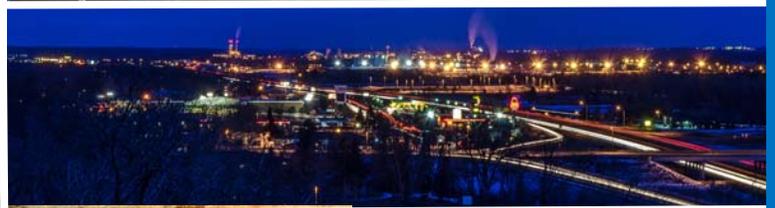


# Comprehensive Annual Financial Report



Annual City Photo Contest Winning Entries



City of Cottage Grove  
Minnesota  
Year Ended  
December 31, 2015

**CITY OF COTTAGE GROVE, MINNESOTA**  
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## **I. INTRODUCTORY SECTION**

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May 16, 2016

To the Honorable Mayor, Members of the City Council and Citizens of the City of Cottage Grove:

Minnesota statutes require all cities to submit an annual audited financial statement to the Office of the State Auditor. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Cottage Grove for the year ended December 31, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control standards that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Kern, DeWenter, Viere, Ltd., independent certified public accountants have issued an unmodified (“clean”) opinion on the City of Cottage Grove’s financial statements for the year ended December 31, 2015. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

### **Profile of the City**

Cottage Grove was organized as a village on July 13, 1965 and was incorporated as a city on January 1, 1974. Cottage Grove is a suburban community located on the southern border of Washington County, sixteen miles southeast of Downtown St. Paul. The City currently occupies 34.3 square miles of land. The 2010 Census established the City population at 34,589; recent data estimates 2015 population at 35,814.

Cottage Grove operates as a Statutory Plan A City under Minnesota law. Policy making and legislative authority are vested in a City Council, consisting of the Mayor and four other members, elected at large and on a non-partisan basis. Terms of office are staggered four year terms, with elections held in each even-numbered year. The City Council is responsible for passing ordinances, adopting the budget and appointing members of the various citizens’ advisory boards. In addition, the Mayor and Council appoint a full-time City Administrator, who is responsible for overall supervision of City operations.

The City provides a full range of municipal services. These services include police and fire protection, ambulance services, parks and park facilities, a golf course, recreational programming, an ice arena, street construction and maintenance, water, sewer and storm water utilities, planning and zoning, and general administrative functions.

The Economic Development Authority (EDA) of the City of Cottage Grove is a separate legal entity organized pursuant to Minnesota Statute 469. There are seven members of the EDA who are appointed by the City Council; two appointees are Council members and the five others are appointed from the community. The EDA is included in this financial report as a discretely presented component unit, due to the EDA's relationship of financial benefit or burden to the City.

The annual budget serves as the foundation for the City of Cottage Grove's financial planning and control. The budget incorporates the City's financial policies, financial operations, debt management, reserves and investments. The process by which the biennial budget document is prepared begins with the submission of department appropriation requests in June. The requests, along with projected revenues and stated City Council strategic goals, provide the starting point for budget development. Collaborative meetings are held with City Staff and workshops are held with the City Council to refine the budget document in advance of the submission of the preliminary tax levy in September each year. The preliminary levy may be reduced after it is adopted, but cannot be increased. An information session is held for taxpayers at the first City Council meeting in December in advance of adoption of the final levy and budget. The Council is required to adopt a final budget by no later than December 28<sup>th</sup> of each year.

### **Local economy**

Cottage Grove is part of the Minneapolis/St. Paul seven county metropolitan area; an economically diverse environment with an equally diverse labor force. 2014 saw steady employment growth in the region and the unemployment rate dropped to 3.9%, compared to the national rate of 5.6%. However, as employment improved, wage growth and inflation remained subdued.

The City's tax base is 80% residential and 20% commercial/industrial property. Total taxable market value in 2015 was \$2.7 billion; a recovery to almost 90% of pre-recessionary levels. Moderate growth in value is expected for 2016, from both new construction and increases in property values of existing building stock.

The City's 600 acre business park is home to 1,150,000 square feet of industrial and manufacturing businesses, including Up North Plastics, Leafline Labs, American Logistics, Renewal by Andersen, and Werner Electric. Other major employers in the City include 3M Company, Target, Menard's, Walmart, and Aggregate Industries. The City's commercial areas include four community shopping centers and several restaurants.

In 2015, Renewal by Andersen, Werner Electric and American Logistics all expanded their facilities by a combined 300,000 square feet of manufacturing and warehouse space, adding over 300 jobs to the Cottage Grove community. Additional businesses expected to locate in the Business Park in 2016 will include Gardenworld, a garden product wholesaler.

Also in 2015 the City of Cottage Grove reached an agreement to purchase the long vacant Home Depot building in the City's Gateway North development. Purchase of this property was then parlayed into a three-way redevelopment agreement for the entire center which once housed not only the Home Depot but a Rainbow Foods grocery store and several smaller tenant spaces including a liquor store, restaurant and Hallmark card store. The redevelopment will include the demolition of some of the old spaces, construction of a 92,800 sq. ft. Hy-Vee grocery store and the sale of the former Home Depot property to a developer for repurposing into new tenant spaces. The project will break ground in late May 2016 and is expected to open in the fall of 2017.

### **Long-term financial planning**

The City places a high priority on planning for future growth. Staff uses different long range revenue and expenditure models during the annual preparation of a biennial budget plan for the General Fund, Special Revenue and Enterprise Funds. The biennial budget process allows for the assurance that any change to revenues or expenditures is sustainable in the successive year.

Furthermore, Council and staff compile a five year Capital Improvement Plan (CIP) which addresses the future building and infrastructure projects necessary to address the new residential and commercial property outlined in the City's 2030 Comprehensive Plan.

As part of the CIP, each capital project is analyzed to determine if sufficient funding exists for the project and the longer term impact of each of the projects on the individual capital fund balances. For example, during the 2016 to 2020 period over \$20 million in total Pavement Management projects are anticipated. Pavement Management is not a full road reconstruction but rather a reclamation or mill and overlay process to extend roadway life. Project funding for Pavement Management is covered by a 45% / 55% cost split: special assessments against benefiting properties with the balance of the costs covered by general obligation debt to be repaid by annual tax levies. Annual levies for debt repayment are balanced so that no more than 10% of any property tax levy is for the repayment of debt.

### **Relevant Financial Policies**

The City has financial policies and plans which establish the principles that guide staff and Council members to make consistent and informed financial decisions. These policies and plans include:

- *Fund balance policy*
- *Cash and investment management policy*
- *Debt management policy*
- *Capital improvements plan*
- *Infrastructure Maintenance Task Force (IMTF) policy*

It is important for the financial stability of the City to maintain reserve funds for unanticipated expenditures or unforeseen emergencies as well as to provide adequate working capital for current operations without short term borrowing. The City's fund balance policy identifies that the unassigned fund balance in the General Fund shall be no less than 55% of annual budgeted expenditures.

## **Major Initiatives**

The population of Cottage Grove has increased from 833 in 1950 to 34,589 per the 2010 census. Most of the population of the City concentrates in two age groups 0 - 19 years, 32.5% and 30 - 50 years, 38.1%. According to the 2010 census, the average age is 35 years and the median family income is \$80,830. This median family income is 141% higher than the Twin Cities Metro Area.

Cottage Grove has evolved from a 1970's bedroom community to a steadily growing suburb with an expanding commercial and industrial base. The 1990's and early 2000's saw a residential development boom, with several years of building permits for single family homes numbering over 300 per year. Residential development slowed significantly since 2007, averaging 60 new building permits per year.

Master planning of the 4,000 acre "East Ravine" development occurred in 2003-2006. Development of the first one thousand acres of low density residential housing with park and open space amenities and nodes of commercial use was anticipated by 2015. In reality, development of this area began in earnest in 2013 with the approval of two residential plats totaling 226 lots on 100 acres. Construction of 146 homes had been completed by the end of 2015. The City continues to encourage residential developers to pursue acreage for development in the master plan area.

The City strategy of growth in the residential and commercial/industrial areas, providing more homes and jobs, will ultimately draw the additional retail storefronts and services the community demands.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cottage Grove for its Comprehensive Annual Financial Report for the year ended December 31, 2014. This was the twenty-fifth consecutive year that the City has achieved this prestigious award. In order to receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Preparation of this report would not have been possible without the dedicated service of the Finance Department staff to whom I express my appreciation, especially Brenda Malinowski and Cathy Mohr. Appreciation is also due to the Mayor, City Council members and City Administrator for their support in maintaining a fiscally sound and stable organization in the service of its residents and business owners.

Respectfully Submitted,

CITY OF COTTAGE GROVE, MINNESOTA

A handwritten signature in black ink, appearing to read "Robin Roland". The signature is written in a cursive style with a large initial "R".

Robin Roland  
Finance Director

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Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Cottage Grove  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2014**

Executive Director/CEO

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**CITY OF COTTAGE GROVE, MINNESOTA  
PRINCIPAL CITY OFFICIALS  
December 31, 2015**

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**Elected Officials**

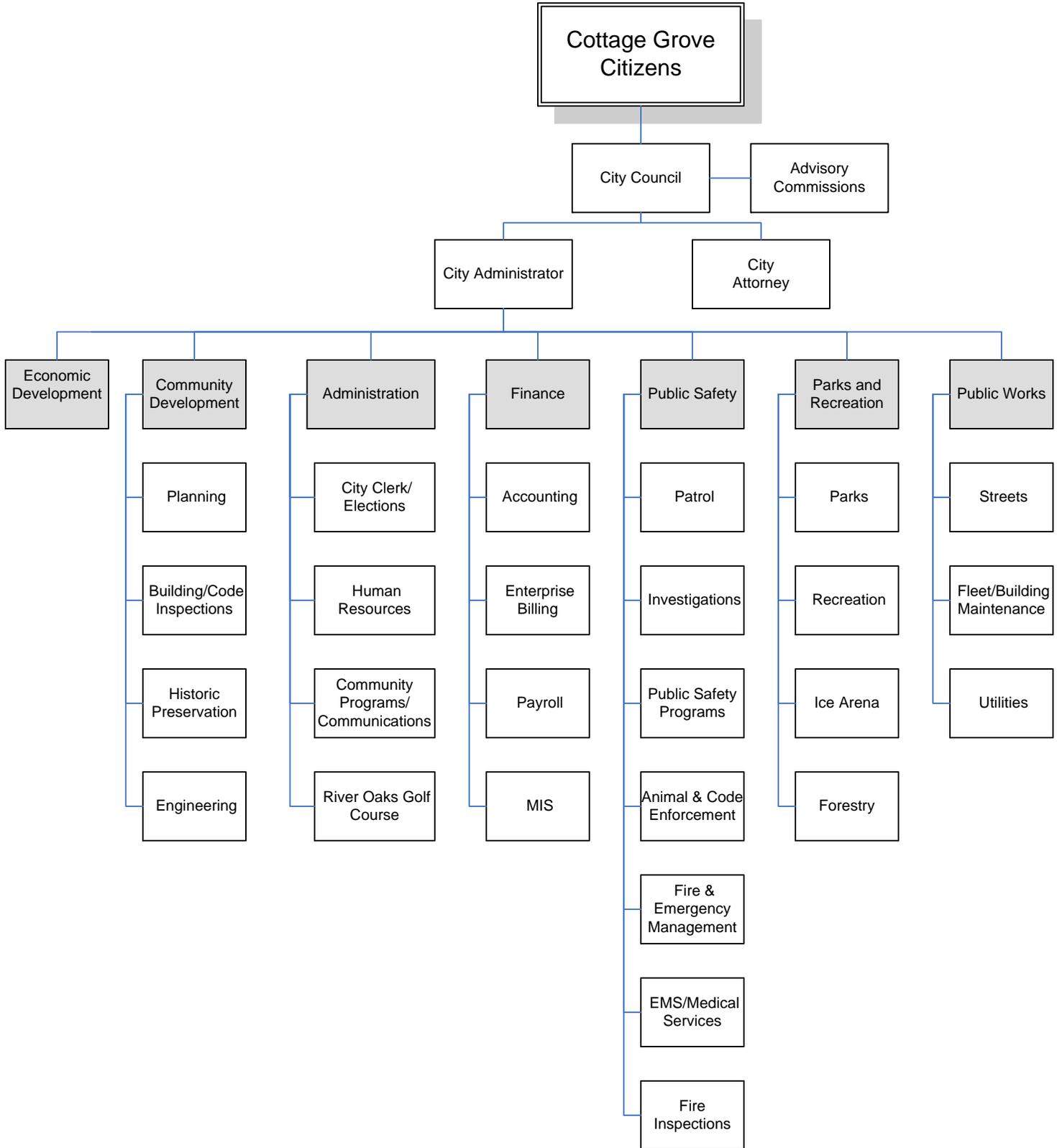
	Term Expires
Mayor: Myron Bailey	December 31, 2016
Council Members: Steve Dennis	December 31, 2018
Justin Olsen	December 31, 2016
Jen Peterson	December 31, 2016
Dave Thiede	December 31, 2018

**Appointed Personnel**

City Administrator	Charlene Stevens
Finance Director	Robin Roland
City Clerk	Joe Fischbach
City Engineer and Community Development Director	Jennifer Levitt
Public Safety Director	Craig Woolery
Public Works Director	Les Burshten
Parks and Recreation Director	Zac Dockter



# City of Cottage Grove Organization Chart



Updated 4/2013

## **II. FINANCIAL SECTION**

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## Independent Auditor's Report

BerganKDV, Ltd.

Honorable Mayor and Members  
of the City Council  
City of Cottage Grove  
Cottage Grove, Minnesota

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T 319.234.6885  
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bergankdv.com

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cottage Grove, Minnesota, as of and for the year ended December 31, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cottage Grove, Minnesota, as of December 31, 2015, 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.

### **Implementation of GASB 68 and GASB 71**

As discussed in Note 21 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this letter, and the Required Supplementary Information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 Cottage Grove's basic financial statements. The introductory section, combining and individual fund statements and schedules, supplementary financial information and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



## **Other Matters (Continued)**

### *Other Information (Continued)*

The combining and individual fund statements and schedules and supplementary financial information 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 fund statements and schedules and supplementary financial information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

### *Report on Summarized Comparative Information*

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended December 31, 2014, from which such partial information was derived.

We have previously audited the City's 2014 financial statements and our report, dated May 18, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016, on our consideration of the City of Cottage Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cottage Grove's internal control over financial reporting and compliance.

*BerganKDV Ltd.*

Minneapolis, Minnesota  
May 16, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Cottage Grove, we offer readers of the City of Cottage Grove's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 through 7 of this report.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Cottage Grove and the EDA Component Unit exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$227,369,275 (net position). Of this amount, \$38,325,750 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position decreased by \$ 6,038,763, of which \$ 7,694,339 is a change in accounting principle. The reason for this decrease is due to the implementation of GASB Statement No. 68 and No. 71 which requires the City to record their proportionate share of the PERA state pension liabilities. The City pays into the PERA state pension plan based on rates set by state statute and is not required to fully fund this liability.
- As of the close of the current fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$32,733,289 an increase of \$3,746,740 compared to the previous year. Approximately 84% or \$27,832,502 is available for spending according to the City's policies and constraints.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$8,829,697 (56%) of the total subsequent year General fund expenditures.
- At the end of the current fiscal year, the City of Cottage Grove had total long-term debt outstanding of \$26,722,169, an increase of \$4,221,120 or 19% compared to the previous year. The City issued \$5,700,000 in General Obligation Improvement bonds in 2015.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Cottage Grove'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 other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the City of Cottage Grove's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported 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 of Cottage Grove is improving or deteriorating.

The statement of activities presents information on 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 personal leave time).

Both of the government-wide financial statements distinguish functions of the City of Cottage Grove that are principally supported by taxes and intergovernmental revenues (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 of Cottage Grove include general government, community development, economic development, public safety, public works, and culture and recreation. The business-type activities of the City of Cottage Grove include street lighting, water and sewer, and an ambulance service.

The government-wide financial statements include not only the City of Cottage Grove itself (known as the *primary government*), but also a legally separate EDA component unit for which the City of Cottage Grove is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements start on page 33 of this report.

**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 of Cottage Grove, 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 of Cottage Grove can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions 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 spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues,

expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the City's six individual major governmental funds. They are as follows:

- General Fund
- Municipal Building Capital Project Fund – Capital project fund
- MSA Construction Capital Project Fund —Capital project fund
- Closed Debt Fund —Debt service fund
- Pavement Management Debt Service Fund —Debt service fund
- Pavement Management Capital Project Fund - Capital project fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The City of Cottage Grove adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 36 of this report.

**Proprietary funds:** The City of Cottage Grove maintains four enterprise funds and three internal service funds as a part of its proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City of Cottage Grove uses enterprise funds to account for street light operations, ambulance service, water operations, and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Cottage Grove's various functions. The City of Cottage Grove uses internal service funds to account for self-insurance, fleet maintenance, and information technology services activity. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for street light operations, ambulance service, water operations, and sewer operations, all of which are considered to be major funds of the City of Cottage Grove. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements start on page 41 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 44 of this report.

**Other information:** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules start on page 95 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cottage Grove, assets exceeded liabilities by \$ 226,798,530 at the close of the most recent fiscal year.

The largest portion of the City of Cottage Grove's net position (\$179,765,680 or 79%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Cottage Grove uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cottage Grove'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.

	<b>City of Cottage Grove Net Position</b>					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$44,131,434	\$38,476,039	\$15,359,060	\$16,327,364	\$59,490,504	\$54,803,403
Capital assets	150,678,637	148,076,342	54,812,566	55,149,280	205,491,203	203,225,622
Total assets	194,810,071	186,552,381	70,171,636	71,476,644	264,981,707	258,029,025
Deferred outflows of resources	1,904,324	-	215,065	-	2,119,389	-
Long-term liabilities outstanding	23,888,688	19,457,505	19,724	622,482	23,908,412	20,079,987
Pension liability	8,463,113	-	1,118,083	-	9,581,196	-
Other liabilities	4,609,031	4,586,005	913,595	525,740	5,522,626	5,111,745
Total liabilities	36,960,832	24,043,510	2,051,402	1,148,222	39,012,234	25,191,732
Deferred inflows of resources	1,138,713	-	151,619	-	1,290,332	-
Net position:						
Net investment in capital assets	125,562,970	127,260,042	54,202,710	54,432,059	179,765,680	181,692,101
Restricted	8,766,706	6,971,432	-	-	8,766,706	6,971,432
Unrestricted	24,285,174	28,277,397	13,980,970	15,896,363	38,266,144	44,173,760
Total net position	\$158,614,850	\$162,508,871	\$68,183,680	\$70,328,422	\$226,798,530	\$232,837,293

An additional portion of the City's net position (\$8,766,706 or 4%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, \$38,266,144 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Cottage Grove is able to report positive balances in all three categories of net position; for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

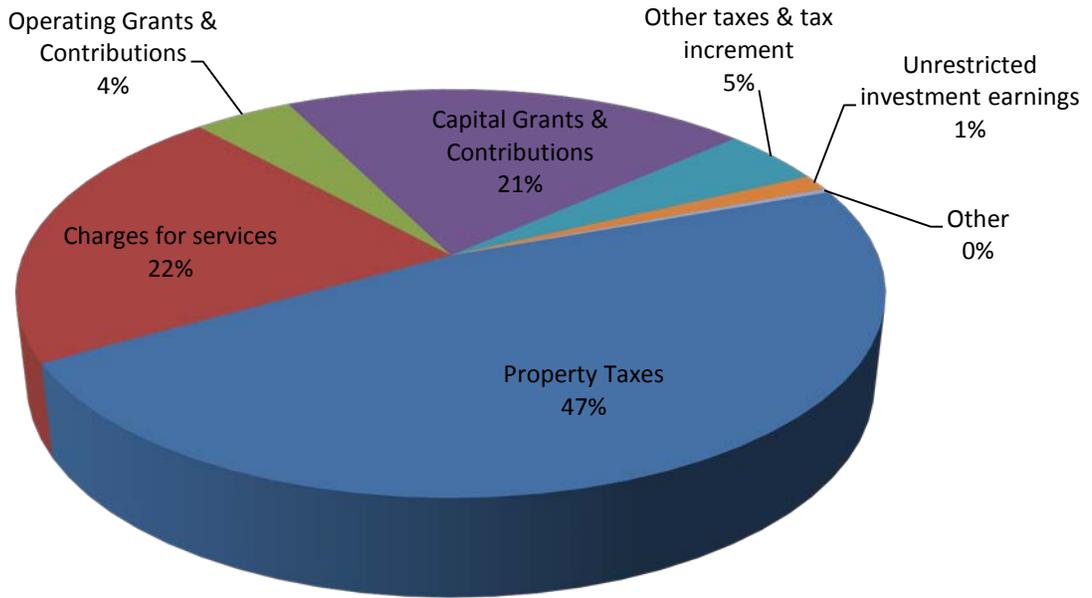
**Governmental Activities:** Governmental activities increased the City's net position by \$2,780,081 in 2015, before a change in accounting principle of \$6,674,102 is applied. The change in accounting principle is the result of the implementation of Governmental Accounting Standards Board Statement 68.

- Program revenue decreased overall by \$2,656,133. This is primarily related to reduced capital grants and contributions from the state and county for road construction projects.
- Investment income decreased by \$256,023 due to the unrealized loss in the value of investments which are annually adjusted in accordance with accounting standards.

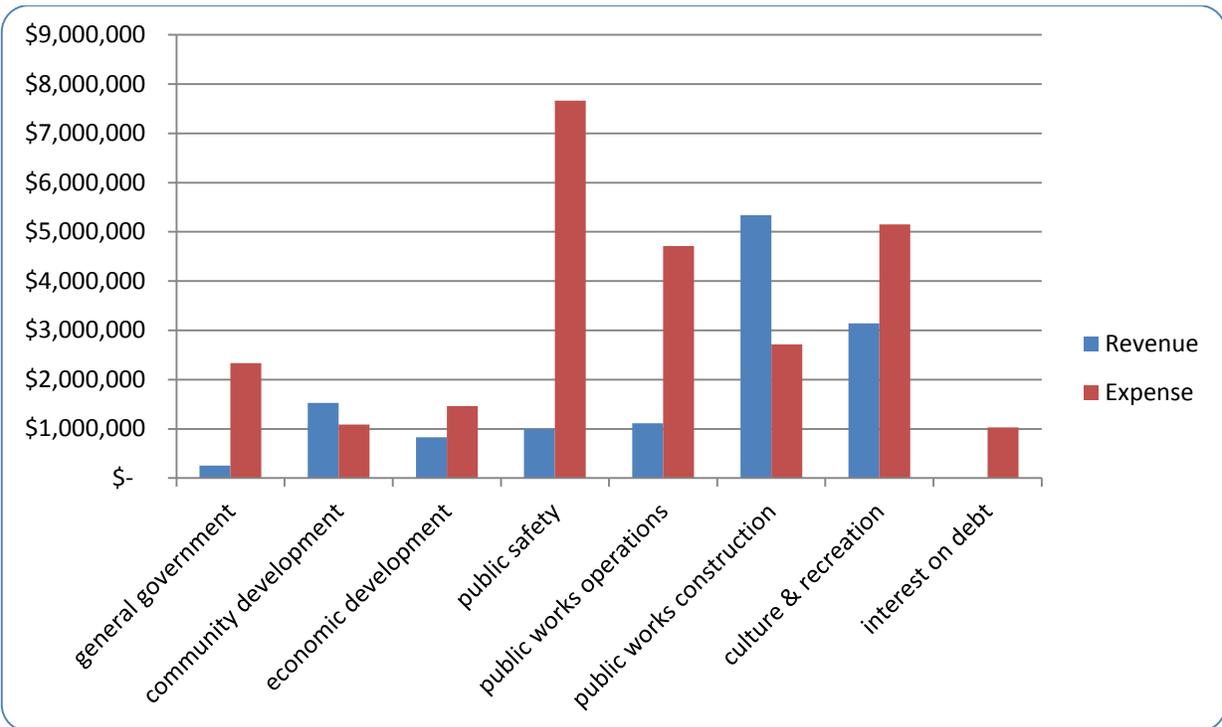
**City of Cottage Grove's Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$6,106,184	\$4,914,710	\$6,130,724	\$6,305,828	\$12,236,908	\$11,220,538
Operating grants and contributions	1,237,805	1,545,268	-	-	1,237,805	1,545,268
Capital grants and contributions	5,861,631	9,401,775	361,762	1,783,762	6,223,393	11,185,537
General revenues:						
Property taxes	13,394,585	12,616,267	-	-	13,394,585	12,616,267
Other taxes	1,274,317	1,280,553	-	-	1,274,317	1,280,553
Grants and contributions not restricted to specific programs	99,137	83,682	-	-	99,137	83,682
Unrestricted investment earnings (loss)	357,170	551,910	137,896	199,179	495,066	751,089
Gain(loss) on sale of capital assets	(15,157)	43,904	-	-	(15,157)	43,904
Total revenues	<u>28,315,672</u>	<u>30,438,069</u>	<u>6,630,382</u>	<u>8,288,769</u>	<u>34,946,054</u>	<u>38,726,838</u>
Expenses:						
General government	2,331,648	2,229,518	-	-	2,331,648	2,229,518
Community development	1,086,197	946,001	-	-	1,086,197	946,001
Economic development	1,460,114	545,646	-	-	1,460,114	545,646
Public safety	7,662,393	7,212,998	-	-	7,662,393	7,212,998
Public works:						
Regular operations	4,713,100	4,627,829	-	-	4,713,100	4,627,829
Construction	2,712,945	2,971,353	-	-	2,712,945	2,971,353
Culture and recreation	5,153,844	5,119,093	-	-	5,153,844	5,119,093
Interest on long-term debt	1,029,228	808,642	-	-	1,029,228	808,642
Street lights	-	-	746,794	867,690	746,794	867,690
Cottage Grove EMS	-	-	1,507,766	1,412,855	1,507,766	1,412,855
Water operating	-	-	2,438,166	2,216,819	2,438,166	2,216,819
Sewer operating	-	-	2,448,283	2,428,944	2,448,283	2,428,944
Total expenses	<u>26,149,469</u>	<u>24,461,080</u>	<u>7,141,009</u>	<u>6,926,308</u>	<u>33,290,478</u>	<u>31,387,388</u>
Increase (decrease) in net position before transfers and special items	2,166,203	5,976,989	(510,627)	1,362,461	1,655,576	7,339,450
Transfers	613,878	(720,742)	(613,878)	720,742	-	-
Increase (decrease) in net position	<u>2,780,081</u>	<u>5,256,247</u>	<u>(1,124,505)</u>	<u>2,083,203</u>	<u>1,655,576</u>	<u>7,339,450</u>
Net position - January 1	162,508,871	157,252,624	70,328,422	68,245,219	232,837,293	225,497,843
Cumulative effect of change in accounting principle	(6,674,102)	-	(1,020,237)	-	(7,694,339)	-
Net position - January 1 as restated	<u>155,834,769</u>	<u>157,252,624</u>	<u>69,308,185</u>	<u>68,245,219</u>	<u>225,142,954</u>	<u>225,497,843</u>
Net position - December 31	<u>\$158,614,850</u>	<u>\$162,508,871</u>	<u>\$68,183,680</u>	<u>\$70,328,422</u>	<u>\$226,798,530</u>	<u>\$232,837,293</u>

## Revenues by Source - Government Activities

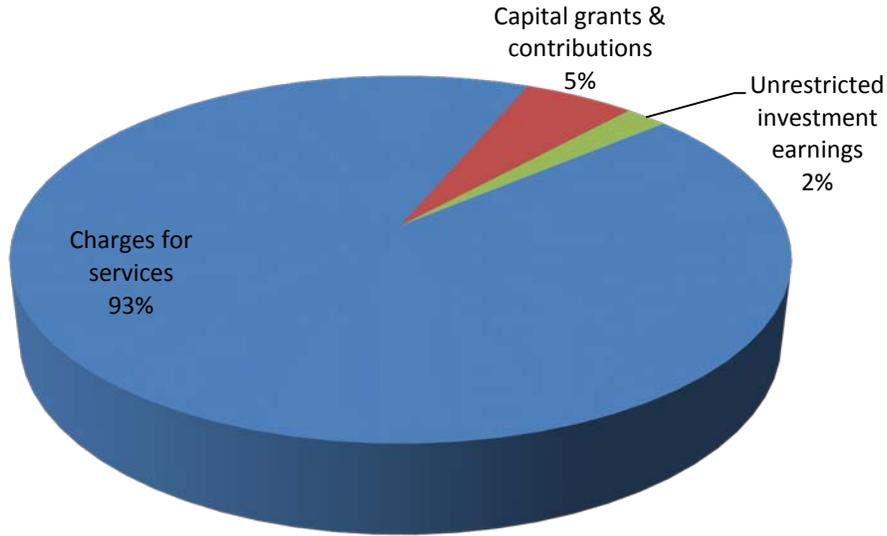


The following chart illustrates the City's expenses and corresponding program revenues for its governmental activities.

