. Revenue Notes	\$ -	\$ -	\$ 694,764	\$ 787,764	\$ 694,764	\$ 787,764
USDA Promissory Note	428,874	436,072	-	-	428,874	436,072
Contract for Deed	<u>44,000</u>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>44,000</u>	<u>55,000</u>
Total	<u>\$ 472,874</u>	<u>\$ 491,072</u>	<u>\$ 694,764</u>	<u>\$ 787,764</u>	<u>\$1,167,638</u>	<u>\$1,278,836</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, rates, and fees that will be charged by the funds of the City. The major factor accounted for when adopting the General Fund budget was to hold all line items as much as possible to the 2020 final budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Cosmos, PO Box 614, 220 Milky Way St S, Cosmos, MN 56228, phone 320-877-7345.

CITY OF COSMOS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 815,695	\$ 359,280	\$ 1,174,975
Receivables:			
Accounts Receivable	14,089	25,080	39,169
Property Taxes Receivable	30,507	-	30,507
Special Assessments Receivable	308,591	9,638	318,229
Interest Receivable	20,367	-	20,367
Due from Other Governments	15,394	-	15,394
Prepaid Expense	6,961	-	6,961
Capital Assets:			
Nondepreciable			
Land	83,198	-	83,198
Construction in Progress	29,070	-	29,070
Depreciable, Net of Accumulated Depreciation:			
Buildings	1,001,017	618,901	1,619,918
Improvements other than Building	516,651	1,846,245	2,362,896
Machinery and Equipment	602,729	39,161	641,890
Net Pension Asset	135,012	-	135,012
TOTAL ASSETS	3,579,281	2,898,305	6,477,586
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	32,103	4,161	36,264
LIABILITIES			
Accounts Payable	27,901	3,733	31,634
Taxes Payable	3,308	-	3,308
Accrued Interest	307	3,286	3,593
Salaries Payable	985	-	985
Accrued Compensated Absences	2,941	-	2,941
Noncurrent liabilities:			
Due within one year	18,347	95,000	113,347
Net Pension Liability	65,720	17,212	82,932
Due in more than one year	454,527	599,764	1,054,291
TOTAL LIABILITIES	574,036	718,995	1,293,031
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	73,555	7,107	80,662
NET POSITION			
Net Investment in Capital Assets	1,759,790	1,809,542	3,569,332
Restricted for:			
Debt Service	110,123	-	110,123
Unrestricted	1,093,880	366,822	1,460,702
TOTAL NET POSITION	\$ 2,963,793	\$ 2,176,364	\$ 5,140,157

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Program Revenues			Net Sources (Uses) and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 206,115	\$ 35,999	\$ -	\$ (170,116)	\$ -	\$ (170,116)
Public Safety	167,897	64,587	3,050	(100,260)	-	(100,260)
Public Works	175,440	689	-	(174,751)	-	(174,751)
Culture and Recreation	39,061	10,296	-	(28,765)	-	(28,765)
Sanitation	46,713	45,989	-	(724)	-	(724)
Total Governmental Activities	<u>635,226</u>	<u>157,560</u>	<u>3,050</u>	<u>(474,616)</u>	<u>-</u>	<u>(474,616)</u>
Business-Type Activities:						
Sewer Utility	60,184	54,436	-	-	(5,748)	(5,748)
Water Utility	176,013	179,629	-	-	3,616	3,616
Total Business-Type Activities:	<u>236,197</u>	<u>234,065</u>	<u>-</u>	<u>-</u>	<u>(2,132)</u>	<u>(2,132)</u>
Total Primary Government	<u>\$ 871,423</u>	<u>\$ 391,625</u>	<u>\$ 3,050</u>	<u>(474,616)</u>	<u>(2,132)</u>	<u>(476,748)</u>
General Revenues:						
Taxes and Assessments				199,498	8,006	207,504
Intergovernmental Revenue				147,760	-	147,760
Interest Income				10,434	5,233	15,667
Other Income				-	406	406
Miscellaneous				13,294	-	13,294
Total General Revenues				<u>370,986</u>	<u>13,645</u>	<u>384,631</u>
Changes in Net Position				<u>(103,630)</u>	<u>11,513</u>	<u>(92,117)</u>
Net Position - January 1 as						
Originally Stated				3,100,496	2,164,851	5,265,347
Prior Period Adjustment				<u>(33,073)</u>	<u>-</u>	<u>(33,073)</u>
As Restated				<u>3,067,423</u>	<u>2,164,851</u>	<u>5,232,274</u>
Net Position - December 31				<u>\$ 2,963,793</u>	<u>\$ 2,176,364</u>	<u>\$ 5,140,157</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>	<u>2013A G.O. Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS:				
Cash and Cash Equivalents	\$ 697,229	\$ 105,350	\$ 13,117	\$ 815,696
Accounts Receivable	8,827	-	5,262	14,089
Due from Other Governments	10,621	4,773	-	15,394
Property Taxes Receivable	30,507	-	-	30,507
Special Assessments Receivable	-	308,591	-	308,591
Interest Receivable	20,367	-	-	20,367
Prepaid Expense	6,961	-	-	6,961
Due from Other Funds	29,070	-	-	29,070
Total Assets	<u>\$ 803,582</u>	<u>\$ 418,714</u>	<u>\$ 18,379</u>	<u>\$ 1,240,675</u>
LIABILITIES:				
Accounts Payable	\$ 20,428	\$ -	\$ 7,473	\$ 27,901
Taxes Payable	3,308	-	-	3,308
Salaries Payable	985	-	-	985
Due to Other Funds	-	-	29,070	29,070
Total Liabilities	<u>24,721</u>	<u>-</u>	<u>36,543</u>	<u>61,264</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable/Unearned Revenue	30,507	308,591	-	339,098
Total Deferred Inflows of Resources	<u>30,507</u>	<u>308,591</u>	<u>-</u>	<u>339,098</u>
FUND BALANCES:				
Nonspendable	6,961	-	-	6,961
Restricted	-	110,123	-	110,123
Assigned	289,337	-	10,906	300,243
Unassigned (Deficit)	452,056	-	(29,070)	422,986
Total Fund Balances	<u>748,354</u>	<u>110,123</u>	<u>(18,164)</u>	<u>840,313</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 803,582</u>	<u>\$ 418,714</u>	<u>\$ 18,379</u>	<u>\$ 1,240,675</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total Governmental Fund Balances	\$ 840,313
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,232,664
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	339,098
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(476,122)
Net Pension Liability, Net Pension Asset, Deferred Inflows of Resources Related to Pensions and Deferred Outflows of Resources Related to Pensions in the governmental activities are not current financial resources and therefore not reported in the governmental funds.	<u>27,840</u>
Net Position of Governmental Activities	<u>\$ 2,963,793</u>

CITY OF COSMOS, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>	<u>2013A G.O. Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES				
Taxes	\$ 291,159	\$ 49,749	\$ -	\$ 340,908
Licenses and Permits	13,672	-	-	13,672
Intergovernmental Revenue	150,637	-	-	150,637
Charges for Services	97,027	-	45,989	143,016
Fines and Forfeits	872	-	-	872
Interest Income	10,240	-	193	10,433
Miscellaneous	13,294	-	-	13,294
Total Revenues	<u>576,901</u>	<u>49,749</u>	<u>46,182</u>	<u>672,832</u>
EXPENDITURES				
Current Operations:				
General Government	159,914	-	-	159,914
Public Safety	109,066	-	-	109,066
Public Works	106,350	-	-	106,350
Culture and Recreation	26,489	-	-	26,489
Sanitation	-	-	46,713	46,713
Debt Service:				
Principal Payments	18,198	-	-	18,198
Interest Payments	10,357	-	-	10,357
Capital Outlay	<u>96,981</u>	<u>-</u>	<u>29,070</u>	<u>126,051</u>
Total Expenditures	<u>527,355</u>	<u>-</u>	<u>75,783</u>	<u>603,138</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	49,546	49,749	(29,601)	69,694
FUND BALANCES - January 1	<u>698,808</u>	<u>60,374</u>	<u>11,437</u>	<u>770,619</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 748,354</u>	<u>\$ 110,123</u>	<u>\$ (18,164)</u>	<u>\$ 840,313</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 69,694
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	126,052
Depreciation Expense	(180,236)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes and Special Assessments	(141,410)
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Activities.	
	5
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on change in net position of governmental activities.	
Principal Repayments	18,198
Compensated Absences do not require the use of current financial resources and, therefore, are not accrued in the fund statements.	
	(100)
Pension expense related to the Net Pension Liability reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
	<u>4,167</u>
Change in Net Position of Governmental Activities	<u>\$ (103,630)</u>

CITY OF COSMOS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 197,519	\$ 161,762	\$ 359,281
Accounts Receivable	6,442	18,638	25,080
Special Assessments Receivable	<u>2,525</u>	<u>7,113</u>	<u>9,638</u>
Total Current Assets	<u>206,486</u>	<u>187,513</u>	<u>393,999</u>
NONCURRENT ASSETS			
Capital Assets:			
Buildings	390,000	931,575	1,321,575
Improvements other than Building	134,148	2,781,101	2,915,249
Machinery and Equipment	<u>71,245</u>	<u>27,123</u>	<u>98,368</u>
Total Capital Assets	595,393	3,739,799	4,335,192
Less: Accumulated Depreciation	<u>417,000</u>	<u>1,413,886</u>	<u>1,830,886</u>
Net Capital Assets	<u>178,393</u>	<u>2,325,913</u>	<u>2,504,306</u>
TOTAL ASSETS	<u>384,879</u>	<u>2,513,426</u>	<u>2,898,305</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	<u>1,610</u>	<u>2,551</u>	<u>4,161</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 386,489</u>	<u>\$ 2,515,977</u>	<u>\$ 2,902,466</u>
 LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,569	\$ 2,164	\$ 3,733
Accrued Interest	-	3,286	3,286
Current Amount of Long-Term Debt	<u>-</u>	<u>95,000</u>	<u>95,000</u>
Total Current Liabilities	<u>1,569</u>	<u>100,450</u>	<u>102,019</u>
LONG-TERM LIABILITIES			
Net Pension Liability	6,821	10,391	17,212
Bonds and Notes Payable	<u>-</u>	<u>599,764</u>	<u>599,764</u>
Total Long-Term Liabilities	<u>6,821</u>	<u>610,155</u>	<u>616,976</u>
TOTAL LIABILITIES	<u>8,390</u>	<u>710,605</u>	<u>718,995</u>
 DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	<u>2,936</u>	<u>4,171</u>	<u>7,107</u>
 NET POSITION			
Net Investment in Capital Assets	178,393	1,631,149	1,809,542
Unrestricted	<u>196,770</u>	<u>170,052</u>	<u>366,822</u>
Total Net Position	<u>375,163</u>	<u>1,801,201</u>	<u>2,176,364</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY	<u>\$ 386,489</u>	<u>\$ 2,515,977</u>	<u>\$ 2,902,466</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services	\$ 54,436	\$ 179,629	\$ 234,065
Total Operating Revenues	<u>54,436</u>	<u>179,629</u>	<u>234,065</u>
OPERATING EXPENSES			
Personnel Services	8,321	11,013	19,334
Depreciation	16,650	112,722	129,372
Equipment	-	76	76
Insurance	3,207	3,207	6,414
Repairs and Maintenance	10,223	17,044	27,267
Supplies	18,564	7,268	25,832
Utilities	964	4,534	5,498
Miscellaneous	2,255	10,212	12,467
Total Operating Expenses	<u>60,184</u>	<u>166,076</u>	<u>226,260</u>
NET OPERATING INCOME (LOSS)	<u>(5,748)</u>	<u>13,553</u>	<u>7,805</u>
NON OPERATING INCOME AND EXPENSE:			
Interest Income	2,845	2,388	5,233
Taxes and Special Assessments	4,063	3,943	8,006
Other Income	11	395	406
Interest Expense	-	(9,937)	(9,937)
Net Non Operating Income and Expense	<u>6,919</u>	<u>(3,211)</u>	<u>3,708</u>
CHANGE IN NET POSITION	1,171	10,342	11,513
NET POSITION - January 1	<u>373,992</u>	<u>1,790,859</u>	<u>2,164,851</u>
NET POSITION - December 31	<u>\$ 375,163</u>	<u>\$ 1,801,201</u>	<u>\$ 2,176,364</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Enterprise Funds</u>		
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 55,053	\$ 182,424	\$ 237,477
Payments to Vendors	(36,261)	(45,898)	(82,159)
Payments to Employees	(8,241)	(10,918)	(19,159)
Other Receipts and Payments	11	395	406
Net Cash Provided By Operating Activities	<u>10,562</u>	<u>126,003</u>	<u>136,565</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Special Assessment Collections	2,060	(2,648)	(588)
Purchase of Capital Assets	-	(16,722)	(16,722)
Principal Paid on Capital Debt	-	(93,000)	(93,000)
Interest Paid on Capital Debt	-	(10,415)	(10,415)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>2,060</u>	<u>(122,785)</u>	<u>(120,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Received	<u>2,845</u>	<u>2,388</u>	<u>5,233</u>
Net Cash Provided By Investing Activities	<u>2,845</u>	<u>2,388</u>	<u>5,233</u>
NET INCREASE IN CASH	15,467	5,606	21,073
CASH AND CASH EQUIVALENTS - January 1	<u>182,052</u>	<u>156,156</u>	<u>338,208</u>
CASH AND CASH EQUIVALENTS - December 31	<u>\$ 197,519</u>	<u>\$ 161,762</u>	<u>\$ 359,281</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
Operating Income (Loss)	\$ (5,748)	\$ 13,553	\$ 7,805
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities			
Depreciation	16,650	112,722	129,372
Noncash Pension Expense	80	95	175
Changes in Assets and Liabilities			
Accounts Receivable	617	2,795	3,412
Accounts Payable	(1,048)	(3,557)	(4,605)
Other Revenues and Expenses	11	395	406
Net Cash Provided By Operating Activities	<u>\$ 10,562</u>	<u>\$ 126,003</u>	<u>\$ 136,565</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Cosmos (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: general government, public safety, public works, public health and welfare, culture, recreation, garbage services, waterworks, and sanitary sewer.