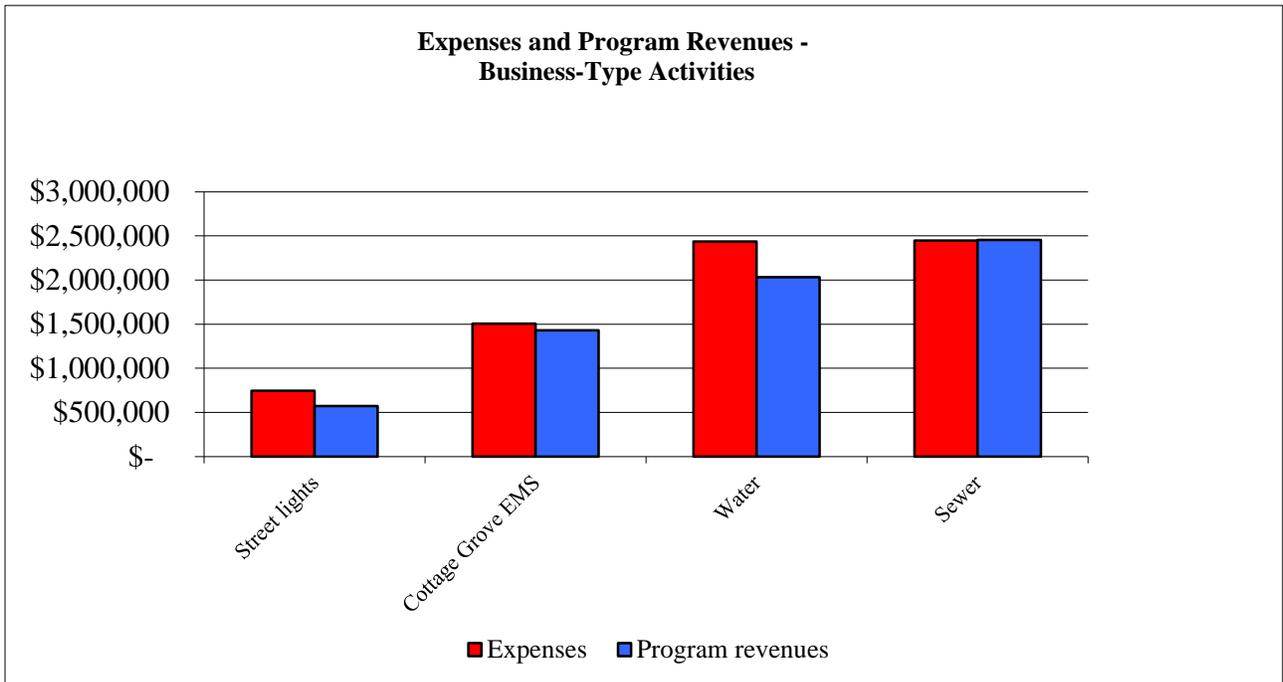


**Business-Type Activities.** Business-type activities decreased net position by \$1,124,505 before a change in accounting principle of \$1,020,237 is applied. Below are graphs showing the business-type activities revenue and expense comparisons.

### Revenues - Business type Activities



### Expenses and Program Revenues - Business-Type Activities



In business type activities, changes in net position were negative for all funds except Sewer operations.

### **Financial Analysis of the Government's Funds**

**Governmental Funds.** The focus of the City of Cottage Grove'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 of Cottage Grove's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Cottage Grove's governmental funds reported combined ending fund balances of \$32,733,289 an increase of \$3,746,740. *Committed, assigned* and *unassigned* fund balance which is available for spending at the government's discretion has a balance of \$27,832,502 at year end. The remainder of the fund balance is non-spendable or restricted to indicate it is not available for new spending because it has already been obligated 1) to pay debt service (\$2,766,643) 2) for prepaid items (\$22,726) 3) for inventory (\$20,696) 4) to pay for capital improvements (\$2,042,151) and 5) for future expenditures (\$48,571).

The General fund is the chief operating fund of the City of Cottage Grove. At the end of the current fiscal year, unassigned fund balance of the General fund was \$8,829,697 while total fund balance was \$10,253,437. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56% of total subsequent year General fund expenditures, while total fund balance represents 65% of the same amount.

The General fund balance increased by \$741,296. This increase is primarily due to an increase in charges for services resulting from development activity in the city. Revenues exceeded budget by \$1,055,278 due to higher than expected building permit revenues and charges for engineering services from development and infrastructure projects. Expenditures were \$259,091 under budget due to reduced public safety salaries and benefits due to personnel changes and reduced public works expenses for snow and ice control resulting from a mild winter.

The Municipal Building Fund increased \$489,854 due to property tax revenues collected for repayment of the interfund loan which funded the Public Safety/City Hall project in 2012.

The MSA Construction Fund decreased by \$60,397 due to construction project costs on 70<sup>th</sup> Street and Meadowgrass Avenue.

The Closed Debt Fund increased by \$242,151 due to interfund loan interest and special assessment revenues.

The Pavement Management Debt Service Fund increased by \$625,208 due to special assessment revenues collected in excess of debt service requirements.

The Pavement Management Capital Project Fund increase by \$1,943,884 due to the issuance of municipal bonds which financed the 2014 and 2015 Pavement Management project costs.

**Proprietary funds:** The City of Cottage Grove's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Business-type activities decreased the City's net position by \$1,124,505 in 2015, before a change in accounting principle of \$1,020,237 is applied. The change in accounting principle is the result of the implementation of Governmental Accounting Standards Board Statement 68.

### **Budgetary Highlights**

#### **General Fund.**

The General Fund actual results were different than the final budget amounts due to the following:

- Licenses and Permits categories were \$625,692 more than budgeted due to increased commercial/institutional building permitting in 2015.
- Intergovernmental revenues were \$172,908 more than budget due to unanticipated Federal and State grant revenues and public safety aids.
- Charges for services were \$44,657 more than budgeted due to increased community development and engineering fees resulting from increased development activity.
- Fines revenues were \$35,802 more than budgeted due to increased revenues passed through to the City from the state and county.
- General government expenditures were \$146,509 more than budgeted amounts due to additional salary, benefits and professional service expenditures related to unanticipated personnel changes.
- Public safety expenditures were \$125,181 less than budgeted amounts due to staff retirements and the resulting salary and benefit savings.
- Public works expenditures were \$242,649 lower than budget due to lower personnel costs, supplies and contractual services related to the effects of a moderate snow and ice removal season.
- Culture and recreation expenditures were \$40,357 less than final budget due to reduced operational costs in the Forestry division.

### **Capital Asset and Debt Administration**

**Capital assets:** The City of Cottage Grove's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$205,491,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment.

**City of Cottage Grove's Capital Assets**

(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land and land improvements	\$17,927,787	\$ 17,926,287	\$354,852	\$ 355,648	\$18,282,639	\$18,281,935
Easements	1,157,202	1,157,202	-	-	1,157,202	1,157,202
Construction in progress	500,898	606,641	-	28,909	500,898	635,550
Buildings and improvements	20,890,355	21,423,724	1,712,619	1,828,018	22,602,974	23,251,742
Equipment and furniture	314,540	282,359	-	-	314,540	282,359
Machinery and equipment	4,667,519	4,636,672	615,843	686,620	5,283,362	5,323,292
Other improvements	3,032,731	3,037,552	4,578,962	4,682,489	7,611,693	7,720,041
Infrastructure:						
Streets	75,893,083	72,199,607	-	-	75,893,083	72,199,607
Storm sewers	22,439,016	23,330,305	-	-	22,439,016	23,330,305
Sidewalks/trails	3,855,506	3,475,993	-	-	3,855,506	3,475,993
Water and sewer lines	-	-	47,550,290	47,567,596	47,550,290	47,567,596
Ending balance	<u>\$150,678,637</u>	<u>\$148,076,342</u>	<u>\$54,812,566</u>	<u>\$55,149,280</u>	<u>\$205,491,203</u>	<u>\$203,225,622</u>

The largest addition to capital assets in 2015 were the improvements to streets and other infrastructure due to the 2015 Pavement Management project, the extension of 97<sup>th</sup> Street and Hemingway Avenue in the Business Park and the completion of the final streets in the CP Rail project.

Additional information on the City of Cottage Grove's capital assets can be found in Note 5.

**Long-term debt:** At the end of the current fiscal year, the City of Cottage Grove had total long term debt outstanding of \$26,722,169, an increase of \$4,221,120. \$2,813,757 of the debt outstanding is due within one year. \$17,978,235 of bonds payable is for pavement management debt being repaid by a combination of special assessments and property tax levies.

**City of Cottage Grove's Outstanding Debt**

	2015	2014
Governmental activities:		
Bonds payable, net	\$20,273,235	\$15,657,633
Capital lease payable - EDA	4,805,000	5,085,000
Capital lease payable – golf carts	37,432	73,667
Other postemployment benefits	65,521	59,343
Compensated absences	857,206	839,758
Total governmental activities	<u>26,038,394</u>	<u>21,715,401</u>
Business-type activities:		
Bonds payable, net	609,856	717,221
Other postemployment benefits	9,555	8,571
Compensated absences	64,364	59,856
Total business-type activities	<u>683,775</u>	<u>785,648</u>
Total primary government	<u>\$26,722,169</u>	<u>\$22,501,049</u>

The City of Cottage Grove holds a general obligation debt rating of Aa1 from Moody's (2010 Global Ratings Scale) and of AA+/Stable from Standard and Poor's. According to S&P, Cottage Grove has "a strong financial profile, anchored by a very strong general fund balance; and good management practices that have contributed to the city's ongoing financial health."

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City of Cottage Grove is \$81,179,262. Of that limit, \$4,805,000 of the City's outstanding debt is counted within the statutory limitation because all other debt is either wholly or partially repaid by revenues other than general property tax levies.

Additional information on the City of Cottage Grove's long-term debt can be found in Note 6.

**Requests for information:** This financial report is designed to provide a general overview of the City of Cottage Grove's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, 12800 Ravine Parkway St, Cottage Grove, Minnesota 55016.

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## **BASIC FINANCIAL STATEMENTS**

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	Primary Government		Total Primary Government	Component Unit	Totals	
	Governmental Activities	Business-Type Activities		Economic Development Authority	Reporting Entity	
					2015	2014
<b>Assets:</b>						
Cash and investments	\$ 38,211,340	\$ 9,420,845	\$ 47,632,185	\$ 389,254	\$ 48,021,439	\$ 47,030,844
Accrued interest receivable	147,130	-	147,130	54,423	201,553	203,410
Due from other governmental units - net	286,815	4,211	291,026	-	291,026	889,787
Accounts receivable - net	593,383	1,233,850	1,827,233	5,212	1,832,445	1,822,889
Prepaid items	191,792	149,662	341,454	1,500	342,954	299,192
Delinquent property taxes receivable	126,473	-	126,473	1,087	127,560	199,646
Due from county	93,051	-	93,051	-	93,051	76,605
Special assessments receivable	5,993,117	-	5,993,117	-	5,993,117	4,531,762
Inventories - at cost	91,636	-	91,636	-	91,636	94,132
Internal balances	(4,550,502)	4,550,502	-	-	-	-
Lease receivable	-	-	-	4,805,000	4,805,000	5,085,000
Properties held for resale	2,217,498	-	2,217,498	311,718	2,529,216	579,216
Fire relief pension asset	729,701	-	729,701	-	729,701	-
<b>Capital assets not being depreciated:</b>						
Land and land improvements	17,927,787	325,000	18,252,787	-	18,252,787	18,251,287
Easements	1,157,202	-	1,157,202	-	1,157,202	1,157,202
Construction in progress	500,898	-	500,898	-	500,898	635,550
<b>Capital assets (net of accumulated depreciation):</b>						
Land improvements	-	29,852	29,852	-	29,852	30,648
Buildings and improvements	20,890,355	1,712,619	22,602,974	-	22,602,974	23,251,742
Equipment and furniture	314,540	-	314,540	-	314,540	282,359
Machinery and equipment	4,667,519	615,843	5,283,362	-	5,283,362	5,323,292
Other improvements	3,032,731	4,578,962	7,611,693	-	7,611,693	7,720,041
Infrastructure	102,187,605	47,550,290	149,737,895	-	149,737,895	146,573,501
<b>Total assets</b>	<b>194,810,071</b>	<b>70,171,636</b>	<b>264,981,707</b>	<b>5,568,194</b>	<b>270,549,901</b>	<b>264,038,105</b>
<b>Deferred outflows of resources:</b>						
Deferred outflows related to city pensions	1,613,662	215,065	1,828,727	15,461	1,844,188	-
Deferred outflows related to fire relief pension	290,662	-	290,662	-	290,662	-
<b>Total deferred outflows of resources</b>	<b>1,904,324</b>	<b>215,065</b>	<b>2,119,389</b>	<b>15,461</b>	<b>2,134,850</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 196,714,395</b>	<b>\$ 70,386,701</b>	<b>\$ 267,101,096</b>	<b>\$ 5,583,655</b>	<b>\$ 272,684,751</b>	<b>\$ 264,038,105</b>
<b>Liabilities:</b>						
Accounts payable	\$ 836,760	\$ 147,877	\$ 984,637	\$ 17,108	\$ 1,001,745	\$ 853,911
Salaries payable	537,821	64,190	602,011	3,870	605,881	533,568
Contracts payable	235,778	-	235,778	-	235,778	194,628
Due to other governmental units	12,687	24,071	36,758	-	36,758	194,954
Deposits payable	466,679	4,000	470,679	3,503	474,182	714,299
Unearned revenue	40,100	-	40,100	-	40,100	42,600
Accrued interest payable	329,500	9,406	338,906	54,423	393,329	261,678
<b>Compensated absences payable:</b>						
Due within one year	612,274	54,195	666,469	2,483	668,952	691,343
Due in more than one year	244,932	10,169	255,101	2,141	257,242	224,226
<b>Other postemployment benefits:</b>						
Due in more than one year	65,521	9,555	75,076	811	75,887	68,614
<b>Net pension liability:</b>						
Due in more than one year	8,463,113	1,118,083	9,581,196	112,795	9,693,991	-
<b>Capital lease payable:</b>						
Due within one year	327,432	-	327,432	-	327,432	316,235
Due in more than one year	4,515,000	-	4,515,000	-	4,515,000	4,842,432
<b>Bonds payable (net of unamortized premiums):</b>						
Due within one year	1,210,000	609,856	1,819,856	290,000	2,109,856	1,705,000
Due in more than one year	19,063,235	-	19,063,235	4,515,000	23,578,235	19,754,854
<b>Total liabilities</b>	<b>36,960,832</b>	<b>2,051,402</b>	<b>39,012,234</b>	<b>5,002,134</b>	<b>44,014,368</b>	<b>30,398,342</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - other	1,384	-	1,384	-	1,384	-
Deferred inflows related to pension	1,137,329	151,619	1,288,948	10,776	1,299,724	-
<b>Total deferred inflows of resources</b>	<b>1,138,713</b>	<b>151,619</b>	<b>1,290,332</b>	<b>10,776</b>	<b>1,301,108</b>	<b>-</b>
<b>Net position:</b>						
Net investment in capital assets	125,562,970	54,202,710	179,765,680	-	179,765,680	181,692,101
<b>Restricted for:</b>						
Forfeiture and seizure	39,166	-	39,166	-	39,166	52,175
Charitable gambling	9,405	-	9,405	-	9,405	14,300
Debt retirement	6,706,913	-	6,706,913	511,139	7,218,052	5,173,824
Tax increment purposes	2,011,222	-	2,011,222	-	2,011,222	2,235,339
Unrestricted	24,285,174	13,980,970	38,266,144	59,606	38,325,750	44,472,024
<b>Total net position</b>	<b>158,614,850</b>	<b>68,183,680</b>	<b>226,798,530</b>	<b>570,745</b>	<b>227,369,275</b>	<b>233,639,763</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 196,714,395</b>	<b>\$ 70,386,701</b>	<b>\$ 267,101,096</b>	<b>\$ 5,583,655</b>	<b>\$ 272,684,751</b>	<b>\$ 264,038,105</b>

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CITY OF COTTAGE GROVE, MINNESOTA  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

Statement 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position				Component Unit Economic Development Authority
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals		
					Governmental Activities	Business-Type Activities	2015	2014	
Primary government:									
Governmental activities:									
General government	\$ 2,331,648	\$ 117,636	\$ 138,021	\$ -	\$ (2,075,991)	\$ -	\$ (2,075,991)	\$ (1,981,316)	\$ -
Community development	1,086,197	1,527,836	-	-	441,639	-	441,639	43,139	-
Economic development	1,460,114	3,467	355,442	469,454	(631,751)	-	(631,751)	236,529	-
Public safety	7,662,393	394,574	595,851	8,979	(6,662,989)	-	(6,662,989)	(6,141,980)	-
Public works:									
Regular operations	4,713,100	971,599	139,670	-	(3,601,831)	-	(3,601,831)	(3,509,863)	-
Construction	2,712,945	-	-	5,340,066	2,627,121	-	2,627,121	5,717,977	-
Culture and recreation	5,153,844	3,091,072	8,821	43,132	(2,010,819)	-	(2,010,819)	(2,155,171)	-
Interest on long-term debt	1,029,228	-	-	-	(1,029,228)	-	(1,029,228)	(808,642)	-
Total governmental activities	<u>26,149,469</u>	<u>6,106,184</u>	<u>1,237,805</u>	<u>5,861,631</u>	<u>(12,943,849)</u>	<u>-</u>	<u>(12,943,849)</u>	<u>(8,599,327)</u>	<u>-</u>
Business-type activities:									
Street lights	746,794	549,005	-	25,499	-	(172,290)	(172,290)	129,967	-
Cottage Grove EMS	1,507,766	1,431,007	-	-	-	(76,759)	(76,759)	213,465	-
Water operating	2,438,166	1,840,088	-	194,013	-	(404,065)	(404,065)	433,000	-
Sewer operating	2,448,283	2,310,624	-	142,250	-	4,591	4,591	386,850	-
Total business-type activities	<u>7,141,009</u>	<u>6,130,724</u>	<u>-</u>	<u>361,762</u>	<u>-</u>	<u>(648,523)</u>	<u>(648,523)</u>	<u>1,163,282</u>	<u>-</u>
Total primary government	<u>\$ 33,290,478</u>	<u>\$ 12,236,908</u>	<u>\$ 1,237,805</u>	<u>\$ 6,223,393</u>	<u>(12,943,849)</u>	<u>(648,523)</u>	<u>(13,592,372)</u>	<u>(7,436,045)</u>	<u>-</u>
Component Unit:									
Economic Development Authority	\$ 596,066	\$ 352,868	\$ -	\$ -	-	-	-	-	(243,198)
Total component unit	<u>\$ 596,066</u>	<u>\$ 352,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,198)</u>
General revenues:									
Property taxes					13,394,585	-	13,394,585	12,616,267	111,813
Franchise taxes					526,643	-	526,643	542,689	-
Aggregate taxes					37,133	-	37,133	26,236	-
Tax increment collections					710,541	-	710,541	711,628	-
Grants and contributions not restricted to specific programs					99,137	-	99,137	83,682	-
Unrestricted investment earnings					357,170	137,896	495,066	751,089	4,133
Gain on sale of capital assets (loss)					(15,157)	-	(15,157)	43,904	-
Transfers					613,878	(613,878)	-	-	-
Total general revenues, transfers, and special items					<u>15,723,930</u>	<u>(475,982)</u>	<u>15,247,948</u>	<u>14,775,495</u>	<u>115,946</u>
Change in net position					2,780,081	(1,124,505)	1,655,576	7,339,450	(127,252)
Net position - beginning					<u>162,508,871</u>	<u>70,328,422</u>	<u>232,837,293</u>	<u>225,497,843</u>	<u>802,470</u>
Cumulative effect of change in accounting principle					(6,674,102)	(1,020,237)	(7,694,339)	-	(104,473)
Net position - beginning, as restated					<u>155,834,769</u>	<u>69,308,185</u>	<u>225,142,954</u>	<u>225,497,843</u>	<u>697,997</u>
Net position - ending					<u>\$ 158,614,850</u>	<u>\$ 68,183,680</u>	<u>\$ 226,798,530</u>	<u>\$ 232,837,293</u>	<u>\$ 570,745</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF COTTAGE GROVE, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2015  
With Comparative Data as of December 31, 2014

	General Fund	Municipal Building Capital Project Fund	MSA Construction Capital Project Fund	Closed Debt Fund
<b>Assets:</b>				
Cash and investments	\$ 10,219,643	\$ 345,195	\$ 3,959,419	\$ 2,073,490
Accrued interest receivable	147,130	-	-	-
Interfund receivable	405,116	-	-	-
Interfund loan receivable	-	-	-	2,000,000
Due from other governmental units - net	47,382	-	96,991	-
Accounts receivable - net	28,312	-	-	-
Prepaid items	15,383	-	-	-
Inventories - at cost	-	-	-	-
Delinquent property taxes receivable	113,030	4,379	-	1,615
Due from county	93,051	-	-	-
Special assessments receivable:				
Deferred	4,807	-	443,674	193,417
Delinquent	561	-	297	4,721
Special deferred	-	-	31,948	4,715
Property held for resale	-	-	267,498	-
<b>Total assets</b>	<b>\$ 11,074,415</b>	<b>\$ 349,574</b>	<b>\$ 4,799,827</b>	<b>\$ 4,277,958</b>
<b>Liabilities:</b>				
Accounts payable	\$ 121,229	\$ -	\$ 100,083	\$ -
Salaries payable	455,576	-	-	-
Interfund payable	-	-	-	-
Contracts payable	-	-	-	-
Due to other governmental units	6,048	-	-	-
Deposits payable	79,627	-	-	-
Unearned revenue	40,100	-	-	-
Interfund loan payable	-	7,860,000	-	-
<b>Total liabilities</b>	<b>702,580</b>	<b>7,860,000</b>	<b>100,083</b>	<b>-</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	113,030	4,379	-	1,615
Unavailable revenue - special assessments	5,368	-	475,919	202,853
Unavailable revenue - intergovernmental	-	-	87,417	-
Unavailable revenue - other	-	1,384	-	-
<b>Total deferred inflows of resources</b>	<b>118,398</b>	<b>5,763</b>	<b>563,336</b>	<b>204,468</b>
<b>Fund balances (deficit):</b>				
<b>Nonspendable:</b>				
Prepaid items	15,383	-	-	-
Inventory	-	-	-	-
<b>Restricted for:</b>				
Forfeiture and seizure	-	-	-	-
Charitable gambling	-	-	-	-
Debt retirement	-	-	-	-
Tax increment purposes	-	-	-	-
Committed	-	-	-	-
Assigned	1,408,357	-	4,136,408	4,073,490
<b>Unassigned:</b>				
General Fund	8,829,697	-	-	-
Special Revenue Fund	-	-	-	-
Capital Project Funds	-	(7,516,189)	-	-
<b>Total fund balances (deficit)</b>	<b>10,253,437</b>	<b>(7,516,189)</b>	<b>4,136,408</b>	<b>4,073,490</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,074,415</b>	<b>\$ 349,574</b>	<b>\$ 4,799,827</b>	<b>\$ 4,277,958</b>

The accompanying notes are an integral part of these basic financial statements.