The financial statements of the City of Cosmos, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

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 the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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) sales. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and deferred outflows of resources and liabilities and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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 of 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, franchise taxes, licenses, charges for services, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, includes property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year which the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Unavailable revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unavailable revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- 2013A G.O. Improvement Bond Fund - This fund is used to account for the revenues and expenditures related to the 2013A GO Improvement bond.

The City reports the following major proprietary funds:

- Water Fund - This fund is used to account for the water treatment and distribution to the residential and commercial users of the City.
- Sewer Fund - This fund is used to account for the sewer treatment and distribution from the residential and commercial users of the City.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Restricted Assets

Certain funds of the City are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

G. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

H. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by an unavailable revenue liability for delinquent taxes not received within 60 days after year end in the fund financial statements.

I. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

J. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash during the year or within 60 days after year end. All governmental special assessments receivable are offset by an unavailable/unearned revenue liability in the fund financial statements.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. 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.

L. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 7 to 40 years for buildings and improvements other than building, and 3 to 15 years for machinery and equipment.

M. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid accumulated sick leave is accrued for employees with 5 years or more of service. The policy allows for 50 percent of the unused sick leave up to 200 hours to be paid out upon separation after 5 years of employment. All vacation pay and the sick for employees with 5 years of service is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount of compensated absences accrued at December 31, 2019 was \$2,941.

N. 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. Bond discounts and premiums are recorded as assets and liabilities, respectively and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the year incurred.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Long-term Obligations (Cont.)

In the fund financial statements, governmental fund types recognized 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.

O. Pensions

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

P. Deferred Outflows/Inflows of Resources

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

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

Q. Fund Balance

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - Consists of amounts that are not in spendable form, such as 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 internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management.

Unassigned - The residual classification for the general fund and also reflects negative residual amounts in other funds

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. Fund Balance (Cont.)

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

R. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- (a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

S. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2019.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Debt Service	\$ 17,700	\$ 28,555	\$ (10,855)

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

C. Deficit Fund Equity

The following fund had a fund equity deficit at December 31, 2019:

Capital Project Fund	(29,070)
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The above deficit will be eliminated through future financing related to the capital project.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

Custodial Credit Risk - Custodial Credit Risk for deposits and investments is the risk that in the event of a bank failure the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes, the City maintains deposits at the depository banks, which are authorized by the City Council and are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

At year end, the City's carrying amount of deposits was \$1,174,975 and the bank balance was \$1,178,385 including certificates of deposits of \$1,000,800. All of the bank balance was covered by federal depository insurance.

B. Investments

The City maintains no investment accounts other than certificates of deposit reported above.

4. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2019, follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 29,070	\$ -
Nonmajor Governmental Funds	-	29,070
	<u>\$ 29,070</u>	<u>\$ 29,070</u>

Interfund receivable and payables are for cash flow purposes are expected to be liquidated by future financing related to the capital project.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

5. UNAVAILABLE/UNEARNED REVENUE

Governmental funds report unavailable and unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Enterprise Funds defer revenue recognition in connection with resources that have been assessed, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental and enterprise funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund		
Delinquent Taxes Receivable	\$ 30,507	\$ -
2013A G.O. Improvement		
Special Assessments Receivable	<u>8,578</u>	<u>428,249</u>
Total	<u>\$ 39,085</u>	<u>\$ 428,249</u>

6. CHANGES IN CAPITAL ASSETS

Governmental Activities - Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance December 31</u>
Not Being Depreciated:				
Land	\$ 83,198	\$ -	\$ -	\$ 83,198
Construction in Progress	<u>-</u>	<u>29,070</u>	<u>-</u>	<u>29,070</u>
Subtotal	<u>83,198</u>	<u>29,070</u>	<u>-</u>	<u>112,268</u>
Other Capital Assets:				
Buildings	1,219,610	-	-	1,219,610
Improvements other than Building	1,662,236	9,992	-	1,672,228
Machinery and Equipment	<u>1,435,517</u>	<u>86,989</u>	<u>-</u>	<u>1,522,506</u>
Subtotal	<u>4,317,363</u>	<u>96,981</u>	<u>-</u>	<u>4,414,344</u>
Less: Accumulated Depreciation				
Buildings	190,280	28,313	-	218,593
Improvements other than Building	1,106,064	49,513	-	1,155,577
Machinery and Equipment	<u>817,367</u>	<u>102,410</u>	<u>-</u>	<u>919,777</u>
Subtotal	<u>2,113,711</u>	<u>180,236</u>	<u>-</u>	<u>2,293,947</u>
Net Other Capital Assets	<u>2,203,652</u>	<u>(83,255)</u>	<u>-</u>	<u>2,120,397</u>
Net Capital Assets	<u>\$ 2,286,850</u>	<u>\$ (54,185)</u>	<u>\$ -</u>	<u>\$ 2,232,665</u>

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. CHANGES IN CAPITAL ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2019.

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance</u> <u>December 31</u>
Other Capital Assets:				
Buildings	\$ 1,304,853	\$ 16,722	\$ -	\$ 1,321,575
Improvements other than Building	2,915,249	-	-	2,915,249
Machinery and Equipment	<u>98,368</u>	<u>-</u>	<u>-</u>	<u>98,368</u>
Subtotal	<u>4,318,470</u>	<u>16,722</u>	<u>-</u>	<u>4,335,192</u>
Less: Accumulated Depreciation				
Buildings	663,388	39,285	-	702,673
Improvements other than Building	985,529	83,476	-	1,069,005
Machinery and Equipment	<u>52,597</u>	<u>6,611</u>	<u>-</u>	<u>59,208</u>
Subtotal	<u>1,701,514</u>	<u>129,372</u>	<u>-</u>	<u>1,830,886</u>
Net Capital Assets	<u>\$ 2,616,956</u>	<u>\$ (112,650)</u>	<u>\$ -</u>	<u>\$ 2,504,306</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 34,961
Public Safety	63,804
Public Works	68,975
Culture and Recreation	<u>12,496</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 180,236</u>
Business-Type Activities:	
Sewer Utility	\$ 16,650
Water Utility	<u>112,722</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 129,372</u>

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. FUND BALANCE

A. Classifications

	<u>General Fund</u>	<u>2013A G.O. Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Items	\$ 6,961	\$ -	\$ -	\$ 6,961
Total Nonspendable	<u>6,961</u>	<u>-</u>	<u>-</u>	<u>6,961</u>
Restricted for:				
Debt Service	<u>-</u>	110,123	<u>-</u>	110,123
Total Restricted	<u>-</u>	<u>110,123</u>	<u>-</u>	<u>110,123</u>
Assigned to:				
Equipment Purchases	242,106	-	-	242,106
USDA Building	17,555	-	-	17,555
Fire Equipment	29,676	-	-	29,676
Garbage Operations	<u>-</u>	<u>-</u>	10,906	10,906
Total Assigned	<u>289,337</u>	<u>-</u>	<u>10,906</u>	<u>300,243</u>
Unassigned (Deficit)	<u>452,056</u>	<u>-</u>	<u>(29,070)</u>	<u>422,986</u>
Total	<u>\$ 748,354</u>	<u>\$ 110,123</u>	<u>\$ (18,164)</u>	<u>\$ 840,313</u>

B. Minimum Unassigned Fund Balance Policy

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2019, the unassigned fund balance of the General Fund was a 70.1 percent of the subsequent years budgeted expenditures.

8. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2019.

	<u>Balance January 1</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance December 31</u>	<u>Current Amount</u>
G.O. Revenue Notes	\$ 787,764	\$ -	\$ 93,000	\$ 694,764	\$ 95,000
USDA Promissory Note	436,072	-	7,198	428,874	7,347
Contract for Deed	<u>55,000</u>	<u>-</u>	<u>11,000</u>	<u>44,000</u>	<u>11,000</u>
Totals	<u>\$ 1,278,836</u>	<u>\$ -</u>	<u>\$ 111,198</u>	<u>\$ 1,167,638</u>	<u>\$ 113,347</u>

General Obligation Improvement Bonds issued by the governmental activities are liquidated by the related debt service funds. USDA Promissory Note and Contract for Deed issued by the governmental activities are liquidated by the General Fund. General Obligation Revenue Notes issued by the business-type activities are liquidated by the related Water and Sewer Funds.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT (Cont.)

Bonds and other long-term debt outstanding at December 31, 2019 are comprised of the following issues:

Governmental Activities

\$55,000 Contract for Deed, due in annual installments of \$11,000 through 2023, with interest at 0.0%. This is for the purchase of the City Shop from the County. \$ 44,000

\$402,000 USDA Promissory Note, due in annual installments of \$17,555 through December 2057, including interest at 2.38%. 428,874

Total Governmental Activities 472,874

Business-Type Activities

\$912,706 General Obligation Revenue Note of 2005, due in annual installments of \$42,000 to \$55,706 through August 2024, plus interest due in semi-annual installments at 1.72% 268,706

\$515,815 General Obligation Revenue Note of 2008, due in annual installments of \$25,000 to \$30,000 through August 2027, plus interest due in semi-annual installments at 1.092% 229,000

\$242,741 General Obligation Revenue Note of 2010, due in annual installments of \$8,200 to \$13,000 through August 2029, plus interest due in semi-annual installments at 1.0% 128,000

\$102,428 General Obligation Revenue Note of 2013, due in annual installments of \$3,000 to \$4,000 through August 2042, plus interest due in semi-annual installments at 1.0% 69,058

Total Business-Type Activities 694,764

Total Long-Term Debt \$ 1,167,638

The annual requirements to maturity for long-term liabilities are as follows:

	Contract for Deed Governmental Activities			G.O. Revenue Notes Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 11,000	-	\$ 11,000	\$ 95,000	\$ 9,092	\$ 104,092
2021	11,000	-	11,000	96,000	7,742	103,742
2022	11,000	-	11,000	98,000	5,525	103,525
2023	11,000	-	11,000	98,000	4,980	102,980
2024	-	-	-	100,706	3,586	104,292
2025-2029	-	-	-	168,000	6,282	174,282
2030-2034	-	-	-	15,000	1,650	16,650
2035-2039	-	-	-	16,000	900	16,900
2040-2044	-	-	-	8,058	121	8,179
2045-2049	-	-	-	-	-	-
2050-2054	-	-	-	-	-	-
2055-2059	-	-	-	-	-	-
Total	<u>\$ 44,000</u>	<u>\$ -</u>	<u>\$ 44,000</u>	<u>\$ 694,764</u>	<u>\$ 39,878</u>	<u>\$ 734,642</u>

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT (Cont.)