Pavement Management Debt Service Fund	Pavement Management Capital Project Fund	Other Governmental Funds	Totals	
			Governmental Funds	
			2015	2014
\$ 2,548,452	\$ 1,526,216	\$ 15,054,522	\$ 35,726,937	\$ 33,930,027
-	-	-	147,130	146,187
-	-	1,221,111	1,626,227	1,877,498
-	-	2,261,758	4,261,758	5,050,000
-	58,276	84,166	286,815	884,722
-	-	565,071	593,383	474,947
-	-	7,343	22,726	26,548
-	-	20,696	20,696	24,434
4,656	-	2,793	126,473	197,875
-	-	-	93,051	76,605
4,145,148	-	1,129,114	5,916,160	4,435,196
6,404	-	101	12,084	15,880
28,210	-	-	64,873	80,686
-	-	1,950,000	2,217,498	267,498
<u>\$ 6,732,870</u>	<u>\$ 1,584,492</u>	<u>\$ 22,296,675</u>	<u>\$ 51,115,811</u>	<u>\$ 47,488,103</u>
\$ -	\$ 67,507	\$ 316,318	\$ 605,137	\$ 454,116
-	-	58,642	514,218	451,132
-	-	1,626,227	1,626,227	1,877,498
-	47,341	188,437	235,778	193,540
-	-	6,160	12,208	17,351
-	-	387,052	466,679	707,633
-	-	-	40,100	42,600
-	-	761,758	8,621,758	9,845,000
-	114,848	3,344,594	12,122,105	13,588,870
4,656	-	2,793	126,473	197,875
4,179,762	-	1,129,215	5,993,117	4,531,762
-	52,026	-	139,443	183,047
-	-	-	1,384	-
<u>4,184,418</u>	<u>52,026</u>	<u>1,132,008</u>	<u>6,260,417</u>	<u>4,912,684</u>
-	-	7,343	22,726	26,548
-	-	20,696	20,696	24,434
-	-	39,166	39,166	52,175
-	-	9,405	9,405	14,300
2,548,452	-	218,191	2,766,643	2,139,841
-	-	2,042,151	2,042,151	2,272,496
-	-	394,204	394,204	329,841
-	1,417,618	16,695,201	27,731,074	26,971,879
-	-	-	8,829,697	8,113,424
-	-	(283,216)	(283,216)	(1,409,153)
-	-	(1,323,068)	(8,839,257)	(9,549,236)
<u>2,548,452</u>	<u>1,417,618</u>	<u>17,820,073</u>	<u>32,733,289</u>	<u>28,986,549</u>
<u>\$ 6,732,870</u>	<u>\$ 1,584,492</u>	<u>\$ 22,296,675</u>	<u>\$ 51,115,811</u>	<u>\$ 47,488,103</u>
Fund balance reported above			\$ 32,733,289	\$ 28,986,549
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds			149,646,231	147,132,457
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds			6,988,734	4,912,684
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.				
Deferred inflows of resources related to pensions			(1,105,920)	-
Deferred outflows of resources related to pensions			1,859,261	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			(34,455,583)	(21,857,861)
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities are included in the governmental statement of net position			2,948,838	3,335,042
Net position of governmental activities			<u>\$ 158,614,850</u>	<u>\$ 162,508,871</u>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

	General Fund	Municipal Building Capital Project Fund	MSA Construction Capital Project Fund	Closed Debt Fund
<b>Revenues:</b>				
General property taxes	\$ 12,078,076	\$ 502,549	\$ -	\$ 4,979
Franchise taxes	-	-	-	-
Aggregate taxes	-	-	-	-
Tax increment collections	-	-	-	-
Special assessments	15,787	-	136,331	106,760
Licenses and permits	1,305,442	-	-	-
Direct charges to developers	-	-	-	-
Intergovernmental	842,658	-	229,529	-
Charges for services	557,457	-	-	-
Rent	-	16,167	-	-
Fines and forfeits	210,802	-	-	-
Investment earnings (loss)	69,257	1,087	29,763	13,528
Interest on interfund loan	-	-	-	28,741
Connection charges	-	-	-	-
Park dedication fees	-	-	-	-
Other sales	-	-	-	-
Donations	19,772	-	-	-
Miscellaneous	178,997	-	-	-
Total revenues	<u>15,278,248</u>	<u>519,803</u>	<u>395,623</u>	<u>154,008</u>
<b>Expenditures:</b>				
Current:				
General government	2,122,549	18,327	-	1,263
Community development	1,058,537	-	-	-
Economic development	-	-	-	-
Public safety	6,726,685	-	-	-
Public works	2,297,588	-	446,711	-
Culture and recreation	1,812,233	-	-	-
Capital outlay:				
Public safety	196,324	-	-	-
Public works	12,138	-	9,309	-
Culture and recreation	22,135	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Capital lease payment	-	-	-	-
Interest and fiscal charges	-	112,753	-	-
Total expenditures	<u>14,248,189</u>	<u>131,080</u>	<u>456,020</u>	<u>1,263</u>
Revenues over (under) expenditures	<u>1,030,059</u>	<u>388,723</u>	<u>(60,397)</u>	<u>152,745</u>
<b>Other financing sources (uses):</b>				
Transfers in	528,710	101,131	-	235,971
Transfers out	(817,473)	-	-	(146,565)
Bonds issued	-	-	-	-
Premium on debt issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(288,763)</u>	<u>101,131</u>	<u>-</u>	<u>89,406</u>
Net increase (decrease) in fund balance	741,296	489,854	(60,397)	242,151
Fund balance - January 1	<u>9,512,141</u>	<u>(8,006,043)</u>	<u>4,196,805</u>	<u>3,831,339</u>
Fund balance - December 31	<u>\$ 10,253,437</u>	<u>\$ (7,516,189)</u>	<u>\$ 4,136,408</u>	<u>\$ 4,073,490</u>

The accompanying notes are an integral part of these basic financial statements.

Statement 4

Pavement Management Debt Service Fund	Pavement Management Capital Project Fund	Other Governmental Funds	Totals	
			Governmental Funds	
			2015	2014
\$ 587,925	\$ -	\$ 292,458	\$ 13,465,987	\$ 12,687,917
-	-	526,643	526,643	542,689
-	-	37,133	37,133	26,236
-	-	710,541	710,541	723,304
1,102,963	-	137,955	1,499,796	1,326,017
-	-	-	1,305,442	904,400
-	-	307,971	307,971	661,861
-	1,186,102	157,465	2,415,754	3,932,021
-	-	3,685,422	4,242,879	3,572,351
-	-	-	16,167	435,975
-	-	17,840	228,642	171,317
10,490	4,565	134,109	262,799	452,293
-	-	45,599	74,340	59,066
-	-	318,092	318,092	841,434
-	-	9,010	9,010	63,595
-	-	469,454	469,454	429,750
-	-	358,241	378,013	379,127
-	7,050	104,760	290,807	196,990
<u>1,701,378</u>	<u>1,197,717</u>	<u>7,312,693</u>	<u>26,559,470</u>	<u>27,406,343</u>
11,462	-	1,726	2,155,327	2,025,709
-	-	-	1,058,537	919,126
-	-	1,456,306	1,456,306	541,838
-	-	25,119	6,751,804	6,484,552
-	453,641	1,146,897	4,344,837	4,306,068
-	-	2,342,759	4,154,992	4,169,469
-	-	87,913	284,237	468,465
-	5,094,675	749,116	5,865,238	3,926,379
-	-	865,192	887,327	633,578
870,000	-	450,000	1,320,000	2,470,000
-	-	316,235	316,235	305,076
<u>341,273</u>	<u>84,091</u>	<u>373,990</u>	<u>912,107</u>	<u>882,508</u>
<u>1,222,735</u>	<u>5,632,407</u>	<u>7,815,253</u>	<u>29,506,947</u>	<u>27,132,768</u>
<u>478,643</u>	<u>(4,434,690)</u>	<u>(502,560)</u>	<u>(2,947,477)</u>	<u>273,575</u>
146,565	424,329	1,612,951	3,049,657	1,840,995
-	-	(1,398,914)	(2,362,952)	(1,213,059)
-	5,700,000	-	5,700,000	1,405,000
-	254,245	-	254,245	18,461
-	-	53,267	53,267	67,120
<u>146,565</u>	<u>6,378,574</u>	<u>267,304</u>	<u>6,694,217</u>	<u>2,118,517</u>
625,208	1,943,884	(235,256)	3,746,740	2,392,092
<u>1,923,244</u>	<u>(526,266)</u>	<u>18,055,329</u>	<u>28,986,549</u>	<u>26,594,457</u>
<u>\$ 2,548,452</u>	<u>\$ 1,417,618</u>	<u>\$ 17,820,073</u>	<u>\$ 32,733,289</u>	<u>\$ 28,986,549</u>

The accompanying notes are an integral part of these basic financial statements.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 5**

	<u>2015</u>	<u>2014</u>
Amounts reported for governmental activities in the statement of activities (page 35) are different because:		
Net changes in fund balances - total governmental funds (page 39)	\$ 3,746,740	\$ 2,392,092
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. This is the amount by which capital outlays exceeded depreciation in the current period.	2,223,716	(1,238,277)
The effect of various miscellaneous transactions involving capital assets is to decrease net position (i.e. sales, and trade-ins).	(67,488)	(27,296)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	357,546	3,037,468
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,346,349	(102,202)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.	(281,715)	-
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,299,367)	1,373,422
Internal service funds are used by management to charge the cost of insurance to individual funds. This amount is net revenue (loss) attributable to governmental activities.	(81,706)	(212,333)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(163,994)</u>	<u>33,373</u>
Change in net position of governmental activities (page 35)	<u>\$ 2,780,081</u>	<u>\$ 5,256,247</u>

The accompanying notes are an integral part of these basic financial statements.

CITY OF COTTAGE GROVE, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2015

Statement 6

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Street Light Fund	Cottage Grove EMS Fund	Water Operating	Sewer Operating	Total Enterprise Funds	
<b>Assets:</b>						
<b>Current assets:</b>						
Cash and investments	\$ 1,185,482	\$ 962,140	\$ 4,466,573	\$ 2,806,650	\$ 9,420,845	\$ 2,484,403
Interfund loan receivable	-	-	1,527,500	2,832,500	4,360,000	-
Due from other governmental units-net	-	-	1,543	2,668	4,211	-
<b>Accounts receivable:</b>						
Customers	89,928	373,395	236,846	332,468	1,032,637	-
Certified to County	-	-	98,553	98,553	197,106	-
Other	3,163	-	944	-	4,107	-
Prepaid items	-	4,462	2,426	142,774	149,662	169,066
Inventories - at cost	-	-	-	-	-	70,940
Total current assets	<u>1,278,573</u>	<u>1,339,997</u>	<u>6,334,385</u>	<u>6,215,613</u>	<u>15,168,568</u>	<u>2,724,409</u>
<b>Noncurrent assets:</b>						
<b>Capital assets:</b>						
Land and land improvements	-	-	364,803	-	364,803	424,665
Buildings and improvements	-	-	4,101,713	-	4,101,713	928,870
Equipment and furniture	-	-	-	-	-	164,338
Machinery and equipment	139,222	773,544	1,051,454	269,175	2,233,395	214,326
Other improvements	6,991,533	-	-	-	6,991,533	-
Water and sewer lines	-	-	38,725,100	26,187,419	64,912,519	-
Total capital assets	<u>7,130,755</u>	<u>773,544</u>	<u>44,243,070</u>	<u>26,456,594</u>	<u>78,603,963</u>	<u>1,732,199</u>
Less: Accumulated depreciation	<u>(2,492,650)</u>	<u>(463,289)</u>	<u>(14,026,780)</u>	<u>(6,808,678)</u>	<u>(23,791,397)</u>	<u>(699,793)</u>
Net capital assets	<u>4,638,105</u>	<u>310,255</u>	<u>30,216,290</u>	<u>19,647,916</u>	<u>54,812,566</u>	<u>1,032,406</u>
Total noncurrent assets	<u>4,638,105</u>	<u>310,255</u>	<u>30,216,290</u>	<u>19,647,916</u>	<u>54,812,566</u>	<u>1,032,406</u>
Total assets	<u>5,916,678</u>	<u>1,650,252</u>	<u>36,550,675</u>	<u>25,863,529</u>	<u>69,981,134</u>	<u>3,756,815</u>
<b>Deferred outflows:</b>						
Deferred outflows related to pension	<u>7,371</u>	<u>155,573</u>	<u>42,782</u>	<u>9,339</u>	<u>215,065</u>	<u>45,063</u>
Total deferred outflows	<u>7,371</u>	<u>155,573</u>	<u>42,782</u>	<u>9,339</u>	<u>215,065</u>	<u>45,063</u>
<b>Liabilities:</b>						
<b>Current liabilities:</b>						
Accounts payable	28,217	23,690	81,528	14,442	147,877	231,623
Salaries payable	4,305	32,165	22,900	4,820	64,190	23,603
Due to other governmental units	10	6,701	17,360	-	24,071	479
Deposits payable	-	-	4,000	-	4,000	-
Accrued interest payable	-	-	9,406	-	9,406	-
Compensated absences payable	5,785	18,829	22,009	7,572	54,195	32,201
Bonds payable - current portion	-	-	609,856	-	609,856	-
Total current liabilities	<u>38,317</u>	<u>81,385</u>	<u>767,059</u>	<u>26,834</u>	<u>913,595</u>	<u>287,906</u>
<b>Noncurrent liabilities:</b>						
Compensated absences payable	-	6,983	2,186	1,000	10,169	12,259
Other postemployment benefits	448	5,282	2,922	903	9,555	2,212
Net pension liability	<u>53,774</u>	<u>684,070</u>	<u>312,105</u>	<u>68,134</u>	<u>1,118,083</u>	<u>328,752</u>
Total noncurrent liabilities	<u>54,222</u>	<u>696,335</u>	<u>317,213</u>	<u>70,037</u>	<u>1,137,807</u>	<u>343,223</u>
Total liabilities	<u>92,539</u>	<u>777,720</u>	<u>1,084,272</u>	<u>96,871</u>	<u>2,051,402</u>	<u>631,129</u>
<b>Deferred inflows:</b>						
Deferred inflows related to pension	<u>5,138</u>	<u>110,152</u>	<u>29,819</u>	<u>6,510</u>	<u>151,619</u>	<u>31,409</u>
Total deferred inflows	<u>5,138</u>	<u>110,152</u>	<u>29,819</u>	<u>6,510</u>	<u>151,619</u>	<u>31,409</u>
<b>Net position:</b>						
Net investment in capital assets	4,638,105	310,255	29,606,434	19,647,916	54,202,710	1,032,406
Unrestricted	<u>1,188,267</u>	<u>607,698</u>	<u>5,872,932</u>	<u>6,121,571</u>	<u>13,790,468</u>	<u>2,106,934</u>
Total net position	<u>\$ 5,826,372</u>	<u>\$ 917,953</u>	<u>\$ 35,479,366</u>	<u>\$ 25,769,487</u>	<u>67,993,178</u>	<u>\$ 3,139,340</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities.

190,502  
\$ 68,183,680

The accompanying notes are an integral part of these basic financial statements.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
For The Year Ended December 31, 2015

**Statement 7**

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Street Light Fund	Cottage Grove EMS Fund	Water Operating	Sewer Operating		
Operating revenues:						
Charges for services - user fees	\$ 523,447	\$ 1,423,773	\$ 1,804,338	\$ 2,257,696	\$ 6,009,254	\$ 3,007,846
Water meter/ street light material sales	-	-	27,732	-	27,732	-
Insurance refunds and reimbursements	-	-	-	-	-	104,083
Total operating revenues	<u>523,447</u>	<u>1,423,773</u>	<u>1,832,070</u>	<u>2,257,696</u>	<u>6,036,986</u>	<u>3,111,929</u>
Operating expenses:						
Operating and maintenance:						
Personal services	89,207	1,181,451	493,861	101,700	1,866,219	510,547
Commodities	54,251	94,329	314,915	7,129	470,624	652,954
Commodities - items for resale	-	-	-	-	-	-
Contractual services	438,449	156,048	570,906	143,337	1,308,740	219,992
Disposal:						
Contractual services - MCES	-	-	-	1,586,212	1,586,212	-
Administrative and general:						
Personal services	-	-	38,832	35,882	74,714	1,432,083
Commodities	-	-	75	157	232	-
Contractual services	-	-	132,945	130,809	263,754	374,689
Depreciation	164,324	68,026	861,441	442,918	1,536,709	49,791
Total operating expenses	<u>746,231</u>	<u>1,499,854</u>	<u>2,412,975</u>	<u>2,448,144</u>	<u>7,107,204</u>	<u>3,240,056</u>
Operating income (loss)	<u>(222,784)</u>	<u>(76,081)</u>	<u>(580,905)</u>	<u>(190,448)</u>	<u>(1,070,218)</u>	<u>(128,127)</u>
Nonoperating revenues (expenses):						
Investment earnings	9,597	6,791	37,829	20,966	75,183	20,031
Interest on interfund debt	-	-	23,754	38,959	62,713	-
Asset contribution to governmental funds	-	-	(936)	-	(936)	-
Miscellaneous	25,558	7,234	8,018	52,928	93,738	13,057
Debt service:						
Interest	-	-	(20,472)	-	(20,472)	-
Total nonoperating revenues (expenses)	<u>35,155</u>	<u>14,025</u>	<u>48,193</u>	<u>112,853</u>	<u>210,226</u>	<u>33,088</u>
Income (loss) before contributions and transfers	<u>(187,629)</u>	<u>(62,056)</u>	<u>(532,712)</u>	<u>(77,595)</u>	<u>(859,992)</u>	<u>(95,039)</u>
Capital contributions	<u>25,499</u>	<u>-</u>	<u>267,776</u>	<u>142,250</u>	<u>435,525</u>	<u>-</u>
Transfer to General Fund	<u>(45,850)</u>	<u>(94,680)</u>	<u>(166,550)</u>	<u>(181,610)</u>	<u>(488,690)</u>	<u>-</u>
Transfer to Capital Project Fund	<u>-</u>	<u>-</u>	<u>(100,232)</u>	<u>(97,783)</u>	<u>(198,015)</u>	<u>-</u>
Total transfers	<u>(45,850)</u>	<u>(94,680)</u>	<u>(266,782)</u>	<u>(279,393)</u>	<u>(686,705)</u>	<u>-</u>
Change in net position	<u>(207,980)</u>	<u>(156,736)</u>	<u>(531,718)</u>	<u>(214,738)</u>	<u>(1,111,172)</u>	<u>(95,039)</u>
Net position - January 1	6,084,159	1,692,932	36,300,163	26,047,333	70,124,587	3,538,877
Cumulative effect of change in accounting principal	<u>(49,807)</u>	<u>(618,243)</u>	<u>(289,079)</u>	<u>(63,108)</u>	<u>(1,020,237)</u>	<u>(304,498)</u>
Net position - January 1, as restated	<u>6,034,352</u>	<u>1,074,689</u>	<u>36,011,084</u>	<u>25,984,225</u>	<u>69,104,350</u>	<u>3,234,379</u>
Net position - December 31	<u>\$ 5,826,372</u>	<u>\$ 917,953</u>	<u>\$ 35,479,366</u>	<u>\$ 25,769,487</u>	<u>\$ 67,993,178</u>	<u>\$ 3,139,340</u>
Change in net position reported above					(1,111,172)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(13,333)	
Change in net position of business-type activities (page 35)					<u>\$ (1,124,505)</u>	

The accompanying notes are an integral part of these basic financial statements.

CITY OF COTTAGE GROVE, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2015

Statement 8

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Street Light Fund	Cottage Grove EMS Fund	Water Operating	Sewer Operating	Total Enterprise Funds	
Cash flows from operating activities:						
Receipts from customers and users	\$ 514,834	\$ 1,539,946	\$ 1,836,319	\$ 2,256,119	\$ 6,147,218	\$ -
Receipts from interfund services provided	-	-	-	-	-	3,007,846
Receipts from insurance refunds and reimbursements	-	-	-	-	-	104,083
Payment to suppliers	(535,169)	(235,332)	(970,292)	(2,024,229)	(3,765,022)	(1,278,818)
Payment to employees	(87,007)	(1,144,020)	(519,291)	(136,910)	(1,887,228)	(1,957,146)
Miscellaneous revenue	25,558	7,234	8,018	52,928	93,738	13,057
Net cash flows from operating activities	<u>(81,784)</u>	<u>167,828</u>	<u>354,754</u>	<u>147,908</u>	<u>588,706</u>	<u>(110,978)</u>
Cash flows from noncapital financing activities:						
Transfers out	(45,850)	(94,680)	(266,782)	(279,393)	(686,705)	-
Net cash flows from noncapital financing activities	<u>(45,850)</u>	<u>(94,680)</u>	<u>(266,782)</u>	<u>(279,393)</u>	<u>(686,705)</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition of capital assets	(28,339)	-	(737,064)	-	(765,403)	(138,312)
Interest paid on debt	-	-	(24,150)	-	(24,150)	-
Principal paid on debt	-	-	(105,000)	-	(105,000)	-
Net cash flows from capital and related financing activities	<u>(28,339)</u>	<u>-</u>	<u>(866,214)</u>	<u>-</u>	<u>(894,553)</u>	<u>(138,312)</u>
Cash flows from investing activities:						
Investment earnings	9,597	6,791	37,829	20,966	75,183	20,031
Interest on interfund loan	-	-	23,754	38,959	62,713	-
Payment received on interfund loan	-	-	435,000	-	435,000	-
Net cash flows from investing activities	<u>9,597</u>	<u>6,791</u>	<u>496,583</u>	<u>59,925</u>	<u>572,896</u>	<u>20,031</u>
Net increase (decrease) in cash and cash equivalents	(146,376)	79,939	(281,659)	(71,560)	(419,656)	(229,259)
Cash and cash equivalents - January 1	<u>1,331,858</u>	<u>882,201</u>	<u>4,748,232</u>	<u>2,878,210</u>	<u>9,840,501</u>	<u>2,713,662</u>
Cash and cash equivalents - December 31	<u>\$ 1,185,482</u>	<u>\$ 962,140</u>	<u>\$ 4,466,573</u>	<u>\$ 2,806,650</u>	<u>\$ 9,420,845</u>	<u>\$ 2,484,403</u>
Reconciliation of operating income/(loss) to net cash from operating activities:						
Operating income (loss)	\$ (222,784)	\$ (76,081)	\$ (580,905)	\$ (190,448)	\$ (1,070,218)	\$ (128,127)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation	164,324	68,026	861,441	442,918	1,536,709	49,791
Miscellaneous revenue	25,558	7,234	8,018	52,928	93,738	13,057
Pension expense	1,734	20,405	10,063	2,196	34,398	10,600
Changes in assets and liabilities:						
Decrease (increase) in receivables	(8,613)	116,173	4,249	(1,577)	110,232	560
Decrease (increase) in prepaid items	159	1,138	(634)	(10,590)	(9,927)	(38,717)
Decrease (increase) in inventory	-	-	-	-	-	(1,242)
(Decrease) increase in payables	(42,162)	30,933	52,522	(147,519)	(106,226)	(16,900)
Total adjustments	<u>141,000</u>	<u>243,909</u>	<u>935,659</u>	<u>338,356</u>	<u>1,658,924</u>	<u>17,149</u>
Net cash flows from operating activities	<u>\$ (81,784)</u>	<u>\$ 167,828</u>	<u>\$ 354,754</u>	<u>\$ 147,908</u>	<u>\$ 588,706</u>	<u>\$ (110,978)</u>
Noncash investing, capital and financing activities:						
Capital asset contributions from governmental activities	\$ -	\$ -	\$ 73,763	\$ -	\$ 73,763	\$ -
Capital asset contributions from developers	25,499	-	194,013	142,250	361,762	-
Capital asset contributions to governmental activities	-	-	(936)	-	(936)	-
Loss on disposal of capital asset	-	-	1,013	-	1,013	-

The accompanying notes are an integral part of these basic financial statements.

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**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cottage Grove was incorporated in 1974 and operates under the State of Minnesota Statutory Plan A form of government. The governing body consists of a five member City Council elected by voters of the City.

The financial statements of the City of Cottage Grove have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

**A. FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Cottage Grove (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

**COMPONENT UNIT**

The Economic Development Authority (EDA) is considered a component unit of the City because the Council appoints the members of the governing authority and because the EDA is in a relationship of financial benefits or burden to the City. It is governed by a board which is made up of two City council members and five other members. The EDA provides services to the City and to potential future business owners within the City. The financial position and results of operations of the EDA component unit is discretely presented in the primary government's basic financial statements. The EDA is reported in a separate column to emphasize that it is legally separate from the City. The component unit activity is reported on the modified accrual basis of accounting. Separate financial statements are not prepared for the EDA.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these 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.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year 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, intergovernmental revenues, 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 government.

The government reports the following major governmental funds:

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

The *Municipal Building Capital Project Fund* accounts for the accumulation of resources and construction or remodeling costs of municipal buildings and facilities.

The *MSA Construction Capital Project Fund* accounts for projects related to Municipal State Aids.

The *Closed Debt Fund* accounts for the accumulation of residual resources from debt funds that have been closed as the associated debt has been satisfied.

The *Pavement Management Debt Service Fund* accounts for debt service payments used to finance the City's various pavement management projects. Revenue is accumulated from both special assessments and property taxes.

The *Pavement Management Capital Project Fund* accounts for pavement management construction projects.

The government reports the following major proprietary funds:

The *Street Light Fund* accounts for customer street light and service charges which are used to finance street light operating expenses.

The *Cottage Grove EMS Fund* accounts for the operation of the Cottage Grove ambulance service that serves the cities of Cottage Grove, Newport, Saint Paul Park, and Grey Cloud Island.

The *Water Operating fund* accounts for customer water service charges which are used to finance water operating expenses.

The *Sewer Operating fund* accounts for customer sewer service charges which are used to finance sewer operating expenses.

Additionally, the government reports the following fund type:

Internal service funds account for the City's self-insurance, fleet maintenance, and information services provided to other departments of the government on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Cottage Grove. 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, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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 *non-operating* 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 water, sewer, ambulance, and street light enterprise funds are charges to customers for sales and services. The ambulance fund operating revenues are net of write off's mandated by various government agencies (including Medicare and Medicaid). Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### **D. BUDGETS**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the General and Special Revenue Funds.

Budgeted amounts are reported as originally adopted, and as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were adjusted. Budgeted expenditure appropriations can be carried forward to the next budget year subject to City Council approval.

#### **E. LEGAL COMPLIANCE - BUDGETS**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget and makes appropriate changes.
3. Per Statute, public meetings are held to receive taxpayer comments.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

4. The budget is legally enacted through passage of a resolution on a departmental basis and can be expended by each department based upon detailed budget estimates for individual expenditure accounts.
5. The City Administrator is authorized to transfer appropriations within any department budget up to \$1,000. Additional interdepartmental or interfund appropriations and deletions are authorized by the City Council with expenditure reductions, fund (contingency) reserves or additional revenues.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, certain Capital Project Funds, Enterprise Funds and the Internal Service Fund. The General Fund and Special Revenue Funds are the only funds with legally adopted annual budgets.
7. Legal debt obligation indentures determine the appropriation level and debt service tax levies for the Debt Service Funds. Supplementary budgets are adopted for the Proprietary Funds to determine and calculate user charges. These debt service and budget amounts represent general obligation bond indenture provisions and net income for operation and capital maintenance and are not reflected in the financial statements.
8. A capital improvement program is reviewed annually by the City Council for the Capital Project Funds. However, appropriations for major projects are not adopted until the actual bid award of the improvement. The appropriations are not reflected in the financial statements.
9. Expenditures may not legally exceed budgeted appropriations at the total fund level. The legal level of budgetary control is at the expenditure category level (i.e., personal services, commodities, contractual services and capital outlay) within each activity. All amounts over budget have been approved by the City Council through the disbursement approval process.
10. The City Council may authorize transfers of budgeted amounts between City funds.

The following is a listing of expenditure categories that exceed budget appropriations for non-major funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Nonmajor Funds:			
Special Revenue Funds:			
Recycling:			
Public works:			
Commodities	\$ 9,100	\$ 10,269	\$ 1,169
Contractual services	23,800	41,886	18,086
Storm Water Maintenance:			
Public works:			
Personnel services	238,915	268,577	29,662
Capital outlay	-	12,215	12,215
Forfeiture/Seizure:			
Public works:			
Contractual services	16,300	16,863	563
Ice Arena:			
Culture and recreation:			
Commodities	31,200	33,822	2,622
Contractual services	295,150	346,035	50,885

**F. CASH AND INVESTMENTS**

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

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.

Investments are stated at fair value, based upon quoted market prices as of the balance sheet date.

For purposes of the statement of cash flows for the proprietary funds, cash equivalents are considered to be all highly liquid investments with a maturity of three months or less when purchased. All of the cash and investments allocated to the proprietary funds have original maturities of 90 days or less. Therefore, the entire balances in such funds are considered cash equivalents.

**G. RECEIVABLES AND PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "interfund receivables/payables." All short-term interfund receivables and payables at December 31, 2015 are planned to be eliminated in 2016. Long-term interfund loans are classified as "interfund loan receivable/payable." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes, special assessments, and ambulance receivables have been reported net of estimated uncollectible accounts. (see Note 1 H, I and L) Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

**H. PROPERTY TAX REVENUE RECOGNITION**

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local school district and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners; the County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

**I. SPECIAL ASSESSMENT REVENUE RECOGNITION**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeited properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

**J. INVENTORIES**

Inventories are stated at cost, which approximates market, using the first-in, first-out (FIFO) method and consist of items for resale, expendable supplies, and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased in both government-wide and fund financial statements.

**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. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

**L. ALLOWANCE FOR UNCOLLECTIBLE**

The City directly bills individuals for ambulance services. The City reserves an amount as uncollectible based on historical collection rates. The amounts of the estimated uncollectible ambulance billings to individuals as of December 31, 2015 were \$311,600.

**M. PROPERTIES HELD FOR RESALE**

Property is acquired by the City for redevelopment purposes and subsequent resale. Properties held for resale is reported as an asset at the lower of cost or estimated fair value. Fair value estimates have been based on estimated realizable sales proceeds net of selling expenses.

**N. 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. Infrastructure assets have been capitalized retroactively to 1980. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair which do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended December 31, 2015, no interest was capitalized in connection with construction in progress.

Capital assets not being depreciated include land, easements and construction in progress. Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Equipment and furniture	3-10
Machinery and equipment	5-20
Other improvements	5-20
Streets	50
Storm sewers	50
Sidewalks	50
Trails	20
Street lights	50
Water and sewer lines	50

Capital assets of the water and sewer utility operations include the water distribution system and sewage collection system. These systems have been wholly (or substantially) financed by non-operating funds (special assessments, general taxes, federal and state grants, and other sources) and contributed to the sewer and water operating funds. City policy is to finance these assets by the sources indicated rather than by user charges. Accordingly, the water and sewer user rates are not established at levels sufficient to cover depreciation on these assets.

**O. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to liabilities, the statement of financial position and Fund Financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for amounts related to

pensions. 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 represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statements of Net Position for amounts related to pensions.

**P. COMPENSATED ABSENCES**

It is the City's policy to permit employees to accumulate earned but unused annual leave benefits. Under the City's personnel policies and collective bargaining agreements, city employees are granted annual leave benefits in varying amounts based on length of service. Annual Leave accruals vary from 18 to 26 days per year.

As benefits accrue to employees, the accumulated leave amounts are reported as an expense and liability in the 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. In accordance with the provisions of GASB 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive accumulated leave benefits. However, a liability is recognized for that portion of accumulating leave benefits that is vested as severance pay.

**Q. 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 premiums are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums 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. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**R. PENSION**

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/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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

**S. FUND BALANCE**

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

*Nonspendable* – Amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory.

*Restricted* – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

*Assigned* – Amounts constrained for specific purposes that are internally imposed. The Council has adopted a fund balance policy which delegates the authority to assign fund balances to the City Administrator and/or Finance Director.

*Unassigned* – The residual classification for the General fund and also negative residual amounts in other funds.

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

The City formally adopted a fund balance policy for the General Fund. The policy establishes an unassigned fund balance range of no less than 55% of the subsequent year’s budgeted expenditures to provide sufficient working capital and margin of safety to address local emergencies without borrowing.

**T. NET POSITION**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**U. INTERFUND TRANSACTIONS**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

**V. USE OF ESTIMATES**

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make estimates that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

**W. COMPARATIVE DATA**

Summarized comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the City’s financial position and operations. Certain reclassifications have been made to prior year data to conform to the current year presentation. The reclassifications had no effect on the change in net position or total net position as previously reported.

**Note 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(34,455,583) difference are as follows:

Bonds payable	\$ (19,780,000)
Capital leases payable	(4,842,432)
Accrued interest payable	(329,500)
Compensated absences payable	(812,746)
Other post employment benefits	(63,309)
Net pension liability	(8,134,361)
Unamortized premium on bonds	<u>(493,235)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	      <u><u>\$ (34,455,583)</u></u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$2,223,716 difference are as follows:

Capital outlay	\$ 6,677,600
Depreciation expense	<u>(4,453,884)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	      <u><u>\$ 2,223,716</u></u>

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Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$1,346,349 difference are as follows:

General property taxes:	
At December 31, 2014	\$ (197,875)
At December 31, 2015	126,473
Special assessments:	
At December 31, 2014	(4,531,762)
At December 31, 2015	5,993,117
Intergovernmental:	
At December 31, 2014	(183,047)
At December 31, 2015	<u>139,443</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	
	<u>\$ 1,346,349</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position. The details of this \$(4,299,367) difference are as follows:

Debt issued:	
Issuance of general obligation bonds	\$ (5,700,000)
Plus premium on debt issued	(254,265)
Principal repayments:	
General obligation debt	1,320,000
Capital leases	316,255
Amortization of deferred premiums	<u>18,643</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	
	<u>\$ (4,299,367)</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(163,994) difference are as follows:

Compensated absences:	
At December 31, 2014	\$ 790,410
At December 31, 2015	(812,746)
Accrued interest:	
At December 31, 2014	193,736
At December 31, 2015	(329,500)
Other post employment benefits	
At December 31, 2014	57,415
At December 31, 2015	<u>(63,309)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (163,994)</u>

**Note 3 DEPOSITS AND INVESTMENTS**

**A. DEPOSITS**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the statement of net position and balance sheets as “Cash and Investments.”

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover its deposits. Neither the City nor the Cottage Grove Economic Development Authority, a discretely presented component unit, has a deposit policy for custodial credit risk – deposits beyond the requirements of state statutes. As of December 31, 2015, all of the deposits were insured or collateralized by securities held by the City or its agent in the City’s name.

In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the City Council. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

**B. INVESTMENTS**

Minnesota Statutes and the City’s investment policy authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) General Obligations of the State of Minnesota or any of its municipalities as follow:
  - 1) general obligation of any state or local government with taxing powers which is rated “A” or better by a national bond rating service;
  - 2) revenue obligation of any state or local government with taxing powers which is rated “AA” or better by a national bond rating service; and
  - 3) general obligation of the Minnesota Housing Finance Agency rated “A” or better by a national bond rating agency.
- c) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System.
- d) Commercial paper of the highest quality (A1, P1), and maturing in 270 days or less.
- e) Repurchase agreements from national or state banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York.
- f) Certificates of Deposit collateralized by FDIC or FSLIC insurance. Deposits exceeding \$250,000 insurance shall be covered by a surety bond or collateralized with U.S. Treasury or agency securities computed at market value which shall be at least 10% more than the amount of each deposit in excess of the insured portions. All collateral shall be assigned to the City from the depository.
- g) Shares of mutual funds holdings pursuant to M.S. 118A.04. The City participates in the Minnesota Municipal Money Market Fund (4M Fund) whereby, the fair market value of the position in the pool is the same as the value of the pool shares owned.

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The policy also states that no more than 25% of total investments should extend beyond five years and in no circumstance should any extend beyond ten years.

Investment type	Total Fair Market Value	Investment maturities in Years			Credit Risk	
		Less than 1	1 – 5	More than 5	Rating	Agency
U.S. Agencies						
Federal Home Loan Bank-FHLB	\$3,681,486	-	\$1,500,995	\$2,180,491	AA/Aaa	S&P/Moody’s
Fannie Mae-FNMA	7,243,958	1,000,050	6,243,908	-	AA/Aaa	S&P/Moody’s
Freddie Mac-FHLMC	2,497,210	-	2,497,210	-	AA/Aaa	S&P/Moody’s
Federal Farm Credit Bank	1,040,480	-	1,040,480	-	AA/Aaa	S&P/Moody’s
U.S. Treasury Securities	999,770	999,770	-	-	NR/Aaa	N/A/Moody’s
Commercial Paper	1,750,000	1,750,000	-	-	A1/P1	S&P/Moody’s
Municipal Obligations	4,716,646	1,137,259	3,579,387	-	AA/Aa	S&P/Moody’s
Negotiable CD’s	21,688,798	10,011,899	11,676,899	-	NR	N/A
<b>Total Investments</b>	<b>43,618,348</b>	<b>\$ 14,898,978</b>	<b>\$ 26,538,879</b>	<b>\$ 2,180,491</b>		
Money Markets	2,743,854					
Deposits	1,647,457					
Petty Cash and Change	11,780					
<b>Total Cash and Investments</b>	<b>\$48,021,439</b>					

NR indicates “not rated”  
N/A indicates “not applicable”

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*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that, in the event of failure of the depository financial institution, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no custodial credit risk for its investments since all the City’s investments held in safekeeping by U.S. Trust in the City’s name are insured and registered.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As indicated previously, Minnesota statute requires Commercial paper to be of the highest quality (A1, P1) and municipal general obligations need an “A” rating or better.

*Concentration of Credit Risk* – The City’s investment policy places no limit on the amount that may be invested in any one issuer. The following is a list of investments by issuer which individually comprise more than 5 percent of the City’s total investments:

Type	Credit Amount	Percent
Federal Home Loan Bank - FHLB	\$ 3,681,486	8%
Fannie Mae - FNMA	7,243,958	17%
Freddie Mac - FHLMC	2,497,210	6%

**Note 4 RECEIVABLES**

Significant receivable balances not expected to be collected within one year of December 31, 2015 are as follows:

	Special Assessment Receivable	Delinquent Property Taxes	Certified to County	Total
Primary government:				
Major funds:				
General Fund	\$ 4,345	\$ 60,300	\$ -	\$ 64,645
Municipal Building Capital Project Fund	-	2,300	-	2,300
MSA Construction Capital Project Fund	430,363	-	-	430,363
Closed Debt Fund	178,632	900	-	179,532
Pavement Management Debt Service Fund	3,750,694	2,500	-	3,753,194
Nonmajor funds	1,013,900	1,500	-	1,015,400
Major Business-Type funds:				
Water Operating fund	-	-	57,161	57,161
Sewer Operating fund	-	-	57,076	57,076
Total primary government	<u>5,377,934</u>	<u>67,500</u>	<u>114,237</u>	<u>5,559,671</u>
Component unit:				
Economic Development Authority	-	600	-	600
Total reporting entity	<u>\$ 5,377,934</u>	<u>\$ 68,100</u>	<u>\$ 114,237</u>	<u>\$ 5,560,271</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
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Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows and unearned revenue reported in the governmental funds were as follows:

	Property Taxes	Special Assessments	Intergovernmental	Miscellaneous Revenue	Total
Primary government:					
Major funds:					
General Fund	\$ 113,030	\$ 5,368	\$ -	\$ -	\$ 118,398
Municipal Building Capital Project Fund	4,379	-	-	1,384	5,763
MSA Construction Capital Project Fund	-	475,919	87,417	-	563,336
Closed Debt Fund	1,615	202,853	-	-	204,468
Pavement Management Debt Service Fund	4,656	4,179,762	-	-	4,184,418
Pavement Manage. Capital Project Fund	-	-	52,026	-	52,026
Nonmajor funds	2,793	1,129,215	-	-	1,132,008
Total primary government	<u>126,473</u>	<u>5,993,117</u>	<u>139,443</u>	<u>1,384</u>	<u>6,260,417</u>
Component unit:					
Economic Development Authority	1,087	-	-	-	1,087
Total reporting entity	<u>\$ 127,560</u>	<u>\$ 5,993,117</u>	<u>\$ 139,443</u>	<u>\$ 1,384</u>	<u>\$ 6,261,504</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
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**Note 5 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government</b>				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,926,287	\$ 1,500	\$ -	\$ 17,927,787
Permanent easements	1,157,202	-	-	1,157,202
Construction in progress	606,641	5,797,522	(5,903,265)	500,898
Total capital assets, not being depreciated	<u>19,690,130</u>	<u>5,799,022</u>	<u>(5,903,265)</u>	<u>19,585,887</u>
Capital assets, being depreciated:				
Buildings and improvements	35,802,054	305,106	(86,000)	36,021,160
Equipment and furniture	1,336,872	98,601	(100,352)	1,335,121
Machinery and equipment	10,796,412	876,520	(370,148)	11,302,784
Other improvements	6,181,179	240,341	(136,288)	6,285,232
Infrastructure:				
Streets	92,066,395	5,591,307	-	97,657,702
Storm sewers	29,017,051	108,132	-	29,125,183
Sidewalks/trails	5,277,884	80,154	-	5,358,038
Total capital assets being depreciated	<u>180,477,847</u>	<u>7,300,161</u>	<u>(692,788)</u>	<u>187,085,220</u>
Less accumulated depreciation for:				
Buildings and improvements	14,378,330	827,475	(75,000)	15,130,805
Equipment and furniture	1,054,513	66,420	(100,352)	1,020,581
Machinery and equipment	6,159,740	788,250	(312,725)	6,635,265
Other improvements	3,143,627	245,162	(136,288)	3,252,501
Infrastructure:				
Streets	19,866,788	1,897,831	-	21,764,619
Storm sewers	6,572,382	586,277	-	7,158,659
Sidewalks/trails	916,255	113,785	-	1,030,040
Total accumulated depreciation	<u>52,091,635</u>	<u>4,525,200</u>	<u>(624,365)</u>	<u>55,992,470</u>
Total capital assets, being depreciated, net	<u>128,386,212</u>	<u>2,774,961</u>	<u>(68,423)</u>	<u>131,092,750</u>
Governmental activities capital assets, net	<u>\$ 148,076,342</u>	<u>\$ 8,573,983</u>	<u>\$ (5,971,688)</u>	<u>\$ 150,678,637</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
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<b>Primary Government</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Construction in progress	28,909	-	(28,909)	-
Total capital assets, not being depreciated	<u>353,909</u>	<u>-</u>	<u>(28,909)</u>	<u>325,000</u>
Capital assets, being depreciated:				
Land improvements	39,803	-	-	39,803
Buildings and improvements	4,101,713	-	-	4,101,713
Machinery and equipment	2,272,106	36,989	(75,700)	2,233,395
Other improvements	6,937,694	53,839	-	6,991,533
Water and sewer lines	63,772,493	1,140,026	-	64,912,519
Total capital assets, being depreciated	<u>77,123,809</u>	<u>1,230,854</u>	<u>(75,700)</u>	<u>78,278,963</u>
Less accumulated depreciation for:				
Land improvements	9,155	796	-	9,951
Buildings and structures	2,273,695	115,399	-	2,389,094
Machinery and equipment	1,585,486	105,816	(73,750)	1,617,552
Other improvements	2,255,205	157,366	-	2,412,571
Water and sewer lines	16,204,897	1,157,332	-	17,362,229
Total accumulated depreciation	<u>22,328,438</u>	<u>1,536,709</u>	<u>(73,750)</u>	<u>23,791,397</u>
Total capital assets being depreciated - net	<u>54,795,371</u>	<u>(305,855)</u>	<u>(1,950)</u>	<u>54,487,566</u>
Business-type activities capital assets - net	<u>\$55,149,280</u>	<u>\$ (305,855)</u>	<u>\$ (30,859)</u>	<u>\$54,812,566</u>

Depreciation expense was charged to function/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 197,168
Community development	9,010
Public safety	636,114
Public works	2,916,338
Culture and recreation	766,570
Total depreciation expense governmental activities	<u>\$ 4,525,200</u>
<b>Business-type activities:</b>	
Street lights	\$ 164,324
Cottage Grove EMS	68,026
Water operating	861,441
Sewer operating	442,918
Total depreciation expense before transfer	<u>\$ 1,536,709</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 LONG-TERM DEBT**

**A. GENERAL OBLIGATION DEBT**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. The City issues special assessment bonds to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. As of December 31, 2015, the governmental long-term debt of the financial reporting entity consisted of the following:

	Interest Rate	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/2015
Primary government:					
<b><u>GOVERNMENTAL ACTIVITIES</u></b>					
General Obligation Tax Increment Bonds:					
GO Tax Increment Bonds of 2004A	3.0-4.65%	7/1/2004	2/1/2024	\$ 1,405,000	\$ 1,060,000
GO Tax Increment Refunding Bonds of 2014A	2.0-2.50%	5/29/2014	2/1/2021	<u>1,405,000</u>	<u>1,235,000</u>
Total General Obligation Tax Increment Bonds				<u>2,810,000</u>	<u>2,295,000</u>
Special Assessment Bonds with Government Commitment:					
GO Improvement Bonds of 2008A	3.5-3.6%	6/11/2008	2/1/2019	3,370,000	1,090,000
GO Improvement Bonds of 2009A	2.5-4.3%	4/16/2009	2/1/2024	3,650,000	2,165,000
GO Improvement Bonds of 2012A	.30-2.2%	3/13/2012	2/1/2027	1,865,000	1,505,000
GO Improvement Bonds of 2013A	3.0%-3.5%	9/26/2013	2/1/2029	7,345,000	7,025,000
GO Improvement Bonds of 2015A	2.5%-3.0%	5/27/2015	2/1/2031	<u>5,700,000</u>	<u>5,700,000</u>
Total Special Assessment Bonds				21,930,000	17,485,000
Bond premium				-	493,235
Total Governmental Activities Bonds				<u>24,740,000</u>	<u>20,273,235</u>
Capital lease payable - EDA component unit				6,500,000	4,805,000
Capital lease payable – golf carts				176,039	37,432
Other postemployment benefits				-	65,521
Compensated absences payable				-	857,206
Total City indebtedness - governmental activities				<u>31,416,039</u>	<u>26,038,394</u>
<b><u>BUSINESS TYPE ACTIVITIES</u></b>					
Revenue bonds:					
GO Water Revenue Refunding Bonds of 2009B	2.5-4%	4/16/2009	2/1/2020	1,205,000	600,000
Bond premium				-	9,856
Total Revenue Bonds				<u>1,205,000</u>	<u>609,856</u>
Other postemployment benefits				-	9,555
Compensated absences payable				-	64,364
Total City indebtedness - business type activities				<u>1,205,000</u>	<u>683,775</u>
Total City indebtedness - primary government				<u>\$ 32,621,039</u>	<u>\$ 26,722,169</u>
Component Unit: EDA:					
Lease-Purchase Revenue Bonds of 2008B	4.0-4.90%	6/11/2008	4/1/2028	\$ 6,500,000	\$ 4,805,000
Other postemployment benefits				-	811
Compensated absences payable				-	4,624
Total indebtedness - component unit				<u>\$ 6,500,000</u>	<u>\$ 4,810,435</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
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Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Tax Increment Bonds		Special Assessment Bonds	
	Governmental Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2016	\$ 210,000	\$ 71,710	\$ 1,010,000	\$ 542,079
2017	225,000	66,520	1,380,000	477,646
2018	240,000	61,030	1,410,000	435,635
2019	260,000	55,190	1,455,000	391,469
2020	275,000	48,820	1,190,000	350,777
2021	265,000	41,540	1,215,000	314,293
2022	255,000	31,872	1,240,000	276,655
2023	275,000	19,810	1,275,000	237,680
2024	290,000	6,743	1,295,000	197,453
2025	-	-	1,065,000	161,725
2026	-	-	1,095,000	131,260
2027	-	-	1,040,000	101,249
2028	-	-	990,000	70,553
2029	-	-	1,025,000	38,366
2030	-	-	415,000	16,383
2031	-	-	385,000	5,390
<b>Total</b>	<b>\$ 2,295,000</b>	<b>\$ 403,235</b>	<b>\$ 17,485,000</b>	<b>\$ 3,748,613</b>

Year Ending December 31	Revenue Bonds		Revenue Bonds	
	Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest
2016	\$ 110,000	\$ 20,650	\$ 290,000	\$ 211,892
2017	115,000	16,712	300,000	199,942
2018	120,000	12,450	310,000	187,360
2019	125,000	7,700	320,000	174,288
2020	130,000	2,600	335,000	160,697
2021	-	-	350,000	145,871
2022	-	-	365,000	129,601
2023	-	-	380,000	112,370
2024	-	-	395,000	94,252
2025	-	-	410,000	75,233
2026	-	-	430,000	55,176
2027	-	-	450,000	33,943
2028	-	-	470,000	11,515
<b>Total</b>	<b>\$ 600,000</b>	<b>\$ 60,112</b>	<b>\$ 4,805,000</b>	<b>\$ 1,592,140</b>

It is not practicable to determine the specific year for payment of long-term accrued compensated absences.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**B. CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,500,000	\$ -	\$ (205,000)	\$ 2,295,000	\$ 210,000
Special assessment bonds	12,900,000	5,700,000	(1,115,000)	17,485,000	1,010,000
Bond premiums	257,633	254,245	(18,643)	493,235	-
Total bonds payable	15,657,633	5,954,245	(1,338,643)	20,273,235	1,210,000
Capital lease payable-EDA component unit	5,085,000	-	(280,000)	4,805,000	290,000
Capital lease payable-golf carts	73,667	-	(36,235)	37,432	37,432
Other postemployment benefits	59,343	6,178	-	65,521	-
Compensated absences payable	839,758	694,269	(676,821)	857,206	612,274
Total government activities	21,715,401	6,654,692	(2,331,699)	26,038,394	2,149,706
Business-type activities:					
Bonds payable:					
Revenue bonds	705,000	-	(105,000)	600,000	600,000
Bond premiums	12,221	-	(2,365)	9,856	-
Total bonds payable	717,221	-	(107,365)	609,856	600,000
Other postemployment benefits	8,571	984	-	9,555	-
Compensated absences payable	59,856	84,703	(80,195)	64,364	54,195
Total business-type activities	785,648	85,687	(187,560)	683,775	654,195
 Total primary government	 \$ 22,501,049	 \$ 6,740,379	 \$ (2,519,259)	 \$ 26,722,169	 \$ 2,803,901
Component Unit:					
Bonds payable:					
Revenue bonds	\$ 5,085,000	\$ -	\$ (280,000)	\$ 4,805,000	\$ 290,000
Total bonds payable	5,085,000	-	(280,000)	4,805,000	290,000
Other postemployment benefits	700	111	-	811	-
Compensated absences payable	15,955	10,428	(21,759)	4,624	2,483
Total component unit	\$ 5,101,655	\$ 10,539	\$ (301,759)	\$ 4,810,435	\$ 292,483

For the governmental activities, capital leases, other postemployment benefits and compensated absences are generally liquidated by the general fund.

**CITY OF COTTAGE GROVE, MINNESOTA**  
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All long-term bonded indebtedness outstanding at December 31, 2015 is backed by the full faith and credit of the City, including special assessment and revenue bond issues. Delinquent assessments receivable at December 31, 2015 totaled \$12,084.

On November 18, 2015 City Council authorized calling the remaining outstanding balances of the 2009B Water Revenue Refunding Bonds of 2009B in advance of their original maturities. The bonds were called and paid in full on February 1, 2016.

**D. CAPITAL LEASES**

In 2008, the City entered into a lease-purchase agreement with the EDA (a component unit) to finance the expansion of the ice arena. Per the agreement, the EDA issued \$6,500,000 of revenue bonds and the proceeds were used by the City to finance the expansion. The lease qualifies as a capital lease for accounting purposes, and therefore, the construction costs have been capitalized in the primary government.

In 2012, the City entered into a lease agreement for the purchase of 75 golf carts. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	Ice Arena Expansion	Golf Carts
Building and improvements	\$ 6,943,038	\$ 176,039
Less: accumulated depreciation	(1,723,969)	(88,020)
	<u>\$ 5,219,069</u>	<u>\$ 88,019</u>

The following is a schedule of future minimum lease payments under the capital lease:

Year	Governmental Activities	
	Ice Arena Expansion	Golf Course Machinery
2016	\$ 501,892	\$ 38,201
2017	499,942	-
2018	497,360	-
2019	494,288	-
2020	495,697	-
2020-2024	2,457,327	-
2025-2028	1,450,634	-
Total minimum lease payments	6,397,140	38,201
Less amount representing interest	<u>1,592,140</u>	<u>769</u>
Present value of minimum lease payments	<u>\$ 4,805,000</u>	<u>\$ 37,432</u>

**E. REVENUE PLEDGED**

Future revenue pledged for the payment of long-term debt as follows:

Bond Issue	Use of Proceeds	Type	Revenue Pledged				Current Year	
			Percent of Total Debt Service	Debt Service as Percentage of Net Revenue	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
2008B Ice Arena Lease Revenue Bonds	Construct Addition to Ice Arena	Ice Arena Revenues, net of expenses	100%	40.76%	2008-2028	\$4,913,846	\$503,293	\$1,234,681

Note that the 2008B Ice Arena Lease Revenue bonds were paid off with a refinancing in January 2016. The amount shown in this table as remaining principal and interest reflects only that pay-off amount.

**Note 7 LEGAL DEBT MARGIN**

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The limitation was 3 % of taxable market value in 2015 and 2014. The City of Cottage Grove's legal debt margin for 2015 and 2014 is computed as follows:

	December 31, 2015	December 31, 2014
Market Value (after fiscal disparities)	\$ 2,705,975,400	\$ 2,396,493,700
Debt Limit	81,179,262	71,894,811
Amount of debt applicable to debt limit:		
Total bonded debt	\$25,185,000	\$21,190,000
Less: Special assessment bonds	(17,485,000)	(12,900,000)
Proprietary bonds	(600,000)	(705,000)
Tax increment bonds	(2,295,000)	(2,500,000)
Total debt applicable to debt limit	<u>\$4,805,000</u>	<u>\$5,085,000</u>
Legal debt margin	<u>\$ 76,374,262</u>	<u>\$ 66,809,811</u>

**Note 8 PENSION PLANS**

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) - DEFINED BENEFIT**

**Plan Description**

The City of Cottage Grove 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.