	<u>USDA Promissory Note</u> <u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,347	\$ 10,208	\$ 17,555
2021	7,522	10,033	17,555
2022	7,701	9,854	17,555
2023	7,884	9,671	17,555
2024	8,072	9,483	17,555
2025-2029	43,332	44,442	87,774
2030-2034	48,741	39,034	87,775
2035-2039	54,824	32,952	87,776
2040-2044	61,666	26,109	87,775
2045-2049	69,359	18,416	87,775
2050-2054	78,017	9,758	87,775
2055-2059	<u>34,409</u>	<u>1,264</u>	<u>35,673</u>
Total	<u>\$ 428,874</u>	<u>\$ 221,224</u>	<u>\$ 650,098</u>

Interest expense was charged to functions/programs of the City as follows:

Governmental Activities:		
General Government	\$	<u>10,357</u>
Total Interest Expense - Governmental Activities	\$	<u>10,357</u>
Business-Type Activities:		
Water Utility	\$	<u>9,937</u>
Total Interest Expense - Business-Type Activities	\$	<u>9,937</u>

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

A. Plan Description (Cont.)

2. Public Employees Police and Fire Plan (Police and Fire Fund (accounted for in the Police and Fire Fund))

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

1. General Employees Plan 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 a Coordinated member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Effective January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, within a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Benefits Provided (Cont.)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the City of Cosmos, Minnesota was required to contribute 7.50% for Coordinated Plan members. The City of Cosmos, Minnesota contributions to the General Employees Fund for the year ended December 31, 2019, were \$8,498. The City of Cosmos, Minnesota contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City of Cosmos, Minnesota reported a liability of \$82,932 for its proportionate share of the General Employees Fund's net pension liability. The City of Cosmos, Minnesota's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Cosmos, Minnesota totaled \$2,667. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Cosmos, Minnesota proportion share of the net pension liability was based on the City of Cosmos, Minnesota contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City of Cosmos, Minnesota proportionate share was 0.0015% which was an decrease of 0.0017% from its proportion measured as of June 30, 2018.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

City of Cosmos proportionate share of the net pension liability	\$ 82,932
State of Minnesota's proportionate share of the net pension liability associated with the City of Cosmos	<u>2,667</u>
Total	<u>\$ 85,599</u>

For the year ended December 31, 2019, the City of Cosmos, Minnesota recognized pension expense of \$4,552 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Cosmos, Minnesota recognized an additional \$200 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City of Cosmos, Minnesota reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,054	\$ 1,940
Changes in actuarial assumptions	-	7,207
Difference between projected and actual investment earnings	5,227	15,118
Changes in proportion	2,030	8,321
Contributions paid to PERA subsequent to the measurement date	<u>4,753</u>	<u>-</u>
Total	<u>\$ 15,064</u>	<u>\$ 32,586</u>

The \$4,753 reported as deferred outflows of resources related to pensions resulting from City of Cosmos, Minnesota contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ (8,364)
2021	\$ (9,519)
2022	\$ (4,688)
2023	\$ 296
2024	\$ -
Thereafter	\$ -

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

D. Pension Costs (Cont.)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City of Cosmos, Minnesota reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ -	\$ 3,845
Total	<u>\$ -</u>	<u>\$ 3,845</u>

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2020	\$ (3,845)
2021	\$ -
2022	\$ -
2023	\$ -
2024	\$ -
Thereafter	\$ -

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilities were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the correctional Plan.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent five-year experience study for the Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

E. Actuarial Assumptions (Cont.)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

- The mortality projection scale was changed from MP-2017 to MP-2018
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

- The mortality projection scale was changed from MP-2017 to MP-2018
- There have been no changes since the prior valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20%	0.75%
International Equity	17.5%	5.90%
Cash	2%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

G. Pension Liability Sensitivity

The following presents the City of Cosmos, Minnesota 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 of Cosmos, Minnesota proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
General Employees Fund:	\$ 136,335	\$ 82,932	\$ 38,836

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.

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA

A. Plan Description

The City of Cosmos, Minnesota participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2019 the plan covered 15 active firefighters and 7 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Cosmos, Minnesota. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary City of Cosmos, Minnesota contributions. The State of Minnesota contributed \$13,628 in fire state aid to the fund for the year ended December 31, 2019. Required employer contributions are calculated annually based on statutory provisions. The City had no required annual contribution for December 31, 2019.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA (Cont.)

D. Pension Costs

At December 31, 2019, the City of Cosmos, Minnesota reported a net pension asset of \$135,012 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension liability in accordance with GASB 68 was determined by PERA 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.

	Total Pension <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net Pension Liability <u>(Asset)</u>
Beginning Balance December 31, 2018	\$ 218,824	\$ 321,879	\$ (103,055)
Changes for the Year			
Service Cost	7,723	-	7,723
TPL Interest	13,522	-	13,522
Actuarial Experience (Gains)/Losses	2,501	-	2,501
Projected Investment Earnings	-	19,313	(19,313)
Changes in Benefit Level	16,536	19,298	16,536
Contributions (ER/State)	-	13,628	(13,628)
Difference between Projected and Actual Investment Earnings	-	39,978	(39,978)
Benefit Payouts	(2,323)	(2,323)	-
PERA Administrative Fee	-	(680)	680
Net Changes	<u>37,959</u>	<u>89,214</u>	<u>(31,957)</u>
Balance End of Year December 31, 2019	<u>\$ 256,783</u>	<u>\$ 411,093</u>	<u>\$ (135,012)</u>

For the year ended December 31, 2019 the City of Cosmos, Minnesota recognized pension expense of \$11,652.

At December 31, 2019 the City of Cosmos, Minnesota reported deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes in actuarial assumptions	\$ 19,199	\$ 39,934
Changes in proportion	2,001	3,515
Total	<u>\$ 21,200</u>	<u>\$ 43,449</u>

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2018	\$ (6,386)
2021	\$ (6,386)
2022	\$ (1,986)
2023	\$ (7,491)
Thereafter	\$ -

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA (Cont.)

E. Actuarial Assumptions

The total pension liability in the December 31, 2019, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0 percent
- Inflation rate of 3.0 percent

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 percent. The projection of cash flows used determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net pension was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City of Cosmos, Minnesota net pension liability for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the City of Cosmos, Minnesota net pension liability would be if it were calculated using a discount rate one percent lower or one percent high than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Liability (Asset)	\$ (129,156)	\$ (135,012)	\$ (140,811)

H. Plan Investments Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE FIRE PERA (Cont.)

I. Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Cash	5%	0.00%

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and that target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2017 for the Volunteer Firefighter Fund.

J. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at www.mnpera.org.

11. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

12. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2019.

13. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The city is exposed to various risk of loss related to torts, thefts of, damage to or destruction of assets, business interruption, errors and omissions, employee injuries and illness, and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

CITY OF COSMOS, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES (Cont.)

A. Risk Management (Cont.)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Claims and Judgments

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

14. PRIOR PERIOD ADJUSTMENT

The following prior period adjustments have been made to the financial statements to adjust December 31, 2018 net position and fund balances.

<u>Fund</u>	Fund Equity 12/31/2018 as Previously <u>Reported</u>	Prior Period <u>Restatement (1)</u>	Fund Equity 1/1/2019 as <u>Restated</u>
Governmental Activities	\$ 3,100,496	\$ (33,073)	\$ 3,067,423
	<u>\$ 3,100,496</u>	<u>\$ (33,073)</u>	<u>\$ 3,067,423</u>

(1) Record beginning Net Pension Asset for Fire Fund which was adjusted by PERA in 2018 for the year ended December 31, 2018 after the completion of the reporting.

15. SUBSEQUENT EVENTS

Management evaluated all activity of City of Cosmos through May 14, 2020 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF COSMOS, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ 281,000	\$ 281,000	\$ 291,159	\$ 10,159	\$ 264,234
Special Assessments	-	-	-	-	2
Total Taxes	<u>281,000</u>	<u>281,000</u>	<u>291,159</u>	<u>10,159</u>	<u>264,236</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>2,650</u>	<u>2,650</u>	<u>13,672</u>	<u>11,022</u>	<u>3,519</u>
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	146,675	146,675	146,849	174	146,675
Market Value Credit	-	-	378	378	401
PERA Rate Increase Aid	360	360	360	-	360
State Fire Aid	2,500	2,500	3,050	550	16,901
Other State Grants	-	-	-	-	1,925
Small Cities Street Aid	-	-	-	-	8,464
Total Intergovernmental Revenue	<u>149,535</u>	<u>149,535</u>	<u>150,637</u>	<u>1,102</u>	<u>174,726</u>
CHARGES FOR SERVICES:					
General Government	22,500	22,500	22,327	(173)	19,884
Public Safety	60,575	60,575	63,715	3,140	62,642
Public Works	-	-	689	689	5,913
Culture and Recreation	4,000	4,000	3,833	(167)	3,799
Health and Welfare	7,500	7,500	6,463	(1,037)	7,024
Total Charges for Services	<u>94,575</u>	<u>94,575</u>	<u>97,027</u>	<u>2,452</u>	<u>99,262</u>
FINES AND FORFEITS	<u>650</u>	<u>650</u>	<u>872</u>	<u>222</u>	<u>800</u>
INTEREST INCOME	<u>16,000</u>	<u>16,000</u>	<u>10,240</u>	<u>(5,760)</u>	<u>18,238</u>
MISCELLANEOUS:					
Refunds and Reimbursements	3,000	3,000	6,436	3,436	7,212
Donations	2,000	2,000	7,063	5,063	(50)
Miscellaneous Income	2,000	2,000	(205)	(2,205)	581
Sale of Property	-	-	-	-	3,668
Total Miscellaneous	<u>7,000</u>	<u>7,000</u>	<u>13,294</u>	<u>6,294</u>	<u>11,411</u>
TOTAL REVENUES	<u>551,410</u>	<u>551,410</u>	<u>576,901</u>	<u>25,491</u>	<u>572,192</u>

CITY OF COSMOS, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
OTHER FINANCING SOURCES					
Issuance of Debt	\$ -	\$ -	\$ -	\$ -	\$ 55,000
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>551,410</u>	<u>551,410</u>	<u>576,901</u>	<u>25,491</u>	<u>627,192</u>
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries	5,847	5,847	3,709	2,138	5,020
Consulting Fees	7,000	7,000	-	7,000	458
Other Current Expenditures	2,250	2,250	1,033	1,217	1,835
Administrative and Finance:					
Salaries	76,340	76,340	74,788	1,552	74,166
Payroll Taxes and Benefits	19,440	19,440	20,042	(602)	18,418
Supplies	3,500	3,500	3,105	395	5,732
Telephone	2,200	2,200	2,706	(506)	2,288
Other Current Expenditures	7,200	7,200	4,456	2,744	2,922
Capital Outlay	1,500	1,500	-	1,500	-
City Hall:					
Insurance	13,500	13,500	13,817	(317)	8,650
Repairs	10,000	10,000	5,979	4,021	2,809
Supplies	3,000	3,000	490	2,510	3,378
Utilities	20,000	20,000	16,019	3,981	12,433
Other Current Expenditures	9,670	9,670	1,492	8,178	2,661
Capital Outlay	10,000	10,000	9,992	8	-
Assessor Fees					
Current Expenditures	-	-	4,478	(4,478)	4,124
Independent Auditing					
Current Expenditures	6,800	6,800	6,800	-	6,800
Legal					
Current Expenditures	<u>15,000</u>	<u>15,000</u>	<u>1,000</u>	<u>14,000</u>	<u>1,768</u>
Total General Government	<u>213,247</u>	<u>213,247</u>	<u>169,906</u>	<u>43,341</u>	<u>153,462</u>

CITY OF COSMOS, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXPENDITURES:					
PUBLIC SAFETY:					
Police Protection:					
Contracted Services	\$ 36,500	\$ 36,500	\$ 36,270	\$ 230	\$ 35,490
Repairs and Maintenance	-	-	-	-	524
Supplies	-	-	-	-	103
Ambulance:					
Personnel Services	17,224	17,224	26,397	(9,173)	21,589
Insurance	3,300	3,300	-	3,300	1,500
Supplies	6,000	6,000	5,235	765	6,064
Repairs	3,000	3,000	482	2,518	4,832
Gas and Oil	1,200	1,200	1,069	131	1,536
Current Expenditures	8,500	8,500	5,260	3,240	8,494
Fire Protection:					
Personnel Services	7,500	7,500	2,209	5,291	7,613
State Fire Aid	-	-	-	-	13,676
Insurance	9,000	9,000	3,593	5,407	1,500
Gas and Oil	5,400	5,400	3,623	1,777	5,332
Repairs	4,500	4,500	3,986	514	9,428
Supplies	3,500	3,500	2,947	553	567
Telephone	1,600	1,600	2,909	(1,309)	2,281
Utilities	2,000	2,000	-	2,000	-
Other Current Expenditures	7,500	7,500	4,019	3,481	5,715
Capital Outlay	-	-	6,940	(6,940)	148,685
Building Inspection					
Current Expenditures	<u>3,250</u>	<u>3,250</u>	<u>11,067</u>	<u>(7,817)</u>	<u>1,810</u>
Total Public Safety	<u>119,974</u>	<u>119,974</u>	<u>116,006</u>	<u>3,968</u>	<u>276,739</u>