**General Employees Retirement Fund (GERF)**

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

**CITY OF COTTAGE GROVE, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

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**Public Employees Police and Fire Fund (PEPFF)**

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**GERF Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**PEPFF Benefits**

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**Contributions**

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

**GERF Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City of Cottage Grove was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City of Cottage Grove contributions to the GERF for the year ended December 31, 2015, were \$403,968. The City of Cottage Grove's contributions were equal to the required contributions as set by state statute.

**PEPFF Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City of Cottage Grove was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City of Cottage Grove's contributions to the PEPFF for the year ended December 31, 2015, were \$664,299. The City of Cottage Grove's contributions were equal to the required contributions as set by state statute.

**Pension Costs**

**GERF Pension Costs**

At December 31, 2015, the City of Cottage Grove reported a liability of \$4,762,735 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Cottage Grove’s proportion of the net pension liability was based on the City of Cottage Grove’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City of Grove’s proportion share was .0919%

There were no provision changes during the measurement period.

For the year ended December 31, 2015, the City of Cottage Grove recognized pension expense of \$563,224 for its proportionate share of the GERF’s pension expense.

At December 31, 2015, the City of Cottage Grove reported its proportionate share of the GERF’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 240,123
Difference between projected and actual investment earnings	450,866	-
Changes in proportion	-	214,911
Contributions paid to PERA subsequent to the measurement date	201,982	-
<b>Total</b>	<b>\$ 652,848</b>	<b>\$ 455,034</b>

\$201,982 reported as deferred outflows of resources related to pensions resulting from City of Cottage Grove contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$(38,961)
2017	(38,961)
2018	(38,961)
2019	112,715
2020	-
Thereafter	-

**PEPFF Pension Costs**

At December 31, 2015, the City of Cottage Grove reported a liability of \$4,931,256 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Cottage Grove’s proportion of the net pension liability was based on the City of Cottage Grove’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City of Cottage Grove’s proportion was .434 % .

There were no provision changes during the measurement period.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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For the year ended December 31, 2015, the City of Cottage Grove recognized pension expense of \$840,772 for its proportionate share of the PEPFF's pension expense. The City of Cottage Grove also recognized \$39,060 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City of Cottage Grove reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$-	\$799,688
Difference between projected and actual investment earnings	859,190	-
Changes in proportion	-	45,002
Contributions paid to PERA subsequent to the measurement date	332,150	-
<b>Total</b>	<b>\$1,191,340</b>	<b>\$844,690</b>

\$332,150 reported as deferred outflows of resources related to pensions resulting from City of Cottage Grove contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$45,860
2017	45,860
2018	45,860
2019	45,857
2020	(168,937)
Thereafter	-

**Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

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

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

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

There were no changes in actuarial assumptions in 2015.

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

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

**Discount Rate**

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

**Pension Liability Sensitivity**

The following presents the City of Cottage Grove’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Cottage Grove’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<b>1% Decrease in Discount Rate</b>	<b>Discount Rate</b>	<b>1% Increase in Discount Rate</b>
Discount rate	6.9%	7.9%	8.9%
City’s proportionate share of The GERP net pension liability	\$7,488,712	\$4,762,735	\$2,511,497
City’s proportionate share of The PEPFF net pension liability	\$9,611,069	\$4,931,256	\$1,064,914

**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](http://www.mnpera.org).

**B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) - DEFINED CONTRIBUTION PLAN**

Five council members of the City of Cottage Grove are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City of Cottage Grove during fiscal year 2015 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$1,139	\$1,139	5%	5%	5%

**C. COTTAGE GROVE FIRE RELIEF ASSOCIATION**

Plan Description

The Volunteer Firefighters of the City of Cottage Grove are members of the Cottage Grove Fire Relief Association. The Cottage Grove Fire Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Cottage Grove Fire Department. The plan is established and administered in accordance with Minnesota Statute, Chapter 69.

The Relief Association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with State Statute, and vest after ten years of credited service. The defined retirement benefits are based on a member’s years of service. Benefit provisions can be amended by the Relief Association within the parameters provided by State Statutes.

The Relief Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Cottage Grove Volunteer Fire Relief Association, 8641 80<sup>th</sup> Street South, Cottage Grove, MN 55016.

Benefits Provided

Volunteer firefighters of the City are members of the Cottage Grove Fire Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service for a lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 5 years of service. Disability benefits and survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

Employees Covered by Benefit Terms

At December 31, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not receiving benefits	18
Active employees	<u>45</u>
Total number of participants	63

Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$191,183 made by the State of Minnesota for the Relief Association.

Net Pension Liability

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

Actuarial assumptions.

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	N/A
Investment rate of return	5.5%

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table on the following page.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Nominal Rate of Return</u>
Domestic equity	40%	8.0%
International equity	20%	8.0%
Fixed income	30%	4.5%
Real estate and alternatives	0%	6.5%
Cash	10%	3.0%

Discount rate

The discount rate used to measure the total pension liability was 5.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Changes in the Net Pension Liability

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2014	\$1,352,967	\$2,404,881	\$(1,051,914)
Changes for the year			
Service cost	79,827	-	79,827
Interest	88,550	-	88,550
Changes of assumptions	77,611	-	77,611
Changes of benefit terms	139,930	-	139,930
Contributions – State and local	-	196,512	(196,512)
Net investment income	-	(117,642)	117,642
Benefit payments, including member contribution refunds	(140,973)	(140,973)	-
Administrative expense	-	(15,165)	15,165
Net changes	244,945	(77,268)	322,213
Balances at December 31, 2015	\$1,597,912	\$2,327,613	\$(729,701)

Pension Liability Sensitivity

The following presents the City of Cottage Grove’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Cottage Grove’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	4.5%	5.5%	6.5%
City’s proportionate share of The net pension liability	\$(641,116)	\$(729,701)	\$(814,331)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued relief association financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City of Cottage Grove recognized pension expense of \$228,063.

At December 31, 2015, the City of Cottage Grove reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$-	\$-
Difference between projected and actual investment earnings	220,217	-
Changes in assumption	70,445	-
Total	\$290,662	\$-

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$62,220
2017	62,220
2018	62,220
2019	62,220
2020	7,166
Thereafter	34,616

**Note 9 INTERFUND LOANS AND TRANSFERS**

The City uses interfund loans when possible to finance construction activities in order to avoid costs associated with issuing bonds. These loans are for this purpose. The interfund loan receivable and payable balances at December 31, 2015 were:

Fund	Receivable	Payable
<b>Major Governmental Funds:</b>		
Municipal Building Capital Project Fund	\$ -	\$ 7,860,000
Closed Debt Fund	2,000,000	-
Nonmajor Governmental Funds	2,261,758	761,758
<b>Major Business-Type Funds:</b>		
Water Operating Enterprise Fund	1,527,500	-
Sewer Operating Enterprise Fund	2,832,500	-
<b>Total</b>	<u>\$ 8,621,758</u>	<u>\$ 8,621,758</u>

Interfund receivable and payable balances are used for temporary cash deficits. Interfund receivable and payable balances at December 31, 2015 are as follows:

Fund	Receivable	Payable
General Fund	\$ 405,116	\$ -
Nonmajor Governmental Funds	1,221,111	1,626,227
<b>Total</b>	<u>\$ 1,626,227</u>	<u>\$ 1,626,227</u>

Interfund transfers:

	Transfers In						Total
	General Fund	Municipal Bldg Capital Project Fund	Closed Debt Fund	Pavement Manage. Debt Service Fund	Pavement Mange. Capital Project Fund	Nonmajor Govern. Funds	
<b>Transfers Out</b>							
General Fund	\$ -	\$101,131	\$ 235,971	\$ -	\$ 67,420	\$ 412,951	\$ 817,473
Closed Debt Fund	-	-	-	146,565	-	-	146,565
Nonmajor Governmental Funds	40,020	-	-	-	158,894	1,200,000	1,398,914
<b>Major Business Fund Type:</b>							
Street Light Fund	45,850	-	-	-	-	-	45,850
Cottage Grove EMS Fund	94,680	-	-	-	-	-	94,680
Water Operating Fund	166,550	-	-	-	100,232	-	266,782
Sewer Operating Fund	181,610	-	-	-	97,783	-	279,393
<b>Total transfers</b>	<u>\$ 528,710</u>	<u>\$101,131</u>	<u>\$ 235,971</u>	<u>\$ 146,565</u>	<u>\$ 424,329</u>	<u>\$1,612,951</u>	<u>\$3,049,657</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund. All transfers in 2015 were considered to be routine in nature except for the \$1,200,000 transfer. City Council approved to reclassify an interfund loan to a transfer between the Golf Course Fund and Future Economic Development Fund because the repayment of loan was not expected to be repaid in a reasonable time.

**Note 10 TAX INCREMENT DISTRICTS**

The City of Cottage Grove is the administering authority for the following Tax Increment Financing Districts:

	Cottages of Cottage Grove #1-8	Gateway North District #1-12	Industrial Park #1-14	American Logistics #1-15
Type of District	Housing	Redevelop	Econ. Develop.	Econ. Develop.
Chapter	469.174	469.174	469.174	469.174
Established	1991	2001	2007	2015
District Duration	25 years	25 years	9 years	9 years
Current tax capacity	\$ 30,306	\$ 774,294	\$131,250	\$60,026
Original tax capacity	(1,268)	(238,351)	(5,226)	(60,026)
Captured tax capacity	29,038	535,943	126,024	-
Fiscal disparity deduction	-	-	(44,424)	-
Total tax capacity retained by City	<u>\$ 29,038</u>	<u>\$535,943</u>	<u>\$ 81,600</u>	<u>\$ -</u>
Debt issued	\$ -	\$ 4,405,000	\$ -	\$ -
Amount redeemed	-	(2,110,000)	-	-
Debt outstanding	<u>\$ -</u>	<u>\$ 2,295,000</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 11 DEFICIT FUND BALANCES/NET POSITION**

The City has deficit fund balances/net position at December 31, 2015 as follows:

Fund	Amount	The deficit fund balances will be resolved through
<b>Major Governmental Funds:</b>		
Municipal Building Capital Project Fund	\$ 7,516,189	Future tax levies
<b>Nonmajor Governmental Funds:</b>		
Ice Arena Fund	95,234	Future revenues
Golf Course Fund	159,943	Future excess revenues and transfers from other City resources
Park Trust Fund	392,466	Future developer charges
Sewer Connection and Area Fund	930,602	Future special assessments and developer charges

**Note 12 CONTINGENCIES**

**A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance policies. The City retains risk for the deductible portions of the insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments as deemed necessary by the LMCIT. The LMCIT reinsures through Worker’s Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is subject to a \$10,000 medical expense deductible. The City’s premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments as deemed necessary by the LMCIT.

The City established a Self Insurance Fund in 1986 to account for and finance its uninsured risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under this program, the Self Insurance Fund provides coverage for losses up to \$50,000 for each claim (annual aggregate is \$100,000). The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for any risk of loss not covered. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

This fund is presented as an internal service fund type. All funds of the City participate in the program and make payments to the Self Insurance Fund based on historical cost information. The claims liability of \$143,708 reported in the Fund at December 31, 2015 is based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amounts were as follows:

Year	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2015	\$ 158,905	\$ 125,171	\$ (140,368)	\$ 143,708
2014	130,039	172,634	(143,768)	158,905
2013	59,122	130,723	(59,806)	130,039

**B. LITIGATION**

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

**C. FEDERAL AND STATE FUNDS**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

**D. TAX INCREMENTS**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund.

**Note 13 DEFERRED AD VALOREM TAX LEVIES - BONDED DEBT**

General Obligation bond issues sold by the City are financed by ad valorem tax levies and special assessment bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest.

These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2015 and 2014. Future scheduled tax levies for all bonds outstanding at December 31, 2015 totaled \$12,481,346.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

**Note 14 FUND BALANCES**

At December 31, 2015 the City had various fund balances through legal restriction and City Council authorization. Fund balance appropriations at December 31, 2015 are shown on the various balance sheets as segregations of the fund balance. The fund balance classifications for governmental funds are as follows:

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
General Fund:	\$ -	\$ -	\$ -	\$ -	\$ 8,829,697	\$ 8,829,697
Prepaid items	15,383	-	-	-	-	15,383
Compensated absences	-	-	-	818,494	-	818,494
2016 budget	-	-	-	520,000	-	520,000
Emerald ash borer program	-	-	-	40,200	-	40,200
Public safety equipment	-	-	-	25,163	-	25,163
School bus safety	-	-	-	4,500	-	4,500
Total General Fund	15,383	-	-	1,408,357	8,829,697	10,253,437
Municipal Building Capital Project Fund					(7,516,189)	(7,516,189)
MSA Construction Capital Project Fund:						
MSA construction activities	-	-	-	4,136,408	-	4,136,408
Closed Debt Fund:						
Debt retirement	-	-	-	4,073,490	-	4,073,490
Pavement Management Debt Service Fund:						
Debt retirement	-	2,548,452	-	-	-	2,548,452
Pavement Management Capital Project Fund:						
Pavement management construction activities	-	-	-	1,417,618	-	1,417,318
Total Other Major Funds	-	2,548,452	-	9,627,516	(7,516,189)	4,659,779
Nonmajor Governmental Funds:						
Prepaid items	7,343	-	-	-	-	7,343
Inventory	20,696	-	-	-	-	20,696
Forfeiture and seizure	-	39,166	-	-	-	39,166
Charitable gambling	-	9,405	-	-	-	9,405
Debt retirement	-	218,191	-	-	-	218,191
Tax increment purposes	-	2,042,151	-	-	-	2,042,151
Recycling program	-	-	56,590	-	-	56,590
Storm water activities	-	-	337,614	-	-	337,614
Equipment replacement	-	-	-	1,579,583	-	1,579,583
Street sealcoating	-	-	-	650,156	-	650,156
Economic development	-	-	-	3,772,549	-	3,772,549
Future pavement management	-	-	-	1,431,412	-	1,431,412
Tree mitigation	-	-	-	338,495	-	338,495
Future roads and trails	-	-	-	860,691	-	860,691
Capital improvements	-	-	-	8,062,315	-	8,062,315
Deficit Fund Balance	-	-	-	-	(1,606,284)	(1,606,284)
Total Nonmajor Funds	28,039	2,308,913	394,204	16,695,201	(1,606,284)	17,820,073
Total Fund Balances Governmental Funds	\$ 43,422	\$ 4,857,365	\$ 394,204	\$ 27,731,074	\$ (292,776)	\$ 32,733,289

**Note 15 OTHER POSTEMPLOYMENT BENEFIT PLAN**

At December 31, 2008, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The City engaged an actuary to determine the City’s liability for postemployment healthcare benefits other than pensions.

**A. PLAN DESCRIPTION**

The City provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. Active employees, who retire from the City when over age 50 and with 20 years of service, may continue coverage with respect to both themselves and their eligible dependent(s) under the City’s health benefits program until age 65. Pursuant to the provisions of the plan, retirees are required to pay the total premium cost. As of December 31, 2015 there were approximately 114 active participants, 2 retired participants and 1 disabled participant receiving benefits from the City’s health plans. The Plan does not issue a separate report.

**B. FUNDING POLICY**

The City funds its OPEB obligation on a pay as you go basis. For fiscal year 2015, the City contributed \$14,939 to the plan.

**C. ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB costs for the year, the amount actually paid from the plan, and changes in the City’s net OPEB obligation:

Annual required Contribution	\$ 24,194
Interest on Net OPEB Obligation	684
Adjustment to Annual Required Contribution	<u>(2,666)</u>
Annual OPEB Cost (Expense)	22,212
Contributions Made	<u>(14,939)</u>
Increase in Net OPEB Obligation	7,273
Net OPEB Obligation- Beginning of Year	<u>68,614</u>
Net OPEB Obligation- End of Year	<u><u>\$ 75,887</u></u>

The City’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$22,212	67.2%	\$ 75,887
12/31/2014	22,533	53.7%	68,614
12/31/2013	11,244	41.4%	58,173

#### **D. FUNDED STATUS AND FUNDED PROGRESS**

As of January 1, 2014, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$324,523. The annual payroll for active employees covered by the plan in the actuarial valuation was \$9,765,700 for a ratio of UAAL to covered payroll of 3.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **E. ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 1% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The inflation assumption was 1%. The initial healthcare trend rate was 8%, reduced by decrements to an ultimate rate of 3% after five years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2015 was 22 years.

#### **Note 16 OPERATING LEASES**

The City leases land for the golf course under an operating lease. The monthly lease payments equal \$1 per month for the remaining term of the lease agreement. The lease was amended in 2015 to add a first extension option to 2020. In 2015, \$60 was paid under this lease arrangement for the entire five year extension.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

The City leases eight copiers under an operating lease and the EDA component unit leases one copier. Total 2015 payments for these leases were \$16,743 for the primary government and \$2,085 for component unit. Future minimum annual lease payments at December 31, 2015 are as follows:

Year Ended December 31	Primary Government		Component Unit
	Golf Course		
	Land	Copiers	Copier
2016	\$ 12	\$ 14,280	\$ 1,738
2017	12	-	-
2018	12	-	-
2019	12	-	-
2020	12	-	-

The City entered into two operating leases during 2007 for the leasing of ice time for the Ice Arena with Independent School District 833 and the Cottage Grove Athletic Association. The lease payments began in 2008 when the new ice arena expansion project opened. The future minimum annual lease payments that the City will receive are as follows:

Year Ended December 31	Independent School District 833	Cottage Grove Athletic Association
2016	\$ 104,250	\$ 400,000
2017	104,250	400,000
2018	104,250	400,000
2019	104,250	400,000
2020	104,250	400,000
2021-2025	521,250	2,000,000
2026-2029	417,000	1,519,000

**Note 17 COMMITTED CONTRACTS**

At December 31, 2015, the City had commitments of \$120,594 for uncompleted construction contracts.

**Note 18 CONDUIT DEBT OBLIGATIONS**

The City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issue. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

As of December 31, 2015, a series of Industrial Revenue Bonds were outstanding.

<u>Bond</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>12/31/15 Balance</u>	<u>Maturity Date</u>
		<u>Amount</u>		
Industrial Revenue Bonds-Allina Health Systems	08/05/1998	\$4,100,000	Not available	08/05/2018
Commercial Development Revenue Note-HSI	12/22/2004	935,000	512,169*	12/01/2024
Commercial Development Revenue Note-ESR, Inc.	11/22/2005	76,500	35,299	11/22/2025
Commercial Development Revenue Note-ESR, Inc.	05/19/2005	853,000	502,729	12/19/2025
Subordinate Senior Housing Revenue Bonds-PHS	12/01/2006	21,105,000	20,185,000	12/01/2046
Subordinate Senior Housing Revenue Bonds-PHS	12/01/2006	8,075,000	7,780,000	12/01/2046
Variable Rate Revenue Bonds-Allina Health System	11/01/2009	<u>6,100,000</u>	<u>6,100,000</u>	11/15/2022
		<u>\$41,244,500</u>	<u>\$35,115,197</u>	

\*Per original conduit debt bond schedule

**Note 19 PROPERTIES HELD FOR RESALE**

The City purchased land in 2010 to be resold to a future industrial occupant in the City's industrial park. The occupant is not known at this time.

The EDA component unit purchased land in 2011 to be resold for possible future development. The occupant is not known at this time.

The City purchased the Home Depot parcel in 2015 to be resold for future development. The City anticipates selling this parcel in 2016.

**Note 20 SUBSEQUENT EVENT**

Subsequent to December 31, 2015, the City Council authorized the issuance and public sale of \$4,660,000 General Obligation Refunding Bonds, Series 2016A. The bonds were issued and dated January 6, 2016.

**Note 21 CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2015, the City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position of the Statement of Activities of \$7,798,812 to add the beginning net pension liability related to PERA and the beginning net pension asset related to the fire relief association, and an adjustment to the beginning net position on the Statement of Revenues, Expenses and Changes in Fund Net Position-Proprietary Funds of \$1,324,735 to add the beginning net pension liability related to PERA.

**Note 22 NEW STANDARD ISSUED BUT NOT YET IMPLEMENTED**

GASB has issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF COTTAGE GROVE, MINNESOTA**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For The Year Ended December 31, 2015  
 With Comparative Data for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
<b>Revenue:</b>					
General property taxes:					
Current and delinquent	\$ 11,953,100	\$ 11,953,100	\$ 12,078,076	\$ 124,976	\$ 11,357,685
Special Assessments	19,500	19,500	15,787	(3,713)	26,697
Licenses and permits:					
General government	75,350	75,350	86,338	10,988	82,925
Community development	575,300	575,300	1,191,976	616,676	792,602
Engineering	-	-	5,420	5,420	6,460
Public safety	29,100	29,100	21,708	(7,392)	22,413
Total licenses and permits	679,750	679,750	1,305,442	625,692	904,400
Intergovernmental:					
Federal:					
Safe and sober - public safety	22,000	22,000	21,561	(439)	26,707
Assistance to firefighters grant - public safety	-	-	4,224	4,224	198,096
Ballistic vest grant - public safety	-	-	3,836	3,836	10,179
Misc. grant - general government	-	-	550	550	-
State:					
Local government aid	72,500	72,500	72,518	18	59,626
Market value homestead credit	-	-	5,171	5,171	2,608
MSA maintenance - public works	42,000	42,000	43,245	1,245	44,715
PERA aid	21,450	21,450	21,448	(2)	21,448
Fire relief aid - public safety	123,000	123,000	191,183	68,183	177,804
Police relief aid - public safety	270,000	270,000	307,725	37,725	300,197
Conservation grant - culture and recreation	-	-	22,135	22,135	-
Other - public safety	16,000	16,000	30,795	14,795	17,992
Local:					
SRO program - public safety	75,000	75,000	75,000	-	75,000
Narcotics officer program - public safety	4,000	4,000	653	(3,347)	3,458
Other - public safety	4,000	4,000	4,689	689	3,617
Other - public works	-	-	18,930	18,930	3,764
Other - culture and recreation	19,800	19,800	18,995	(805)	13,701
Total intergovernmental	669,750	669,750	842,658	172,908	958,912
Charges for services:					
Administration charges - general government:					
Investment charge - general government	13,800	13,800	11,201	(2,599)	20,115
Other - general government	300	300	722	422	24,172
Other - community development	35,500	35,500	62,815	27,315	57,020
Other - engineering	229,000	229,000	267,625	38,625	133,058
Other - public safety	48,500	48,500	43,561	(4,939)	41,741
Other - public works	33,600	33,600	24,459	(9,141)	22,609
Other - culture and recreation	152,100	152,100	147,074	(5,026)	138,617
Total charges for services	512,800	512,800	557,457	44,657	437,332

**CITY OF COTTAGE GROVE, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
<b>Revenue: (continued)</b>					
Fines and forfeits - public safety	\$ 175,000	\$ 175,000	\$ 210,802	\$ 35,802	\$ 151,701
Investment earnings (loss)	60,000	60,000	69,257	9,257	120,571
<b>Donations:</b>					
Donations - general government	-	-	-	-	500
Donations - public safety	-	-	13,750	13,750	16,166
Donations - culture and recreation	7,000	7,000	6,022	(978)	10,081
Total donations	7,000	7,000	19,772	12,772	26,747
<b>Miscellaneous:</b>					
Other - general government	133,670	133,670	140,679	7,009	11,556
Other - public safety	12,000	12,000	25,010	13,010	11,439
Other - public works	-	-	12,963	12,963	12,765
Other - culture and recreation	400	400	345	(55)	8,858
Total miscellaneous	146,070	146,070	178,997	32,927	44,618
Total revenues	14,222,970	14,222,970	15,278,248	1,055,278	14,028,663
<b>Expenditures:</b>					
<b>General government:</b>					
<b>Mayor and city council:</b>					
Personal services	40,050	40,050	38,942	1,108	38,942
Commodities	1,200	1,200	911	289	938
Contractual services	61,500	61,500	57,551	3,949	87,610
Total mayor and city council	102,750	102,750	97,404	5,346	127,490
<b>Administrative:</b>					
Personal services	261,600	261,600	333,846	(72,246)	231,059
Commodities	800	800	1,699	(899)	69
Contractual services	6,315	6,315	11,566	(5,251)	12,532
Total administrative	268,715	268,715	347,111	(78,396)	243,660
<b>Finance:</b>					
Personal services	484,900	484,900	493,885	(8,985)	473,249
Commodities	2,500	2,500	911	1,589	575
Contractual services	42,525	42,525	34,134	8,391	35,971
Total finance	529,925	529,925	528,930	995	509,795
<b>Personnel:</b>					
Personal services	100,600	100,600	104,568	(3,968)	99,491
Commodities	200	200	76	124	389
Contractual services	11,025	11,025	36,340	(25,315)	5,894
Total personnel	111,825	111,825	140,984	(29,159)	105,774
<b>Assessing service:</b>					
Contractual services	155,600	155,600	153,248	2,352	150,315
<b>City clerk/elections:</b>					
Personal services	152,600	152,600	144,181	8,419	184,410
Commodities	700	700	587	113	529
Contractual services	14,725	14,725	13,112	1,613	16,214
Total City clerk/elections	168,025	168,025	157,880	10,145	201,153