CITY OF COSMOS, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019
 With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance	<u>2018</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
PUBLIC WORKS:					
Highways and Streets:					
Salaries	\$ 12,732	\$ 12,732	\$ 24,087	\$ (11,355)	\$ 11,571
Payroll Taxes and Benefits	5,500	5,500	9,675	(4,175)	8,786
Equipment Repairs and Supplies	15,000	15,000	7,815	7,185	3,177
Insurance	5,800	5,800	1,943	3,857	2,730
Gas and Oil	3,500	3,500	2,833	667	2,190
Supplies	18,013	18,013	10,329	7,684	5,467
Street Maintenance	34,500	34,500	40,109	(5,609)	32,327
Telephone	1,100	1,100	885	215	985
Utilities	-	-	7,954	(7,954)	14,333
Other Current Expenditures	2,210	2,210	720	1,490	-
Capital Outlay	<u>41,500</u>	<u>41,500</u>	<u>-</u>	<u>41,500</u>	<u>181,253</u>
Total Public Works	<u>139,855</u>	<u>139,855</u>	<u>106,350</u>	<u>33,505</u>	<u>262,819</u>
CULTURE AND RECREATION:					
Parks:					
Salaries	19,138	19,138	15,523	3,615	22,620
Payroll Taxes and Benefits	3,425	3,425	1,132	2,293	2,129
Gas and Oil	1,400	1,400	899	501	1,883
Repairs	5,000	5,000	3,667	1,333	5,205
Supplies	10,750	10,750	3,875	6,875	6,709
Utilities	-	-	281	(281)	2,709
Current Expenditures	2,000	2,000	1,112	888	1,418
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u>80,049</u>	<u>19,951</u>	<u>26,152</u>
Total Culture and Recreation	<u>141,713</u>	<u>141,713</u>	<u>106,538</u>	<u>35,175</u>	<u>68,825</u>
DEBT SERVICE:					
Principal Payments	3,700	3,700	18,198	(14,498)	7,031
Interest Payments	<u>14,000</u>	<u>14,000</u>	<u>10,357</u>	<u>3,643</u>	<u>10,524</u>
Total Debt Service	<u>17,700</u>	<u>17,700</u>	<u>28,555</u>	<u>(10,855)</u>	<u>17,555</u>
TOTAL EXPENDITURES	<u>632,489</u>	<u>632,489</u>	<u>527,355</u>	<u>105,134</u>	<u>779,400</u>

CITY OF COSMOS, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019
With Comparative Amounts for the year ended December 31, 2018

	<u>2019</u>			Variance with Final Budget	<u>2018</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ <u>(81,079)</u>	\$ <u>(81,079)</u>	\$ <u>49,546</u>	\$ <u>130,625</u>	\$ <u>(152,208)</u>
OTHER FINANCING USES: Transfer to Capital Projects Fund	<u>(27,075)</u>	<u>(27,075)</u>	<u>-</u>	<u>27,075</u>	<u>-</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(108,154)	(108,154)	49,546	157,700	(152,208)
FUND BALANCE - January 1	<u>698,808</u>	<u>698,808</u>	<u>698,808</u>	<u>-</u>	<u>851,016</u>
FUND BALANCE - December 31	<u>\$ 590,654</u>	<u>\$ 590,654</u>	<u>\$ 748,354</u>	<u>\$ 157,700</u>	<u>\$ 698,808</u>

CITY OF COSMOS, MINNESOTA
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Proportionate Share (Amount) of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0015 %	82,932	108,320	76.56 %	80.20 %
June 30, 2018	0.0017 %	94,309	111,160	84.84 %	79.50 %
June 30, 2017	0.0017 %	108,527	108,520	100.01 %	75.90 %
June 30, 2016	0.0016 %	129,912	99,801	130.17 %	68.90 %
June 30, 2015	0.0016 %	82,920	97,656	84.91 %	78.19 %

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

CITY OF COSMOS, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2019

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2019	\$ 8,498	\$ 8,498	-	\$ 113,307	7.50 %
December 31, 2018	\$ 8,662	\$ 8,662	-	\$ 115,493	7.50 %
December 31, 2017	\$ 8,030	\$ 8,030	-	\$ 107,067	7.50 %
December 31, 2016	\$ 7,829	\$ 7,829	-	\$ 104,343	7.50 %
December 31, 2015	\$ 7,187	\$ 7,187	-	\$ 98,833	7.27 %

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

CITY OF COSMOS, MINNESOTA
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
 AND RELATED RATIOS
 COSMOS FIRE DEPARTMENT RELIEF ASSOCIATION
 DECEMBER 31, 2019

Fiscal Year	2019	2018	2017
Total Pension Liability			
Service Cost	\$ 7,723	\$ 8,615	\$ 7,412
Interest on the Total Pension Liability	13,522	10,926	9,940
Difference Between Expected and Actual Experience	2,501	(4,444)	(2,119)
Changes in Assumptions	-	-	-
Changes of Benefit Terms	16,536	30,249	-
Benefit Payments	<u>(2,323)</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	37,959	45,346	15,233
Total Pension Liability - Beginning	<u>218,824</u>	<u>173,478</u>	<u>158,245</u>
Total Pension Liability - Ending (a)	<u>\$ 256,783</u>	<u>\$ 218,824</u>	<u>\$ 173,478</u>
Plan Fiduciary Net Position			
Contributions State	\$ 13,628	\$ 13,676	\$ 13,606
Contributions Local	-	-	1,500
Net Investment Income	59,291	(12,699)	36,354
Benefit Payments	(2,323)	-	-
Pension Plan Administrative Expense	<u>(680)</u>	<u>(738)</u>	<u>(2,417)</u>
Net Change in Total Pension Liability	69,916	239	49,043
Plan Fiduciary Net Position - Beginning	<u>321,879</u>	<u>321,640</u>	<u>272,597</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 391,795</u>	<u>\$ 321,879</u>	<u>\$ 321,640</u>
Net Pension (Asset)/Liability - Ending (a) - (b)	<u>\$ (135,012)</u>	<u>\$ (103,055)</u>	<u>\$ (148,162)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	152.58 %	147.09 %	185.41 %

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017. Information for prior years is not available.