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Expenditures: (continued)					
General government: (continued)					
Legal:					
Contractual services	\$ 185,900	\$ 185,900	\$ 218,843	\$ (32,943)	\$ 192,864
Community and employee programs:					
Personal services	3,600	3,600	2,852	748	2,623
Commodities	500	500	42	458	1,601
Contractual services	61,830	61,830	63,567	(1,737)	57,287
Total community and employee programs	65,930	65,930	66,461	(531)	61,511
Government buildings:					
Personal services	82,700	82,700	80,741	1,959	67,529
Commodities	16,570	16,570	35,758	(19,188)	21,403
Contractual services	277,705	277,705	293,390	(15,685)	288,464
Total government buildings	376,975	376,975	409,889	(32,914)	377,396
Historic preservation:					
Personal services	10,300	10,300	900	9,400	9,530
Commodities	95	95	49	46	38
Contractual services	-	-	850	(850)	1,636
Total historic preservation	10,395	10,395	1,799	8,596	11,204
Total general government	1,976,040	1,976,040	2,122,549	(146,509)	1,981,162
Community Development:					
Planning and zoning:					
Personal services	282,000	282,000	298,255	(16,255)	281,955
Commodities	1,000	1,000	997	3	1,019
Contractual services	39,360	39,360	29,108	10,252	37,816
Total planning and zoning	322,360	322,360	328,360	(6,000)	320,790
Building inspections:					
Personal services	446,400	446,400	437,487	8,913	409,123
Commodities	9,650	9,650	9,113	537	7,635
Contractual services	92,610	92,610	89,203	3,407	83,334
Total building inspections	548,660	548,660	535,803	12,857	500,092
Engineering:					
Personal services	138,015	138,015	153,784	(15,769)	53,394
Commodities	800	800	978	(178)	1,217
Contractual services	46,115	46,115	39,612	6,503	43,633
Total engineering	184,930	184,930	194,374	(9,444)	98,244
Total community development	1,055,950	1,055,950	1,058,537	(2,587)	919,126
Public safety:					
Police protection:					
Personal services	5,018,080	5,018,080	4,812,418	205,662	4,660,772
Commodities	289,450	289,450	269,378	20,072	253,106
Contractual services	415,800	415,800	438,318	(22,518)	420,711
Capital outlay	188,900	188,900	196,324	(7,424)	136,466
Total police protection	5,912,230	5,912,230	5,716,438	195,792	5,471,055
Fire protection:					
Personal services	577,000	577,000	632,451	(55,451)	551,311
Commodities	104,855	104,855	60,497	44,358	72,555
Contractual services	215,225	215,225	230,128	(14,903)	226,599
Capital outlay	-	-	-	-	237,554
Total fire protection	897,080	897,080	923,076	(25,996)	1,088,019
Fire relief:					
Contractual services	123,000	123,000	196,512	(73,512)	183,536

CITY OF COTTAGE GROVE, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 For The Year Ended December 31, 2015  
 With Comparative Data for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Expenditures: (continued)					
Public safety: (continued)					
Civil defense:					
Personal services	\$ 29,200	\$ 29,200	\$ 27,700	\$ 1,500	\$ 13,878
Commodities	100	100	1,700	(1,600)	2,809
Contractual services	47,345	47,345	28,649	18,696	46,284
Total civil defense	<u>76,645</u>	<u>76,645</u>	<u>58,049</u>	<u>18,596</u>	<u>62,971</u>
Animal control:					
Personal services	15,035	15,035	14,600	435	11,820
Commodities	3,400	3,400	3,808	(408)	3,667
Contractual services	20,800	20,800	10,526	10,274	14,725
Total animal control	<u>39,235</u>	<u>39,235</u>	<u>28,934</u>	<u>10,301</u>	<u>30,212</u>
Total public safety	<u>7,048,190</u>	<u>7,048,190</u>	<u>6,923,009</u>	<u>125,181</u>	<u>6,835,793</u>
Public works:					
Public works administration:					
Personal services	293,500	293,500	292,351	1,149	273,854
Commodities	19,450	19,450	16,544	2,906	16,993
Contractual services	146,950	146,950	142,536	4,414	197,212
Total public works administration	<u>459,900</u>	<u>459,900</u>	<u>451,431</u>	<u>8,469</u>	<u>488,059</u>
Streets:					
Personal services	604,800	604,800	582,552	22,248	522,094
Commodities	296,500	296,500	233,916	62,584	222,322
Contractual services	340,320	340,320	381,667	(41,347)	336,830
Capital outlay	6,700	6,700	6,239	461	-
Total streets	<u>1,248,320</u>	<u>1,248,320</u>	<u>1,204,374</u>	<u>43,946</u>	<u>1,081,246</u>
Snow and ice control:					
Personal services	194,700	194,700	135,820	58,880	241,905
Commodities	292,800	292,800	200,833	91,967	277,794
Contractual services	140,800	140,800	98,318	42,482	120,672
Capital outlay	-	-	-	-	5,213
Total snow and ice control	<u>628,300</u>	<u>628,300</u>	<u>434,971</u>	<u>193,329</u>	<u>645,584</u>
Street signs/stripping:					
Personal services	114,300	114,300	115,063	(763)	90,411
Commodities	36,350	36,350	33,077	3,273	29,474
Contractual services	58,800	58,800	64,911	(6,111)	51,444
Capital outlay	6,405	6,405	5,899	506	-
Total street signs/stripping	<u>215,855</u>	<u>215,855</u>	<u>218,950</u>	<u>(3,095)</u>	<u>171,329</u>
Total public works	<u>2,552,375</u>	<u>2,552,375</u>	<u>2,309,726</u>	<u>242,649</u>	<u>2,386,218</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
Expenditures: (continued)					
Culture and recreation:					
Forestry:					
Personal services	\$ 75,960	\$ 75,960	\$ 106,911	\$ (30,951)	\$ 106,308
Commodities	14,000	14,000	7,572	6,428	5,168
Contractual services	240,320	240,320	206,515	33,805	183,313
Total forestry	<u>330,280</u>	<u>330,280</u>	<u>320,998</u>	<u>9,282</u>	<u>294,789</u>
Recreation programs:					
Personal services	270,600	270,600	254,209	16,391	240,378
Commodities	10,850	10,850	5,926	4,924	5,873
Contractual services	78,205	78,205	81,407	(3,202)	83,884
Total recreation programs	<u>359,655</u>	<u>359,655</u>	<u>341,542</u>	<u>18,113</u>	<u>330,135</u>
Parks maintenance:					
Personal services	715,920	715,920	713,474	2,446	682,248
Commodities	172,950	172,950	153,894	19,056	156,507
Contractual services	295,920	295,920	282,325	13,595	313,726
Capital outlay	-	-	22,135	(22,135)	-
Total parks maintenance	<u>1,184,790</u>	<u>1,184,790</u>	<u>1,171,828</u>	<u>12,962</u>	<u>1,152,481</u>
Total culture and recreation	<u>1,874,725</u>	<u>1,874,725</u>	<u>1,834,368</u>	<u>40,357</u>	<u>1,777,405</u>
Total expenditures	<u>14,507,280</u>	<u>14,507,280</u>	<u>14,248,189</u>	<u>259,091</u>	<u>13,899,704</u>
Revenues over (under) expenditures	<u>(284,310)</u>	<u>(284,310)</u>	<u>1,030,059</u>	<u>1,314,369</u>	<u>128,959</u>
Other financing sources (uses):					
Transfer from Special Revenue Fund	40,020	40,020	40,020	-	35,020
Transfer from Enterprise Fund	488,690	488,690	488,690	-	488,690
Transfer to Debt Service Fund	-	(404,522)	(404,522)	-	-
Transfer to Special Revenue Fund	-	-	-	-	(55,405)
Transfer to Capital Project Fund	(244,400)	(412,951)	(412,951)	-	(317,089)
Total other financing sources (uses):	<u>284,310</u>	<u>(288,763)</u>	<u>(288,763)</u>	<u>-</u>	<u>151,216</u>
Net increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ (573,073)</u>	<u>741,296</u>	<u>\$ 1,314,369</u>	<u>280,175</u>
Fund balance - January 1			<u>9,512,141</u>		<u>9,231,966</u>
Fund balance - December 31			<u>\$ 10,253,437</u>		<u>\$ 9,512,141</u>

**City of Cottage Grove  
Schedule of City's Proportionate Share  
of Net Pension Liability  
Last Ten Years GERF Retirement Fund**

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.0919%	\$ 4,762,735	\$ 5,401,220	88.18%	78.19%

**Schedule of City's Proportionate Share  
of Net Pension Liability  
Last Ten Years PEPFF Retirement Fund**

<u>For Fiscal Year Ended June 30,</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered- Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	0.4340%	\$ 4,931,256	\$ 3,970,895	124.18%	86.61%

**City of Cottage Grove  
Schedule of City Contributions  
GERF Retirement Fund  
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 398,340	\$ 398,340	\$ -	\$ 5,401,220	7.38%

**Schedule of City Contributions  
PEPFF Retirement Fund  
Last Ten Years**

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 625,416	\$ 625,416	\$ -	\$ 3,970,895	15.8%

**City of Cottage Grove  
Schedule of Employer Contributions  
and Non-Employer Contributing  
Entities - Fire Relief Association**

	Plan Year Ended 12/31/15
Employer	
Statutorily determined contribution (SDC)	\$ -
Actual contribution	5,329
Contribution deficiency (excess)	\$ (5,329)
Non-employer	
2% aid	\$ 189,183

The Association implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Require Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2015 is not available.

**City of Cottage Grove**  
**Schedule of Changes in Net Pension Liability**  
**and Related Ratios - Fire Relief Association**

	Plan Year Ended 12/31/15
Total pension liability (TPL)	
Service cost	\$ 79,827
Interest	88,550
Changes of assumptions	77,611
Changes of benefit terms	139,930
Benefit payments, including refunds or member contributions	<u>(140,973)</u>
Net change in total pension liability	<u>244,945</u>
Beginning of year	<u>1,352,967</u>
End of Year	<u><u>\$ 1,597,912</u></u>
Plan fiduciary net pension (FNP)	
Contributions - employer	\$ 5,329
Contributions - non-employeeer	191,183
Net investment income	(117,642)
Benefit payments, including refunds of member contributions	(140,973)
Administrative expense	<u>(15,165)</u>
Net change in plan fiduciary net position	<u>(77,268)</u>
Beginning of year	<u>2,404,881</u>
End of year	<u><u>\$ 2,327,613</u></u>
Net pension liability (NPL)	<u><u>\$ (729,701)</u></u>

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Require Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2015 is not available.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	-	\$ 324,523	\$ 324,523	-	\$ 9,765,700	3.3%
1/1/2011	-	108,298	108,298	-	8,887,000	1.2%
1/1/2008	-	146,597	146,597	-	8,750,900	1.7%

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND  
SCHEDULES**

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**NONMAJOR GOVERNMENTAL FUNDS**

### SPECIAL REVENUE FUNDS

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

### DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs on general long-term debt.

### CAPITAL PROJECT FUNDS

The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

**CITY OF COTTAGE GROVE, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2015  
With Comparative Data as of December 31, 2014

**Statement 10**

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2015	2014
<b>Assets:</b>					
Cash and investments	\$ 344,057	\$ 1,225,153	\$ 13,485,312	\$ 15,054,522	\$ 17,172,678
Interfund receivable	-	-	1,221,111	1,221,111	991,739
Interfund loan receivable	-	-	2,261,758	2,261,758	3,050,000
Due from other governmental units - net	34,495	-	49,671	84,166	47,846
Accounts receivable - net	321,490	-	243,581	565,071	447,878
Prepaid items	7,343	-	-	7,343	8,529
Inventories - at cost	20,696	-	-	20,696	24,434
Delinquent property taxes receivable	2,663	-	130	2,793	4,458
Special assessments receivable:					
Deferred	-	-	1,129,114	1,129,114	255,294
Delinquent	-	-	101	101	534
Property held for resale	-	-	1,950,000	1,950,000	-
Total assets	<u>\$ 730,744</u>	<u>\$ 1,225,153</u>	<u>\$ 20,340,778</u>	<u>\$ 22,296,675</u>	<u>\$ 22,003,390</u>
<b>Liabilities:</b>					
Accounts payable	\$ 55,633	\$ -	\$ 260,685	\$ 316,318	\$ 160,039
Salaries payable	58,642	-	-	58,642	42,580
Interfund payable	405,116	-	1,221,111	1,626,227	1,279,053
Contracts payable	833	-	187,604	188,437	-
Due to other governmental units	5,511	-	649	6,160	4,341
Deposits payable	14,748	-	372,304	387,052	646,763
Interfund loan payable	-	-	761,758	761,758	1,550,000
Total liabilities	<u>540,483</u>	<u>-</u>	<u>2,804,111</u>	<u>3,344,594</u>	<u>3,682,776</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenue - property taxes	2,663	-	130	2,793	4,458
Unavailable revenue - special assessments	-	-	1,129,215	1,129,215	255,828
Unavailable revenue - intergovernmental	-	-	-	-	4,999
Total deferred inflows of resources	<u>2,663</u>	<u>-</u>	<u>1,129,345</u>	<u>1,132,008</u>	<u>265,285</u>
<b>Fund balance:</b>					
Nonspendable:					
Prepaid items	7,343	-	-	7,343	8,529
Inventory	20,696	-	-	20,696	24,434
Restricted for:					
Forfeiture and seizure	39,166	-	-	39,166	52,175
Charitable gambling	9,405	-	-	9,405	14,300
Debt retirement	-	218,191	-	218,191	216,597
Tax increment purposes	-	1,006,962	1,035,189	2,042,151	2,272,496
Committed	394,204	-	-	394,204	329,841
Assigned	-	-	16,695,201	16,695,201	17,563,037
Unassigned	(283,216)	-	(1,323,068)	(1,606,284)	(2,426,080)
Total fund balance	<u>187,598</u>	<u>1,225,153</u>	<u>16,407,322</u>	<u>17,820,073</u>	<u>18,055,329</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 730,744</u>	<u>\$ 1,225,153</u>	<u>\$ 20,340,778</u>	<u>\$ 22,296,675</u>	<u>\$ 22,003,390</u>

**CITY OF COTTAGE GROVE, MINNESOTA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

**Statement 11**

NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended December 31, 2015

With Comparative Data for the Year Ended December 31, 2014

	Special Revenue	Debt Service	Capital Project	Totals	
				Nonmajor Governmental Funds	
				2015	2014
Revenues:					
General property taxes	\$ 291,955	\$ -	\$ 503	\$ 292,458	\$ 241,114
Franchise taxes	-	-	526,643	526,643	542,689
Aggregate taxes	-	-	37,133	37,133	26,236
Tax increment collections	-	-	710,541	710,541	723,304
Special assessments	-	-	137,955	137,955	35,068
Direct charges to developers	-	-	307,971	307,971	537,298
Intergovernmental	145,987	-	11,478	157,465	671,745
Charges for services	3,062,368	-	623,054	3,685,422	3,135,019
Rent	-	-	-	-	420,279
Fines and forfeits	17,840	-	-	17,840	19,616
Investment earnings (loss)	2,558	10,823	120,728	134,109	237,646
Interest on interfund loan	-	-	45,599	45,599	39,066
Connection charges	-	-	318,092	318,092	841,434
Park dedication fees	-	-	9,010	9,010	63,595
Other sales	-	-	469,454	469,454	429,750
Donations	-	-	358,241	358,241	352,380
Miscellaneous	7,929	-	96,831	104,760	60,860
Total revenues	<u>3,528,637</u>	<u>10,823</u>	<u>3,773,233</u>	<u>7,312,693</u>	<u>8,377,099</u>
Expenditures:					
Current:					
General government	-	1,400	326	1,726	3,311
Economic development	-	-	1,456,306	1,456,306	541,838
Public safety	23,683	-	1,436	25,119	18,779
Public works	521,748	-	625,149	1,146,897	1,454,205
Culture and recreation	1,998,951	-	343,808	2,342,759	2,392,064
Capital outlay:					
Public safety	8,495	-	79,418	87,913	94,445
Public works	12,215	-	736,901	749,116	811,420
Culture and recreation	255,666	-	609,526	865,192	633,578
Debt service:					
Principal retirement	-	205,000	245,000	450,000	1,920,000
Capital lease payment	316,235	-	-	316,235	305,076
Interest and fiscal charges	225,258	81,704	67,028	373,990	473,566
Total expenditures	<u>3,362,251</u>	<u>288,104</u>	<u>4,164,898</u>	<u>7,815,253</u>	<u>8,648,282</u>
Revenues over (under) expenditures	<u>166,386</u>	<u>(277,281)</u>	<u>(391,665)</u>	<u>(502,560)</u>	<u>(271,183)</u>
Other financing sources (uses):					
Transfers in	1,200,000	-	412,951	1,612,951	466,026
Transfers out	(198,914)	-	(1,200,000)	(1,398,914)	(747,033)
Bonds issued	-	-	-	-	1,405,000
Premium on debt issued	-	-	-	-	18,461
Proceeds from the sale of capital assets	-	-	53,267	53,267	67,120
Total other financing sources (uses)	<u>1,001,086</u>	<u>-</u>	<u>(733,782)</u>	<u>267,304</u>	<u>1,209,574</u>
Net increase (decrease) in fund balance	1,167,472	(277,281)	(1,125,447)	(235,256)	938,391
Fund balance - January 1	<u>(979,874)</u>	<u>1,502,434</u>	<u>17,532,769</u>	<u>18,055,329</u>	<u>17,116,938</u>
Fund balance - December 31	<u>\$ 187,598</u>	<u>\$ 1,225,153</u>	<u>\$ 16,407,322</u>	<u>\$ 17,820,073</u>	<u>\$ 18,055,329</u>

## NONMAJOR SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. The City maintained the following Special Revenue Funds during the year:

Recycling – Established to account for recycling advertising, promotion, and capital expenditures.

Storm Water Maintenance – Established to account for the receipt of storm water fees to be used for storm water maintenance activities.

Forfeiture/Seizure – Established to account for Police Department proceeds from property seized under MS 609.53.

Ice Arena Fund – Established to account for operating the City's ice arena.

Golf Course Fund – Established to account for the City's eighteen hole golf course and banquet facility.

Charitable Gambling – Established to account for the 3% tax on charitable gambling operations.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
December 31, 2015  
With Comparative Data as of December 31, 2014

	Recycling	Storm Water Maintenance	Forfeiture/ Seizure
<b>Assets:</b>			
Cash and investments	\$ 57,473	\$ 237,005	\$ 40,174
Due from other governmental units - net	-	5,574	-
Accounts receivable - net	-	117,173	-
Prepaid items	-	-	-
Inventories - at cost	-	-	-
Delinquent property taxes receivable	-	-	-
Total assets	<u>\$ 57,473</u>	<u>\$ 359,752</u>	<u>\$ 40,174</u>
<b>Liabilities:</b>			
Accounts payable	\$ 401	\$ 5,851	\$ 1,008
Salaries payable	482	15,454	-
Interfund payable	-	-	-
Contracts payable	-	833	-
Due to other governmental units	-	-	-
Deposits payable	-	-	-
Interfund loan payable	-	-	-
Total liabilities	<u>883</u>	<u>22,138</u>	<u>1,008</u>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - intergovernmental	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance:</b>			
<b>Nonspendable:</b>			
Prepaid items	-	-	-
Inventory	-	-	-
<b>Restricted for:</b>			
Forfeiture and seizure	-	-	39,166
Charitable gambling	-	-	-
<b>Committed for:</b>			
Ice arena	-	-	-
Storm water activities	-	337,614	-
Recycling program	56,590	-	-
Unassigned	-	-	-
Total fund balance	<u>56,590</u>	<u>337,614</u>	<u>39,166</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 57,473</u>	<u>\$ 359,752</u>	<u>\$ 40,174</u>

Statement 12

Ice Arena	Golf Course	Charitable Gambling	Totals	
			Nonmajor Special Revenue Funds	
			2015	2014
\$ -	\$ -	\$ 9,405	\$ 344,057	\$ 283,695
28,921	-	-	34,495	31,179
203,859	458	-	321,490	262,715
988	6,355	-	7,343	8,529
-	20,696	-	20,696	24,434
2,663	-	-	2,663	3,909
<u>\$ 236,431</u>	<u>\$ 27,509</u>	<u>\$ 9,405</u>	<u>\$ 730,744</u>	<u>\$ 614,461</u>
\$ 44,161	\$ 4,212	\$ -	\$ 55,633	\$ 43,142
20,085	22,621	-	58,642	42,580
262,569	142,547	-	405,116	287,314
-	-	-	833	-
2,187	3,324	-	5,511	4,341
-	14,748	-	14,748	8,050
-	-	-	-	1,200,000
<u>329,002</u>	<u>187,452</u>	<u>-</u>	<u>540,483</u>	<u>1,585,427</u>
2,663	-	-	2,663	3,909
-	-	-	-	4,999
<u>2,663</u>	<u>-</u>	<u>-</u>	<u>2,663</u>	<u>8,908</u>
988	6,355	-	7,343	8,529
-	20,696	-	20,696	24,434
-	-	-	39,166	52,175
-	-	9,405	9,405	14,300
-	-	-	-	22,885
-	-	-	337,614	253,014
-	-	-	56,590	53,942
(96,222)	(186,994)	-	(283,216)	(1,409,153)
<u>(95,234)</u>	<u>(159,943)</u>	<u>9,405</u>	<u>187,598</u>	<u>(979,874)</u>
<u>\$ 236,431</u>	<u>\$ 27,509</u>	<u>\$ 9,405</u>	<u>\$ 730,744</u>	<u>\$ 614,461</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

	Recycling	Storm Water Maintenance	Forfeiture/ Seizure
Revenues:			
General property taxes	\$ -	\$ -	\$ -
Intergovernmental:			
Local:			
Washington county	82,494	-	-
School district	-	-	-
Other	-	5,574	919
Charges for services	-	721,744	-
Fines and forfeits	-	-	17,840
Investment earnings (loss)	336	1,477	410
Donations	-	-	-
Miscellaneous	3,500	-	-
Total revenues	<u>86,330</u>	<u>728,795</u>	<u>19,169</u>
Expenditures:			
Current:			
Public safety	-	-	23,683
Public works	83,682	438,066	-
Culture and recreation	-	-	-
Capital outlay:			
Public safety	-	-	8,495
Public works	-	12,215	-
Culture and recreation	-	-	-
Debt service:			
Capital lease payment	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>83,682</u>	<u>450,281</u>	<u>32,178</u>
Revenues over (under) expenditures	<u>2,648</u>	<u>278,514</u>	<u>(13,009)</u>
Other financing sources (uses):			
Transfer from General Fund	-	-	-
Transfer from Capital Project Fund	-	-	-
Transfer to General Fund	-	(35,020)	-
Transfer to Capital Project Fund	-	(158,894)	-
Total other financing sources (uses)	<u>-</u>	<u>(193,914)</u>	<u>-</u>
Net increase (decrease) in fund balance	2,648	84,600	(13,009)
Fund balance - January 1	<u>53,942</u>	<u>253,014</u>	<u>52,175</u>
Fund balance - December 31	<u>\$ 56,590</u>	<u>\$ 337,614</u>	<u>\$ 39,166</u>

**Statement 13**

Ice Arena	Golf Course	Charitable Gambling	Totals	
			Nonmajor Special Revenue Funds	
			2015	2014
\$ 291,955	\$ -	\$ -	\$ 291,955	\$ 240,718
-	-	-	82,494	53,792
57,000	-	-	57,000	57,000
-	-	-	6,493	47,437
883,558	1,457,066	-	3,062,368	2,864,091
-	-	-	17,840	19,616
230	-	105	2,558	6,187
-	-	-	-	1,726
1,938	2,491	-	7,929	10,320
<u>1,234,681</u>	<u>1,459,557</u>	<u>105</u>	<u>3,528,637</u>	<u>3,300,887</u>
-	-	-	23,683	15,752
-	-	-	521,748	532,391
729,528	1,269,423	-	1,998,951	2,117,308
-	-	-	8,495	-
-	-	-	12,215	66,933
120,955	134,711	-	255,666	134,328
280,000	36,235	-	316,235	305,076
223,293	1,965	-	225,258	237,417
<u>1,353,776</u>	<u>1,442,334</u>	<u>-</u>	<u>3,362,251</u>	<u>3,409,205</u>
<u>(119,095)</u>	<u>17,223</u>	<u>105</u>	<u>166,386</u>	<u>(108,318)</u>
-	-	-	-	55,405
-	1,200,000	-	1,200,000	-
-	-	(5,000)	(40,020)	(35,020)
-	-	-	(158,894)	(68,051)
<u>-</u>	<u>1,200,000</u>	<u>(5,000)</u>	<u>1,001,086</u>	<u>(47,666)</u>
(119,095)	1,217,223	(4,895)	1,167,472	(155,984)
<u>23,861</u>	<u>(1,377,166)</u>	<u>14,300</u>	<u>(979,874)</u>	<u>(823,890)</u>
<u>\$ (95,234)</u>	<u>\$ (159,943)</u>	<u>\$ 9,405</u>	<u>\$ 187,598</u>	<u>\$ (979,874)</u>

### NONMAJOR DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs on long-term debt.

The City's Debt Service Funds account for two types of bonded indebtedness:

- Improvement Bonds
- Tax Increment Bonds

Developer Financed Revolving – (2008A Improvements Bonds) are repaid from special assessments collected from new developments within the City.

Tax Increment – 1985 Tax Increment Bonds (TIF 1-1), 2004A Tax Increment Refunding Bonds (TIF 1-3), 2004A Tax Exempt Increment Bonds (TIF 1-12), and 2014A Taxable Tax Increment Refunding Bonds (TIF 1-12) are repaid primarily from taxes increments.

**CITY OF COTTAGE GROVE, MINNESOTA**

SUBCOMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

December 31, 2015

With Comparative Data as of December 31, 2014

**Statement 14**

	Developer Financed Revolving Funds	Tax Increment Funds	Totals	
			Nonmajor Debt Service Funds	
			2015	2014
<b>Assets:</b>				
Cash and investments	\$ 218,191	\$ 1,006,962	\$ 1,225,153	\$ 1,502,434
Total assets	<u>\$ 218,191</u>	<u>\$ 1,006,962</u>	<u>\$ 1,225,153</u>	<u>\$ 1,502,434</u>
<b>Fund balance:</b>				
Restricted for:				
Debt retirement	\$ 218,191	\$ -	\$ 218,191	\$ 216,597
Tax increment purposes	-	1,006,962	1,006,962	1,285,837
Total fund balance	<u>218,191</u>	<u>1,006,962</u>	<u>1,225,153</u>	<u>1,502,434</u>
Total fund balance	<u>\$ 218,191</u>	<u>\$ 1,006,962</u>	<u>\$ 1,225,153</u>	<u>\$ 1,502,434</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR DEBT SERVICE FUNDS**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 15**

	Developer Financed Revolving Funds	Tax Increment Funds	Totals	
			Nonmajor Debt Service Funds	
			2015	2014
Revenues:				
Investment earnings (loss)	\$ 1,594	\$ 9,229	\$ 10,823	\$ 23,868
Total revenues	<u>1,594</u>	<u>9,229</u>	<u>10,823</u>	<u>23,868</u>
Expenditures:				
Current:				
General government:				
Contractual services	-	1,400	1,400	2,835
Debt service:				
Principal retirement	-	205,000	205,000	1,680,000
Interest and fiscal charges	-	81,704	81,704	160,634
Total expenditures	<u>-</u>	<u>288,104</u>	<u>288,104</u>	<u>1,843,469</u>
Revenues over (under) expenditures	1,594	(278,875)	(277,281)	(1,819,601)
Other financing sources (uses):				
Bonds issued	-	-	-	1,405,000
Premium on debt issued	-	-	-	18,461
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,461</u>
Net increase (decrease) in fund balance	1,594	(278,875)	(277,281)	(396,140)
Fund balance - January 1	<u>216,597</u>	<u>1,285,837</u>	<u>1,502,434</u>	<u>1,898,574</u>
Fund balance - December 31	<u>\$ 218,191</u>	<u>\$ 1,006,962</u>	<u>\$ 1,225,153</u>	<u>\$ 1,502,434</u>

## NONMAJOR CAPITAL PROJECT FUNDS

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

Equipment Replacement Fund – Established to accumulate monies for the replacement of capital equipment.

Street Sealcoating – Established to account for the receipt of franchise fees to be used for sealcoating activities.

Future Economic Development Fund – Established to account for the receipt and use of monies for economic development purposes.

Future Projects – to account for the preliminary expenditures of projects which do not have a source of financing.

Completed Construction – to account for the various surpluses (deficits) of other Special Assessment Construction Funds.

Park Trust – to account for capital projects in new municipal parks.

Inclusive Playground – to account for inclusive playground project.

Park Capital Improvements – to account for capital projects in existing municipal parks.

Water Connection and Area – to account for water connection and area charges.

Sewer Connection and Area – to account for sewer connection and area charges.

Future Storm Sewer Improvements – to collect storm sewer area charges which are designated for future construction.

Tax Increment Construction Revolving Fund – to account for construction projects that are financed with tax increments.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
December 31, 2015  
With Comparative Data as of December 31, 2014

	Equipment Replacement	Street Sealcoating	Future Economic Development	Future Projects	Completed Construction	Park Trust
<b>Assets:</b>						
Cash and investments	\$ 1,604,114	\$ 527,341	\$ 1,253,732	\$ 3,297,841	\$ 466,194	\$ -
Interfund receivable	-	-	-	-	-	-
Interfund loan receivable	-	-	761,758	-	1,500,000	-
Due from other governmental units - net	-	25,892	-	-	-	11,478
Accounts receivable - net	1,885	96,923	2,757	113,373	-	-
Delinquent property taxes receivable	-	-	-	130	-	-
Special assessments receivable:						
Deferred	-	-	46,749	155,995	-	174,477
Delinquent	-	-	-	-	101	-
Property held for resale	-	-	1,950,000	-	-	-
<b>Total assets</b>	<b>\$ 1,605,999</b>	<b>\$ 650,156</b>	<b>\$ 4,014,996</b>	<b>\$ 3,567,339</b>	<b>\$ 1,966,295</b>	<b>\$ 185,955</b>
<b>Liabilities:</b>						
Accounts payable	\$ 26,416	\$ -	\$ 8,645	\$ 36,662	\$ 1,523	\$ 115,692
Interfund payable	-	-	-	-	-	287,603
Contracts payable	-	-	187,053	-	-	-
Due to other governments	-	-	-	-	-	649
Deposits payable	-	-	-	372,098	-	-
Interfund loan payable	-	-	-	-	-	-
<b>Total liabilities</b>	<b>26,416</b>	<b>-</b>	<b>195,698</b>	<b>408,760</b>	<b>1,523</b>	<b>403,944</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - property taxes	-	-	-	130	-	-
Unavailable revenue - special assessments	-	-	46,749	155,995	101	174,477
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>46,749</b>	<b>156,125</b>	<b>101</b>	<b>174,477</b>
<b>Fund balance:</b>						
<b>Restricted for:</b>						
Tax increment purposes	-	-	-	-	-	-
<b>Assigned for:</b>						
Equipment replacement	1,579,583	-	-	-	-	-
Street sealcoating	-	650,156	-	-	-	-
Economic development	-	-	3,772,549	-	-	-
Future pavement management	-	-	-	1,431,412	-	-
Tree mitigation	-	-	-	338,495	-	-
Future roads and trails	-	-	-	860,691	-	-
Capital improvements	-	-	-	371,856	1,964,671	-
Unassigned	-	-	-	-	-	(392,466)
<b>Total fund balance</b>	<b>1,579,583</b>	<b>650,156</b>	<b>3,772,549</b>	<b>3,002,454</b>	<b>1,964,671</b>	<b>(392,466)</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 1,605,999</b>	<b>\$ 650,156</b>	<b>\$ 4,014,996</b>	<b>\$ 3,567,339</b>	<b>\$ 1,966,295</b>	<b>\$ 185,955</b>

Inclusive Playground	Park Capital Improvements	Water Connection and Area	Sewer Connection and Area	Future Storm Sewer Improvements	Tax Increment Construction Revolving Fund	Totals	
						Nonmajor Capital Project Funds	
						2015	2014
\$ 1,050	\$ 12,570	\$ 1,680,981	\$ -	\$ 2,783,720	\$ 1,857,769	\$ 13,485,312	\$ 15,386,549
-	287,603	933,508	-	-	-	1,221,111	991,739
-	-	-	-	-	-	2,261,758	3,050,000
-	-	9,395	2,906	-	-	49,671	16,667
-	28,643	-	-	-	-	243,581	185,163
-	-	-	-	-	-	130	549
-	-	222,757	181,359	347,777	-	1,129,114	255,294
-	-	-	-	-	-	101	534
-	-	-	-	-	-	1,950,000	-
<u>\$ 1,050</u>	<u>\$ 328,816</u>	<u>\$ 2,846,641</u>	<u>\$ 184,265</u>	<u>\$ 3,131,497</u>	<u>\$ 1,857,769</u>	<u>\$ 20,340,778</u>	<u>\$ 19,886,495</u>
\$ -	\$ 6,716	\$ 651	\$ -	\$ 3,558	\$ 60,822	\$ 260,685	\$ 116,897
-	-	-	933,508	-	-	1,221,111	991,739
-	551	-	-	-	-	187,604	-
-	-	-	-	-	-	649	-
-	206	-	-	-	-	372,304	638,713
-	-	-	-	-	761,758	761,758	350,000
-	<u>7,473</u>	<u>651</u>	<u>933,508</u>	<u>3,558</u>	<u>822,580</u>	<u>2,804,111</u>	<u>2,097,349</u>
-	-	-	-	-	-	130	549
-	-	222,757	181,359	347,777	-	1,129,215	255,828
-	-	<u>222,757</u>	<u>181,359</u>	<u>347,777</u>	-	<u>1,129,345</u>	<u>256,377</u>
-	-	-	-	-	1,035,189	1,035,189	986,659
-	-	-	-	-	-	1,579,583	1,623,685
-	-	-	-	-	-	650,156	453,075
-	-	-	-	-	-	3,772,549	4,999,862
-	-	-	-	-	-	1,431,412	1,431,412
-	-	-	-	-	-	338,495	377,901
-	-	-	-	-	-	860,691	779,610
1,050	321,343	2,623,233	-	2,780,162	-	8,062,315	7,897,492
-	-	-	(930,602)	-	-	(1,323,068)	(1,016,927)
<u>1,050</u>	<u>321,343</u>	<u>2,623,233</u>	<u>(930,602)</u>	<u>2,780,162</u>	<u>1,035,189</u>	<u>16,407,322</u>	<u>17,532,769</u>
<u>\$ 1,050</u>	<u>\$ 328,816</u>	<u>\$ 2,846,641</u>	<u>\$ 184,265</u>	<u>\$ 3,131,497</u>	<u>\$ 1,857,769</u>	<u>\$ 20,340,778</u>	<u>\$ 19,886,495</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

	Equipment Replacement	Street Sealcoating	Future Economic Development	Future Projects	Completed Construction	Park Trust
<b>Revenues:</b>						
General property taxes	\$ -	\$ -	\$ -	\$ 503	\$ -	\$ -
Franchise taxes	-	526,643	-	-	-	-
Aggregate taxes	-	37,133	-	-	-	-
Tax increment collections	-	-	-	-	-	-
<b>Special assessments:</b>						
Current	-	-	-	-	-	-
Delinquent	-	-	-	-	433	-
Prepayments on deferred	-	-	-	-	-	-
Penalties	-	-	-	-	137	-
Direct charges to developers	-	5,260	-	132,242	170,469	-
<b>Intergovernmental:</b>						
State	-	-	-	-	-	-
Other	-	-	-	-	-	11,478
Charges for services	-	188,793	-	-	-	-
Rent	-	-	-	-	-	-
Investment earnings (loss)	11,641	2,809	28,540	20,673	3,206	-
Interest on interfund loan	-	-	24,300	-	21,299	-
Connection charges	-	-	-	-	-	-
Park dedication fees	-	-	-	-	-	9,010
Other sales	-	-	-	-	-	-
Donations	-	-	355,442	-	-	-
Miscellaneous	33	-	3,467	-	-	59,928
<b>Total revenues</b>	<b>11,674</b>	<b>760,638</b>	<b>411,749</b>	<b>153,418</b>	<b>195,544</b>	<b>80,416</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	213	-	-	-	113	-
Economic development	-	-	439,062	-	-	-
Public safety	-	-	-	1,436	-	-
Public works	6,720	563,557	-	322	1,523	-
Culture and recreation	-	-	-	49,480	-	113,834
<b>Capital outlay:</b>						
Public safety	79,418	-	-	-	-	-
Public works	371,980	-	-	-	191,158	-
Culture and recreation	63,663	-	-	-	-	148,420
<b>Debt service:</b>						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>521,994</b>	<b>563,557</b>	<b>439,062</b>	<b>51,238</b>	<b>192,794</b>	<b>262,254</b>
<b>Revenues over (under) expenditures</b>	<b>(510,320)</b>	<b>197,081</b>	<b>(27,313)</b>	<b>102,180</b>	<b>2,750</b>	<b>(181,838)</b>
<b>Other financing sources (uses):</b>						
Transfer from General Fund	412,951	-	-	-	-	-
Transfer from Capital Project Fund	-	-	-	-	-	-
Transfer to Special Revenue Fund	-	-	(1,200,000)	-	-	-
Transfer to Capital Project Fund	-	-	-	-	-	-
Proceeds from the sale of capital assets	53,267	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>466,218</b>	<b>-</b>	<b>(1,200,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in fund balance</b>	<b>(44,102)</b>	<b>197,081</b>	<b>(1,227,313)</b>	<b>102,180</b>	<b>2,750</b>	<b>(181,838)</b>
<b>Fund balance - January 1</b>	<b>1,623,685</b>	<b>453,075</b>	<b>4,999,862</b>	<b>2,900,274</b>	<b>1,961,921</b>	<b>(210,628)</b>
<b>Fund balance - December 31</b>	<b>\$ 1,579,583</b>	<b>\$ 650,156</b>	<b>\$ 3,772,549</b>	<b>\$ 3,002,454</b>	<b>\$ 1,964,671</b>	<b>\$ (392,466)</b>

Inclusive Playground	Park Capital Improvements	Water Connection and Area	Sewer Connection and Area	Future Storm Sewer Improvements	Tax Increment Construction Revolving Fund	Totals	
						Nonmajor Capital Project Funds	
						2015	2014
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 503	\$ 396
-	-	-	-	-	-	526,643	542,689
-	-	-	-	-	-	37,133	26,236
-	-	-	-	-	710,541	710,541	723,304
-	-	23,733	49,709	27,755	-	101,197	12,288
-	-	-	-	-	-	433	316
-	-	7,762	17,964	10,462	-	36,188	22,395
-	-	-	-	-	-	137	69
-	-	-	-	-	-	307,971	537,298
-	-	-	-	-	-	-	114,054
-	-	-	-	-	-	11,478	399,462
-	434,261	-	-	-	-	623,054	270,928
-	-	-	-	-	-	-	420,279
-	4,269	19,794	-	19,717	10,079	120,728	207,591
-	-	-	-	-	-	45,599	39,066
-	-	139,427	109,690	68,975	-	318,092	841,434
-	-	-	-	-	-	9,010	63,595
-	-	-	-	-	469,454	469,454	429,750
1,050	1,749	-	-	-	-	358,241	350,654
-	33,403	-	-	-	-	96,831	50,540
<u>1,050</u>	<u>473,682</u>	<u>190,716</u>	<u>177,363</u>	<u>126,909</u>	<u>1,190,074</u>	<u>3,773,233</u>	<u>5,052,344</u>
-	-	-	-	-	-	326	476
-	-	-	-	-	1,017,244	1,456,306	541,838
-	-	-	-	-	-	1,436	3,027
-	-	9,266	13,938	29,823	-	625,149	921,814
-	180,494	-	-	-	-	343,808	274,756
-	-	-	-	-	-	79,418	94,445
-	-	73,763	-	-	100,000	736,901	744,487
-	397,443	-	-	-	-	609,526	499,250
-	-	-	245,000	-	-	245,000	240,000
-	-	-	42,728	-	24,300	67,028	75,515
-	<u>577,937</u>	<u>83,029</u>	<u>301,666</u>	<u>29,823</u>	<u>1,141,544</u>	<u>4,164,898</u>	<u>3,395,608</u>
<u>1,050</u>	<u>(104,255)</u>	<u>107,687</u>	<u>(124,303)</u>	<u>97,086</u>	<u>48,530</u>	<u>(391,665)</u>	<u>1,656,736</u>
-	-	-	-	-	-	412,951	317,089
-	-	-	-	-	-	-	93,532
-	-	-	-	-	-	(1,200,000)	-
-	-	-	-	-	-	-	(643,962)
-	-	-	-	-	-	53,267	67,120
-	-	-	-	-	-	<u>(733,782)</u>	<u>(166,221)</u>
<u>1,050</u>	<u>(104,255)</u>	<u>107,687</u>	<u>(124,303)</u>	<u>97,086</u>	<u>48,530</u>	<u>(1,125,447)</u>	<u>1,490,515</u>
-	<u>425,598</u>	<u>2,515,546</u>	<u>(806,299)</u>	<u>2,683,076</u>	<u>986,659</u>	<u>17,532,769</u>	<u>16,042,254</u>
<u>\$ 1,050</u>	<u>\$ 321,343</u>	<u>\$ 2,623,233</u>	<u>\$ (930,602)</u>	<u>\$ 2,780,162</u>	<u>\$ 1,035,189</u>	<u>\$ 16,407,322</u>	<u>\$ 17,532,769</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SPECIAL REVENUE FUND - RECYCLING**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 18**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental:					
Local:					
Washington County recycling grant - public works	\$ 53,150	\$ 53,150	\$ 82,494	\$ 29,344	\$ 53,792
Investment earnings (loss)	-	-	336	336	903
Miscellaneous - public works	-	-	3,500	3,500	3,500
Total revenues	<u>53,150</u>	<u>53,150</u>	<u>86,330</u>	<u>33,180</u>	<u>58,195</u>
Expenditures:					
Public works:					
Current:					
Personal services	31,900	31,900	31,527	373	30,265
Commodities	9,100	9,100	10,269	(1,169)	8,979
Contractual services	23,800	23,800	41,886	(18,086)	28,842
Capital outlay	9,500	9,500	-	9,500	-
Total expenditures	<u>74,300</u>	<u>74,300</u>	<u>83,682</u>	<u>(9,382)</u>	<u>68,086</u>
Revenues over (under) expenditures	<u>\$ (21,150)</u>	<u>\$ (21,150)</u>	2,648	<u>\$ 23,798</u>	(9,891)
Fund balance - January 1			<u>53,942</u>		<u>63,833</u>
Fund balance - December 31			<u>\$ 56,590</u>		<u>\$ 53,942</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SPECIAL REVENUE FUND - STORM WATER MAINTENANCE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 19**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenue:					
Intergovernmental:					
Local:					
Other - public works	\$ -	\$ -	\$ 5,574	\$ 5,574	\$ 47,437
Charges for services	711,650	711,650	721,744	10,094	684,119
Investment earnings (loss)	1,000	1,000	1,477	477	1,693
Total revenue	<u>712,650</u>	<u>712,650</u>	<u>728,795</u>	<u>16,145</u>	<u>733,249</u>
Expenditures:					
Public works:					
Current:					
Personal services	238,915	238,915	268,577	(29,662)	234,418
Commodities	57,430	57,430	10,918	46,512	2,841
Contractual services	282,850	282,850	158,571	124,279	227,046
Capital outlay	-	-	12,215	(12,215)	66,933
Total expenditures	<u>579,195</u>	<u>579,195</u>	<u>450,281</u>	<u>128,914</u>	<u>531,238</u>
Revenue over (under) expenditures	<u>133,455</u>	<u>133,455</u>	<u>278,514</u>	<u>145,059</u>	<u>202,011</u>
Other financing sources (uses):					
Transfer to General Fund	(35,020)	(35,020)	(35,020)	-	(35,020)
Transfer to Capital Project Fund	(117,600)	(117,600)	(158,894)	(41,294)	(68,051)
Total other financing sources (uses):	<u>(152,620)</u>	<u>(152,620)</u>	<u>(193,914)</u>	<u>(41,294)</u>	<u>(103,071)</u>
Net increase (decrease) in fund balance	<u>\$ (19,165)</u>	<u>\$ (19,165)</u>	84,600	<u>\$ 103,765</u>	98,940
Fund balance - January 1			<u>253,014</u>		<u>154,074</u>
Fund balance - December 31			<u>\$ 337,614</u>		<u>\$ 253,014</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SPECIAL REVENUE FUND - FORFEITURE/SEIZURE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 20**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Intergovernmental:					
County	\$ 8,000	\$ 8,000	\$ 919	\$ (7,081)	\$ -
Forfeitures and seizures	21,000	21,000	17,840	(3,160)	19,616
Investment earnings (loss)	500	500	410	(90)	702
Total revenues	<u>29,500</u>	<u>29,500</u>	<u>19,169</u>	<u>(10,331)</u>	<u>20,318</u>
Expenditures:					
Public safety:					
Current:					
Commodities	8,000	8,000	6,820	1,180	-
Contractual services	16,300	16,300	16,863	(563)	15,752
Capital outlay	18,000	18,000	8,495	9,505	-
Total expenditures	<u>42,300</u>	<u>42,300</u>	<u>32,178</u>	<u>10,122</u>	<u>15,752</u>
Revenues over (under) expenditures	<u>\$ (12,800)</u>	<u>\$ (12,800)</u>	(13,009)	<u>\$ (209)</u>	4,566
Fund balance - January 1			<u>52,175</u>		<u>47,609</u>
Fund balance - December 31			<u>\$ 39,166</u>		<u>\$ 52,175</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SPECIAL REVENUE FUND - ICE ARENA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 21**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
General property taxes:					
Current and delinquent	\$ 290,000	\$ 290,000	\$ 291,955	\$ 1,955	\$ 240,718
Intergovernmental:					
Local:					
School district	57,000	57,000	57,000	-	57,000
Charges for services	972,500	972,500	883,558	(88,942)	795,736
Investment earnings (loss)	6,000	6,000	230	(5,770)	2,698
Miscellaneous	-	-	1,938	1,938	6,563
Total revenues	<u>1,325,500</u>	<u>1,325,500</u>	<u>1,234,681</u>	<u>(90,819)</u>	<u>1,102,715</u>
Expenditures:					
Culture and recreation:					
Current:					
Personal services	374,800	374,800	349,671	25,129	350,478
Commodities	31,200	31,200	33,822	(2,622)	35,466
Contractual services	295,150	295,150	346,035	(50,885)	378,905
Capital outlay	230,000	230,000	120,955	109,045	8,802
Debt Service:					
Capital lease payment	280,000	280,000	280,000	-	270,000
Interest and fiscal charges	228,900	228,900	223,293	5,607	234,293
Total expenditures	<u>1,440,050</u>	<u>1,440,050</u>	<u>1,353,776</u>	<u>86,274</u>	<u>1,277,944</u>
Revenues over (under) expenditures	<u>\$ (114,550)</u>	<u>\$ (114,550)</u>	(119,095)	<u>\$ (4,545)</u>	(175,229)
Fund balance - January 1			<u>23,861</u>		<u>199,090</u>
Fund balance - December 31			<u>\$ (95,234)</u>		<u>\$ 23,861</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SPECIAL REVENUE FUND - GOLF COURSE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For The Year Ended December 31, 2015**  
**With Comparative Data for the Year Ended December 31, 2014**

**Statement 22**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Charges for services	\$ 1,561,500	\$ 1,561,500	\$ 1,457,066	\$ (104,434)	\$ 1,384,236
Miscellaneous	1,500	1,500	2,491	991	257
Total revenues	<u>1,563,000</u>	<u>1,563,000</u>	<u>1,459,557</u>	<u>(103,443)</u>	<u>1,384,493</u>
Expenditures:					
Culture and recreation:					
Current:					
Personal services	759,200	759,200	742,162	17,038	720,993
Commodities	169,500	169,500	119,359	50,141	139,884
Contractual services	504,000	504,000	407,902	96,098	491,582
Capital outlay	144,000	144,000	134,711	9,289	125,526
Debt Service:					
Capital lease payment	36,235	36,235	36,235	-	35,076
Interest and fiscal charges	1,965	1,965	1,965	-	3,124
Total expenditures	<u>1,614,900</u>	<u>1,614,900</u>	<u>1,442,334</u>	<u>172,566</u>	<u>1,516,185</u>
Revenues over (under) expenditures	<u>(51,900)</u>	<u>(51,900)</u>	<u>17,223</u>	<u>69,123</u>	<u>(131,692)</u>
Other financing sources (uses):					
Transfer from General Fund	-	-	-	-	55,405
Transfer from Capital Project Fund	-	-	1,200,000	(1,200,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,200,000</u>	<u>(1,200,000)</u>	<u>55,405</u>
Net increase (decrease) in fund balance	<u>\$ (51,900)</u>	<u>\$ (51,900)</u>	1,217,223	<u>\$ 1,269,123</u>	<u>(76,287)</u>
Fund balance - January 1, as restated			<u>(1,377,166)</u>		<u>(1,300,879)</u>
Fund balance - December 31			<u>\$ (159,943)</u>		<u>\$ (1,377,166)</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SPECIAL REVENUE FUND - CHARITABLE GAMBLING**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 23**

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget- Positive (Negative)	2014 Actual Amounts
	Original	Final			
Revenues:					
Investment earnings (loss)	\$ -	\$ -	\$ 105	\$ 105	\$ 191
Donations	-	-	-	-	1,726
Total revenues	-	-	105	105	1,917
Other financing sources (uses):					
Transfer to General Fund	(5,000)	(5,000)	(5,000)	-	-
Total other financing sources (uses):	(5,000)	(5,000)	(5,000)	-	-
Revenues over (under) expenditures	\$ -	\$ -	(4,895)	\$ 105	1,917
Fund balance - January 1			14,300		12,383
Fund balance - December 31			\$ 9,405		\$ 14,300

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## INTERNAL SERVICE

Self Insurance Fund – Established to provide self insurance for the City and its officers, employees and agents for claims in excess of standard deductibles and to account for the City flexible spending program and purchase of insurance.

Fleet Maintenance Fund – Established to account for costs related to repair and maintenance of City equipment and vehicles. Revenues received from departments are based on level of service performed.