CITY OF COSMOS, MINNESOTA
SCHEDULE OF CONTRIBUTIONS AND NET PENSION LIABILITY (ASSET)
AS A PERCENT OF PAYROLL
COSMOS FIRE DEPARTMENT RELIEF ASSOCIATION
DECEMBER 31, 2019

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contributions Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
December 31, 2019	\$ 13,628	\$ 13,628	-	N/A	N/A
December 31, 2018	\$ 13,676	\$ 13,676	-	N/A	N/A
December 31, 2017	\$ 13,606	\$ 15,106	1,500	N/A	N/A

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2017.
Information for prior years is not available.

CITY OF COSMOS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General Employees Fund

2019 Changes

Change in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The morality 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.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and no more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

CITY OF COSMOS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increase, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- 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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2019 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2017 to MP-2018

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF COSMOS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP2016 to MP-2017

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

CITY OF COSMOS, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

SECTION III

SUPPLEMENTAL SECTION

CITY OF COSMOS, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Special Revenue Fund Garbage Fund	Capital Project Fund Capital Project Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 13,117	\$ -	\$ 13,117
Accounts Receivable	<u>5,262</u>	<u>-</u>	<u>5,262</u>
 TOTAL ASSETS	 <u>\$ 18,379</u>	 <u>\$ -</u>	 <u>\$ 18,379</u>
 LIABILITIES:			
Accounts Payable	\$ 7,473	\$ -	\$ 7,473
Due to Other Funds	<u>-</u>	<u>29,070</u>	<u>29,070</u>
Total Liabilities	<u>7,473</u>	<u>29,070</u>	<u>36,543</u>
 FUND BALANCES:			
Assigned	10,906	-	10,906
Unassigned (Deficit)	<u>-</u>	<u>(29,070)</u>	<u>(29,070)</u>
Total Fund Balances	<u>10,906</u>	<u>(29,070)</u>	<u>(18,164)</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 18,379</u>	 <u>\$ -</u>	 <u>\$ 18,379</u>

CITY OF COSMOS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue Fund Garbage Fund	Capital Project Fund Capital Project Fund	Total
REVENUES			
Charges for Services	\$ 45,989	\$ -	\$ 45,989
Interest Income	<u>193</u>	<u>-</u>	<u>193</u>
Total Revenues	<u>46,182</u>	<u>-</u>	<u>46,182</u>
EXPENDITURES			
Sanitation	46,713	-	46,713
Capital Outlay	<u>-</u>	<u>29,070</u>	<u>29,070</u>
Total Expenditures	<u>46,713</u>	<u>29,070</u>	<u>75,783</u>
EXCESS EXPENDITURES OVER REVENUES	(531)	(29,070)	(29,601)
FUND BALANCES - January 1	<u>11,437</u>	<u>-</u>	<u>11,437</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 10,906</u>	<u>\$ (29,070)</u>	<u>\$ (18,164)</u>

CITY OF COSMOS, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

The purpose of this report is to provide a summary of financial information concerning the City of Cosmos to interested citizens. The complete financial statements may be examined at the City Hall, PO Box 614 Cosmos, MN Questions about this report should be directed to John Douville, City Administrator, at 320-877-7345

	Total 2019	Total 2018	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 340,908	\$ 347,203	(1.81)%
Licenses and Permits	13,672	3,519	288.52 %
Intergovernmental	150,637	174,726	(13.79)%
Charges for Services	143,016	145,063	(1.41)%
Fines	872	800	9.00 %
Investment Earnings	10,433	18,579	(43.85)%
Miscellaneous	13,294	11,411	16.50 %
Transfer In	-	9,173	(100.00)%
Issuance of Debt	-	55,000	(100.00)%
Total Revenues	<u>\$ 672,832</u>	<u>\$ 765,474</u>	<u>(12.10)%</u>
Per Capita	<u>1,479</u>	<u>1,682</u>	
EXPENDITURES:			
Current			
General Government	\$ 159,914	\$ 153,462	4.20 %
Public Safety	109,066	128,054	(14.83)%
Public Works	106,350	81,566	30.39 %
Culture and Recreation	26,489	42,673	(37.93)%
Sanitation	46,713	51,713	(9.67)%
Debt Service:			
Principal Payments	18,198	148,031	(87.71)%
Interest Payments	10,357	13,134	(21.14)%
Other Charges	-	1,010	(100.00)%
Capital Outlay	126,051	1,224,333	(89.70)%
Transfer Out	-	9,173	(100.00)%
Total Expenditures	<u>\$ 603,138</u>	<u>\$ 984,906</u>	<u>(38.76)%</u>
Per Capita	<u>1,326</u>	<u>2,165</u>	
Governmental Long-term Indebtedness	<u>\$ 472,874</u>	<u>\$ 491,072</u>	<u>(3.71)%</u>
Per Capita	<u>1,039</u>	<u>1,079</u>	
General Fund Unassigned Fund Balance - December 31	<u>\$ 452,056</u>	<u>\$ 424,157</u>	<u>6.58 %</u>
Per Capita	<u>994</u>	<u>932</u>	

SECTION IV

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' 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 Council
City of Cosmos
Cosmos, Minnesota

We have audited, in accordance with the 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Cosmos, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Cosmos, Minnesota's basic financial statements, and have issued our report thereon dated May 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Cosmos, Minnesota'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 of Cosmos, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cosmos, Minnesota'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 in a timely basis. A *material weakness* is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 2019-001 and 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Cosmos, Minnesota's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

City of Cosmos, Minnesota's Response to Findings

City of Cosmos, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Cosmos, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oberloh & Oberloh, Ltd.

Oberloh & Oberloh, Ltd.

May 14, 2020

CITY OF COSMOS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

INTERNAL CONTROL FINDINGS

Audit Finding 2019-001

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 2019-002

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting 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.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

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INDEPENDENT AUDITORS' REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members of the Council
City of Cosmos
Cosmos, 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 basic financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Cosmos, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2020.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit included all of the listed categories.

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

Oberloh & Oberloh, Ltd.
Oberloh & Oberloh, Ltd.

May 14, 2020