Information Services Fund – Established to account for costs related to accessing information electronically and maintaining technology services including phone, voicemail and internet services. Revenues received from departments are based on usage of those technology services.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
December 31, 2015  
With Comparative Data as of December 31, 2014

**Statement 24**

	Self Insurance	Fleet Maintenance	Information Services	Totals	
				Internal Service Funds	
				2015	2014
<b>Assets:</b>					
<b>Current assets:</b>					
Cash and investments	\$ 2,047,432	\$ 347,474	\$ 89,497	\$ 2,484,403	\$ 2,713,662
Accounts receivable	-	-	-	-	560
Prepaid items	143,973	-	25,093	169,066	130,349
Inventory - at cost	-	70,940	-	70,940	69,698
Total current assets	<u>2,191,405</u>	<u>418,414</u>	<u>114,590</u>	<u>2,724,409</u>	<u>2,914,269</u>
<b>Noncurrent assets:</b>					
<b>Capital assets:</b>					
Land	-	424,665	-	424,665	424,665
Buildings and improvements	-	928,870	-	928,870	928,870
Equipment and furniture	-	-	164,338	164,338	74,232
Machinery and equipment	-	214,326	-	214,326	178,512
Total capital assets	-	1,567,861	164,338	1,732,199	1,606,279
Less: Accumulated depreciation	-	(641,071)	(58,722)	(699,793)	(662,394)
Total noncurrent assets	-	926,790	105,616	1,032,406	943,885
Total assets	<u>\$ 2,191,405</u>	<u>\$ 1,345,204</u>	<u>\$ 220,206</u>	<u>\$ 3,756,815</u>	<u>\$ 3,858,154</u>
<b>Deferred outflows:</b>					
Deferred outflows related to pension	-	30,630	14,433	45,063	-
Total deferred outflows	-	30,630	14,433	45,063	-
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 6,317	\$ 61,718	\$ 1,717	\$ 69,752	\$ 46,458
Health care benefits payable	18,163	-	-	18,163	39,003
Unpaid claims	143,708	-	-	143,708	158,905
Salaries payable	537	16,010	7,056	23,603	23,275
Due to other governmental units	-	479	-	479	360
Compensated absences payable	-	26,416	5,785	32,201	26,474
Total current liabilities	<u>168,725</u>	<u>104,623</u>	<u>14,558</u>	<u>287,906</u>	<u>294,475</u>
<b>Noncurrent liabilities:</b>					
Compensated absences payable	-	9,605	2,654	12,259	22,874
Other post employment benefits	-	1,895	317	2,212	1,928
Net pension liability	-	223,456	105,296	328,752	-
Total noncurrent liabilities	-	234,956	108,267	343,223	24,802
Total liabilities	<u>168,725</u>	<u>339,579</u>	<u>122,825</u>	<u>631,129</u>	<u>319,277</u>
<b>Deferred inflows:</b>					
Deferred inflows related to pension	-	21,349	10,060	31,409	-
Total deferred inflows	-	21,349	10,060	31,409	-
<b>Net position:</b>					
Net investment in capital assets	-	926,790	105,616	1,032,406	943,885
Unrestricted	2,022,680	88,116	(3,862)	2,106,934	2,594,992
Total net position	<u>\$ 2,022,680</u>	<u>\$ 1,014,906</u>	<u>\$ 101,754</u>	<u>\$ 3,139,340</u>	<u>\$ 3,538,877</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Statement 25**

	Self Insurance	Fleet Maintenance	Information Services	Totals	
				Internal Service Funds	
				2015	2014
Operating revenues:					
Charges for services:					
User fees	\$ -	\$ 1,004,596	\$ 425,000	\$ 1,429,596	\$ 1,483,361
Employee benefits	1,357,600	-	-	1,357,600	1,096,105
Property insurance	220,650	-	-	220,650	233,350
Insurance refunds and reimbursements	104,083	-	-	104,083	55,234
Total operating revenues	<u>1,682,333</u>	<u>1,004,596</u>	<u>425,000</u>	<u>3,111,929</u>	<u>2,868,050</u>
Operating expenses:					
Operating and maintenance:					
Personal services	-	346,800	163,747	510,547	475,358
Commodities	-	581,798	71,156	652,954	751,083
Contractual services	-	82,307	137,685	219,992	231,753
Total operation and maintenance	<u>-</u>	<u>1,010,905</u>	<u>372,588</u>	<u>1,383,493</u>	<u>1,458,194</u>
Administrative and general:					
Personal insurance benefits	1,432,083	-	-	1,432,083	1,259,345
Contractual services	249,518	-	-	249,518	248,515
Claims	125,171	-	-	125,171	172,634
Total administrative and general	<u>1,806,772</u>	<u>-</u>	<u>-</u>	<u>1,806,772</u>	<u>1,680,494</u>
Depreciation	-	28,185	21,606	49,791	45,414
Total operating expenses	<u>1,806,772</u>	<u>1,039,090</u>	<u>394,194</u>	<u>3,240,056</u>	<u>3,184,102</u>
Operating income (loss)	<u>(124,439)</u>	<u>(34,494)</u>	<u>30,806</u>	<u>(128,127)</u>	<u>(316,052)</u>
Nonoperating revenues:					
Investment earnings (loss)	16,073	2,907	1,051	20,031	40,551
Miscellaneous	4,303	5,574	3,180	13,057	12,005
Total nonoperating revenues	<u>20,376</u>	<u>8,481</u>	<u>4,231</u>	<u>33,088</u>	<u>52,556</u>
Income (loss) before contributions and transfers	<u>(104,063)</u>	<u>(26,013)</u>	<u>35,037</u>	<u>(95,039)</u>	<u>(263,496)</u>
Capital Contributions	-	-	-	-	4,080
Change in net position	<u>(104,063)</u>	<u>(26,013)</u>	<u>35,037</u>	<u>(95,039)</u>	<u>(259,416)</u>
Net position - January 1	2,126,743	1,247,889	164,245	3,538,877	3,798,293
Cumulative effect of change in accounting principle	-	(206,970)	(97,528)	(304,498)	-
Net position - January 1, as restated	<u>2,126,743</u>	<u>1,040,919</u>	<u>66,717</u>	<u>3,234,379</u>	<u>3,798,293</u>
Net position - December 31	<u>\$ 2,022,680</u>	<u>\$ 1,014,906</u>	<u>\$ 101,754</u>	<u>\$ 3,139,340</u>	<u>\$ 3,538,877</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

**Statement 26**

For The Year Ended December 31, 2015  
 With Comparative Data for the Year Ended December 31, 2014

	Self Insurance	Fleet Maintenance	Information Services	Totals	
				Internal Service Funds	
				2015	2014
<b>Cash flows from operating activities:</b>					
Receipts from interfund services provided	\$ 1,578,250	\$ 1,004,596	\$ 425,000	\$ 3,007,846	\$ 2,812,816
Receipts from insurance refunds and reimbursements	104,083	-	-	104,083	55,234
Payment to suppliers	(418,902)	(647,249)	(212,667)	(1,278,818)	(1,362,433)
Payment to employees	(1,452,879)	(342,036)	(162,231)	(1,957,146)	(1,717,735)
Miscellaneous revenue	4,303	5,574	3,180	13,057	12,005
Net cash flows from operating activities	<u>(185,145)</u>	<u>20,885</u>	<u>53,282</u>	<u>(110,978)</u>	<u>(200,113)</u>
<b>Cash flows from capital and related financing activities</b>					
Acquisition of capital assets	-	(48,206)	(90,106)	(138,312)	-
<b>Cash flows from investing activities:</b>					
Investment earnings (loss)	<u>16,073</u>	<u>2,907</u>	<u>1,051</u>	<u>20,031</u>	<u>40,551</u>
Net increase (decrease) in cash and cash equivalents	(169,072)	(24,414)	(35,773)	(229,259)	(159,562)
Cash and cash equivalents - January 1	<u>2,216,504</u>	<u>371,888</u>	<u>125,270</u>	<u>2,713,662</u>	<u>2,873,224</u>
Cash and cash equivalents - December 31	<u>\$ 2,047,432</u>	<u>\$ 347,474</u>	<u>\$ 89,497</u>	<u>\$ 2,484,403</u>	<u>\$ 2,713,662</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (124,439)	\$ (34,494)	\$ 30,806	\$ (128,127)	\$ (316,052)
<b>Adjustments to reconcile operating income (loss) to net cash flows from operating activities:</b>					
Depreciation	-	28,185	21,606	49,791	45,414
Miscellaneous revenue	4,303	5,574	3,180	13,057	12,005
Pension expense	-	7,205	3,395	10,600	-
<b>Changes in assets and liabilities:</b>					
Decrease (increase) in receivables	-	560	-	560	(560)
Decrease (increase) in prepaid items	(34,244)	-	(4,473)	(38,717)	(6,825)
Decrease (increase) in inventory	-	(1,242)	-	(1,242)	(293)
Increase (decrease) in payables	(30,765)	15,097	(1,232)	(16,900)	66,198
Total adjustments	<u>(60,706)</u>	<u>55,379</u>	<u>22,476</u>	<u>17,149</u>	<u>115,939</u>
Net cash flows from operating activities	<u>\$ (185,145)</u>	<u>\$ 20,885</u>	<u>\$ 53,282</u>	<u>\$ (110,978)</u>	<u>\$ (200,113)</u>
<b>Noncash investing, capital and financing activities:</b>					
Capital asset contribution from government	\$ -	\$ -	\$ -	\$ -	\$ 4,080

ECONOMIC DEVELOPMENT AUTHORITY  
COMPONENT UNIT

Established to account for the receipt and use of monies for economic purposes.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES**  
**ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT**  
 December 31, 2015  
 With Comparative Data as of December 31, 2014

**Statement 27**

	Special Revenue	Debt Service	Totals	
			Economic Development Authority Component Unit	
			2015	2014
<b>Assets:</b>				
Cash and investments	\$ -	\$ 389,254	\$ 389,254	\$ 546,654
Interfund receivable	-	176,308	176,308	14,775
Accounts receivable	5,212	-	5,212	4,154
Capital lease receivable from primary government	-	4,805,000	4,805,000	5,085,000
Prepaid items	1,500	-	1,500	2,560
Delinquent property taxes receivable	1,087	-	1,087	1,771
Property held for resale	311,718	-	311,718	311,718
<b>Total assets</b>	<b>\$ 319,517</b>	<b>\$ 5,370,562</b>	<b>\$ 5,690,079</b>	<b>\$ 5,966,632</b>
<b>Liabilities:</b>				
Accounts payable	\$ 17,108	\$ -	\$ 17,108	\$ 36,284
Salaries payable	3,870	-	3,870	8,782
Interfund payable	176,308	-	176,308	14,775
Deposits Payable	3,503	-	3,503	2,666
<b>Total liabilities</b>	<b>200,789</b>	<b>-</b>	<b>200,789</b>	<b>62,507</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	1,087	-	1,087	1,771
<b>Total deferred inflows of resources</b>	<b>1,087</b>	<b>-</b>	<b>1,087</b>	<b>1,771</b>
<b>Fund balance:</b>				
<b>Nonspendable:</b>				
Prepaid items	1,500	-	1,500	2,560
Assets for resale	311,718	-	311,718	311,718
<b>Restricted for:</b>				
Debt service reserve	-	5,370,562	5,370,562	5,646,429
Unassigned	(195,577)	-	(195,577)	(58,353)
<b>Total fund balance</b>	<b>117,641</b>	<b>5,370,562</b>	<b>5,488,203</b>	<b>5,902,354</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 319,517</b>	<b>\$ 5,370,562</b>	<b>\$ 5,690,079</b>	<b>\$ 5,966,632</b>
Fund balance reported above			\$ 5,488,203	
Other long-term assets, including property taxes receivable, are not available to pay for current-period expenditures, and therefore, are deferred in the funds.			1,087	
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.				
Deferred inflows of resources related to pensions			(10,776)	
Deferred outflows of resources related to pensions			15,461	
Long-term liabilities, including bonds payable, compensated absences, net pension liability and other post employment benefits, are not due and payable in the current period and therefore are not reported in the funds.			(4,923,230)	
<b>Net position of component unit (page 33)</b>			<b>\$ 570,745</b>	

**CITY OF COTTAGE GROVE, MINNESOTA**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES  
 ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT  
 For The Year Ended December 31, 2015  
 With Comparative Data for the Year Ended December 31, 2014

**Statement 28**

	Special Revenue	Debt Service	Totals	
			Economic Development Authority Component Unit	
			2015	2014
Revenues:				
General property taxes:				
Current and delinquent	\$ 112,497	\$ -	\$ 112,497	\$ 108,430
Charges for service	30,000	-	30,000	230,000
Investment earnings (loss)	-	4,133	4,133	8,370
Interest on loan to primary government	-	223,293	223,293	234,293
Miscellaneous	102,375	-	102,375	114,200
Total revenues	<u>244,872</u>	<u>227,426</u>	<u>472,298</u>	<u>695,293</u>
Expenditures:				
General government:				
Current:				
Personal services	183,791	-	183,791	216,300
Commodities	12,345	-	12,345	7,013
Contractual services	187,020	-	187,020	182,371
Debt service:				
Principal retirement	-	280,000	280,000	270,000
Interest and fiscal charges	-	223,293	223,293	234,293
Total expenditures	<u>383,156</u>	<u>503,293</u>	<u>886,449</u>	<u>909,977</u>
Revenues over (under) expenditures	(138,284)	(275,867)	(414,151)	(214,684)
Fund balance - January 1	<u>255,925</u>	<u>5,646,429</u>	<u>5,902,354</u>	<u>6,117,038</u>
Fund balance - December 31	<u>\$ 117,641</u>	<u>\$ 5,370,562</u>	<u>\$ 5,488,203</u>	<u>\$ 5,902,354</u>
Net decrease in fund balance reported above			\$ (414,151)	
Revenues in the statement of activities that do not report current financial resources are not reported as revenues in the funds:				
General property taxes unavailable revenue:				
At December 31, 2014			(1,771)	
At December 31, 2015			1,087	
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items:				
Principal repayments			280,000	
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.			(3,637)	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:				
Compensated absences:				
At December 31, 2014			15,955	
At December 31, 2015			(4,624)	
Other post employment benefits:				
At December 31, 2014			700	
At December 31, 2015			(811)	
Change in net position of component unit (page 35)			<u>\$ (127,252)</u>	

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**SUPPLEMENTARY FINANCIAL INFORMATION**

**CITY OF COTTAGE GROVE, MINNESOTA**  
**CONSTRUCTION/ACQUISITION COSTS**  
**CAPITAL PROJECT FUNDS**  
December 31, 2015

Fund No.	Descriptions	Construction/Acquisition Costs		
		Contractor	Engineer	Land Acquisition
500	FUNDED BY CLOSED CONSTRUCTION			
	CP Rail final streets	\$ 162,959	\$ 26,073	\$ -
	Total Fund 500	<u>162,959</u>	<u>26,073</u>	<u>-</u>
515	FUNDED BY PARK IMPROVEMENT			
	Woodridge Park building	<u>269,782</u>	<u>-</u>	<u>-</u>
	Total Fund 515	<u>269,782</u>	<u>-</u>	<u>-</u>
520	FUNDED BY MSA:			
	Ideal Avenue	-	-	-
	Jamaica 70th to Military	-	97,885	-
	70th & Meadow Grass intersection improvements	<u>421,585</u>	<u>51,024</u>	<u>-</u>
	Total Fund 520	<u>421,585</u>	<u>148,909</u>	<u>-</u>
529	FUNDED BY			
	97th and Hemingway Ave.	<u>100,000</u>	<u>-</u>	<u>-</u>
	Total Fund 529	<u>100,000</u>	<u>-</u>	<u>-</u>
	FUNDED BY SPECIAL ASSESSMENT BONDS:			
560	Pavement Management:			
	2014 Pavement Management	1,923,616	251,545	-
	2015 Pavement Management	4,101,946	404,521	-
	97th and Hemingway Ave.	<u>486,232</u>	<u>-</u>	<u>-</u>
	Total Fund 560	<u>6,511,794</u>	<u>656,066</u>	<u>-</u>
	FUNDED BY PARK TRUST FUNDS:			
570	Hamlet Park North	-	27,741	-
	Oak Cove Park	-	-	-
	Trails EastRidge Woods 3rd	-	-	-
	Trails Everwood 4th	-	-	-
	Trunk oversizing EastRidge Woods 3rd	<u>-</u>	<u>-</u>	<u>-</u>
	Total Fund 570	<u>-</u>	<u>27,741</u>	<u>-</u>
	Totals	<u>\$ 7,466,120</u>	<u>\$ 858,789</u>	<u>\$ -</u>
	Less: Completed construction*			
	Work in progress - December 31, 2015			

Construction/Acquisition Costs				Expended	
Legal, Fiscal	ROW/ Easement	Other	Total Costs	2015	Prior Years
\$ -	\$ -	\$ 2,126	\$ 191,158 *	\$ 191,158	\$ -
-	-	2,126	191,158	191,158	-
-	-	35,324	305,106 *	305,106	-
-	-	35,324	305,106	305,106	-
-	-	105,743	105,743 *	-	105,743
-	-	7,008	104,893	-	104,893
-	-	5,230	477,839 *	9,309	468,530
-	-	117,981	688,475	9,309	679,166
-	-	-	100,000 *	100,000	-
-	-	-	100,000	100,000	-
-	-	52,080	2,227,241 *	31,578	2,195,663
-	-	70,399	4,576,866 *	4,576,866	-
-	-	-	486,232 *	486,232	-
-	-	122,479	7,290,339	5,094,676	2,195,663
-	-	-	27,741	-	27,741
-	-	344,618	344,618	-	344,618
-	-	23,510	23,510 *	23,510	-
-	-	23,646	23,646	-	23,646
-	-	73,763	73,763 *	73,763	-
-	-	465,537	493,278	97,273	396,005
\$ -	\$ -	\$ 743,447	\$ 9,068,356	\$ 5,797,522	\$ 2,874,829
			8,567,458		
			\$ 500,898		

**CITY OF COTTAGE GROVE, MINNESOTA**  
**COMBINED SCHEDULE OF BONDED INDEBTEDNESS**  
 December 31, 2015

	<u>Interest Rate</u>	<u>Dated</u>	<u>Final Payment</u>
Primary Government			
General Obligation Bonds:			
\$1,405,000 Tax Increment Bonds of 2004A	3.0-4.65%	7/1/2004	2/1/2024
\$1,405,000 Tax Increment Refunding Bonds of 2014A	2.0-2.50%	5/29/2014	2/1/2021
Total General Obligation Bonds			
Special Assessment Debt:			
Improvement Bonds of 2008A	3.50-3.60%	6/11/2008	2/1/2019
Improvement Bonds of 2009A	2.50-4.30%	4/16/2009	2/1/2024
Improvement Bonds of 2012A	0.30-2.20%	3/13/2012	2/1/2027
Improvement Bonds of 2013A	3.00-3.50%	9/26/2013	2/1/2029
Improvement Bonds of 2015A	2.50-3.00%	5/27/2015	2/1/2031
Total Special Assessment Debt with Governmental Commitment			
Proprietary Fund Bonds:			
Water Revenue Refunding Bonds of 2009B	2.50-4.0%	4/16/2009	2/1/2020
Total Proprietary Fund Bonds			
Total Bonded Indebtedness - Primary Government			
Component Unit - EDA			
\$6,500,000 Ice Arena Lease Rev Bonds of 2008B	4.0%-4.90%	6/11/2008	4/1/2028
Total Component Unit - EDA			
Total Bonded Indebtedness - Reporting Entity			

Exhibit 2

<u>Authorized And Issued</u>	<u>Retired</u>	<u>Outstanding</u>	<u>Principal Due In 2016</u>	<u>Interest Due In 2016</u>
\$ 1,405,000	\$ 345,000	\$ 1,060,000	\$ 35,000	\$ 47,400
1,405,000	170,000	1,235,000	175,000	24,310
<u>2,810,000</u>	<u>515,000</u>	<u>2,295,000</u>	<u>210,000</u>	<u>71,710</u>
3,370,000	2,280,000	1,090,000	255,000	33,978
3,650,000	1,485,000	2,165,000	225,000	81,338
1,865,000	360,000	1,505,000	120,000	22,597
7,345,000	320,000	7,025,000	410,000	212,265
5,700,000	-	5,700,000	-	191,901
<u>21,930,000</u>	<u>4,445,000</u>	<u>17,485,000</u>	<u>1,010,000</u>	<u>542,079</u>
1,205,000	605,000	600,000	600,000	11,288
<u>1,205,000</u>	<u>605,000</u>	<u>600,000</u>	<u>600,000</u>	<u>11,288</u>
<u>25,945,000</u>	<u>5,565,000</u>	<u>20,380,000</u>	<u>1,820,000</u>	<u>625,077</u>
6,500,000	1,695,000	4,805,000	290,000	211,892
<u>6,500,000</u>	<u>1,695,000</u>	<u>4,805,000</u>	<u>290,000</u>	<u>211,892</u>
<u>\$ 32,445,000</u>	<u>\$ 7,260,000</u>	<u>\$ 25,185,000</u>	<u>\$ 2,110,000</u>	<u>\$ 836,969</u>

	Primary Government											
	General Obligation Bonds				Special Assessment Bonds							
	Tax Increment				Pavement Management		Developer Financed					
	\$1,405,000 Tax Increment Bonds of 2004A	\$1,405,000 Tax Increment Refunding Bonds of 2014A	Total Tax Increment Bonds	Total General Obligation Bonds	\$ 3,650,000 Bonds of 2009A	\$ 1,865,000 Bonds of 2012A	\$ 7,345,000 Bonds of 2013A	\$ 5,700,000 Bonds of 2015A	Total Pavement Management Bonds	\$ 3,370,000 Bonds of 2008A	Total Developer Financed Bonds	Total Special Assessment Bonds
Bonds payable	\$ 1,060,000	\$ 1,235,000	\$ 2,295,000	\$ 2,295,000	\$ 2,165,000	\$ 1,505,000	\$ 7,025,000	\$ 5,700,000	\$16,395,000	\$ 1,090,000	\$ 1,090,000	\$ 17,485,000
Future interest payable	319,065	84,170	403,235	403,235	407,728	163,856	1,673,497	1,424,116	3,669,197	79,416	79,416	3,748,613
Totals	<u>\$ 1,379,065</u>	<u>\$ 1,319,170</u>	<u>\$ 2,698,235</u>	<u>\$ 2,698,235</u>	<u>\$ 2,572,728</u>	<u>\$ 1,668,856</u>	<u>\$ 8,698,497</u>	<u>\$ 7,124,116</u>	<u>\$ 20,064,197</u>	<u>\$ 1,169,416</u>	<u>\$ 1,169,416</u>	<u>\$ 21,233,613</u>
Payments to maturity:												
2016	82,400	199,310	281,710	281,710	306,338	142,596	622,266	191,901	1,263,101	288,978	288,978	1,552,079
2017	80,860	210,660	291,520	291,520	303,375	141,818	624,740	497,835	1,567,768	289,878	289,878	1,857,646
2018	79,320	221,710	301,030	301,030	295,037	140,858	621,840	492,560	1,550,295	295,340	295,340	1,845,635
2019	77,780	237,410	315,190	315,190	291,025	144,599	623,565	492,060	1,551,249	295,220	295,220	1,846,469
2020	76,240	247,580	323,820	323,820	286,525	148,002	624,840	481,410	1,540,777	-	-	1,540,777
2021	104,040	202,500	306,540	306,540	281,825	146,118	620,740	480,610	1,529,293	-	-	1,529,293
2022	286,872	-	286,872	286,872	276,800	144,005	621,265	474,585	1,516,655	-	-	1,516,655
2023	294,810	-	294,810	294,810	271,320	146,685	621,340	473,335	1,512,680	-	-	1,512,680
2024	296,743	-	296,743	296,743	260,483	149,070	620,965	461,935	1,492,453	-	-	1,492,453
2025	-	-	-	-	-	146,200	620,140	460,385	1,226,725	-	-	1,226,725
2026	-	-	-	-	-	148,135	618,590	459,535	1,226,260	-	-	1,226,260
2027	-	-	-	-	-	70,770	620,944	449,535	1,141,249	-	-	1,141,249
2028	-	-	-	-	-	-	616,587	443,966	1,060,553	-	-	1,060,553
2029	-	-	-	-	-	-	620,675	442,691	1,063,366	-	-	1,063,366
2030	-	-	-	-	-	-	-	431,383	431,383	-	-	431,383
2031	-	-	-	-	-	-	-	390,390	390,390	-	-	390,390
Totals	<u>\$ 1,379,065</u>	<u>\$ 1,319,170</u>	<u>\$ 2,698,235</u>	<u>\$ 2,698,235</u>	<u>\$ 2,572,728</u>	<u>\$ 1,668,856</u>	<u>\$ 8,698,497</u>	<u>\$ 7,124,116</u>	<u>\$ 20,064,197</u>	<u>\$ 1,169,416</u>	<u>\$ 1,169,416</u>	<u>\$ 21,233,613</u>

	Primary Government (continued)			Component Unit		
	Proprietary Funds			Revenue Bonds		
	Water/Sewer					
	\$1,205,000				\$6,500,000	
	Water	Total	Total	Total	EDA	Total
	Revenue	Water/Sewer	Revenue	Debt	Ice Arena	Debt
	Refunding	Bonds	Bonds	Service	Lease Purchase	Service
	Bonds			Primary	Revenue	Reporting
	of 2009B	Bonds	Bonds	Government	of 2008B	Entity
Bonds payable	\$ 600,000	\$ 600,000	\$ 600,000	\$ 20,380,000	\$ 4,805,000	\$ 25,185,000
Future interest payable	60,112	60,112	60,112	4,211,960	1,592,140	5,804,100
Totals	<u>\$ 660,112</u>	<u>\$ 660,112</u>	<u>\$ 660,112</u>	<u>\$ 24,591,960</u>	<u>\$ 6,397,140</u>	<u>\$ 30,989,100</u>
Payments to maturity:						
2016	130,650	130,650	130,650	1,964,439	501,892	2,466,331
2017	131,712	131,712	131,712	2,280,878	499,942	2,780,820
2018	132,450	132,450	132,450	2,279,115	497,360	2,776,475
2019	132,700	132,700	132,700	2,294,359	494,288	2,788,647
2020	132,600	132,600	132,600	1,997,197	495,697	2,492,894
2021	-	-	-	1,835,833	495,871	2,331,704
2022	-	-	-	1,803,527	494,601	2,298,128
2023	-	-	-	1,807,490	492,370	2,299,860
2024	-	-	-	1,789,196	489,252	2,278,448
2025	-	-	-	1,226,725	485,233	1,711,958
2026	-	-	-	1,226,260	485,176	1,711,436
2027	-	-	-	1,141,249	483,943	1,625,192
2028	-	-	-	1,060,553	481,515	1,542,068
2029	-	-	-	1,063,366	-	1,063,366
2030	-	-	-	431,383	-	431,383
2031	-	-	-	390,390	-	390,390
Totals	<u>\$ 660,112</u>	<u>\$ 660,112</u>	<u>\$ 660,112</u>	<u>\$ 24,591,960</u>	<u>\$ 6,397,140</u>	<u>\$ 30,989,100</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**DEFERRED TAX LEVIES**  
 December 31, 2015

**Exhibit 4**

Year of Tax Levy/ Collection	Pavement Management Special Assessment Bonds					Total Pavement Management Special Assessment Bonds	Total All Levies
	\$3,650,000 Local Improvement Bonds of 2009A	\$1,865,000 Local Improvement Bonds of 2012A	\$7,345,000 Local Improvement Bonds of 2013A	\$5,700,000 Local Improvement Bonds of 2015A			
2015/16	177,461	79,622	413,776	318,517	989,376	989,376	
2016/17	175,529	78,739	410,888	318,114	983,270	983,270	
2017/18	178,243	82,855	412,936	322,804	996,838	996,838	
2018/19	180,144	86,596	414,511	316,679	997,930	997,930	
2019/20	181,834	84,753	410,363	321,054	998,004	998,004	
2020/21	183,314	82,638	411,150	319,863	996,965	996,965	
2021/22	184,322	85,567	411,466	323,765	1,005,120	1,005,120	
2022/23	179,596	88,266	411,308	316,853	996,023	996,023	
2023/24	-	85,326	410,678	320,440	816,444	816,444	
2024/25	-	87,489	409,576	323,712	820,777	820,777	
2025/26	-	42,424	412,673	318,269	773,366	773,366	
2026/27	-	-	409,271	318,076	727,347	727,347	
2027/28	-	-	414,022	321,939	735,961	735,961	
2028/29	-	-	-	315,014	315,014	315,014	
2029/30	-	-	-	328,911	328,911	328,911	
	<u>\$ 1,440,443</u>	<u>\$ 884,275</u>	<u>\$ 5,352,618</u>	<u>\$ 4,804,010</u>	<u>\$ 12,481,346</u>	<u>\$ 12,481,346</u>	

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**PAVEMENT MANAGEMENT DEBT SERVICE SCHEDULE**  
December 31, 2015  
With Comparative Data as of December 31, 2014

**Exhibit 5**

	2009A Improvement Bonds	2009C Improvement Bonds	2012A Improvement Bonds	2013A Improvement Bonds	2015A Improvement Bonds	Totals	
						Pavement Management Debt Service Schedule	
						2015	2014
<b>Assets:</b>							
Cash and investments	\$ 524,384	\$ -	\$ 355,462	\$ 1,025,167	\$ 643,439	\$ 2,548,452	\$ 1,330,774
Interfund receivable	-	-	-	-	-	-	598,445
Delinquent property taxes receivable	1,729	-	760	2,167	-	4,656	6,233
Special assessments receivable:							
Deferred	579,578	-	329,145	1,373,530	1,862,895	4,145,148	2,598,474
Delinquent	2,457	-	1,017	2,201	729	6,404	5,584
Special deferred	3,250	-	7,196	8,704	9,060	28,210	18,842
Total assets	<u>\$ 1,111,398</u>	<u>\$ -</u>	<u>\$ 693,580</u>	<u>\$ 2,411,769</u>	<u>\$ 2,516,123</u>	<u>\$ 6,732,870</u>	<u>\$ 4,558,352</u>
<b>Liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,975
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,975</u>
<b>Deferred inflows of resources:</b>							
Unavailable revenue - property taxes	1,729	-	760	2,167	-	4,656	6,233
Unavailable revenue - special assessments	585,285	-	337,358	1,384,435	1,872,684	4,179,762	2,622,900
Total deferred inflows of resources	<u>587,014</u>	<u>-</u>	<u>338,118</u>	<u>1,386,602</u>	<u>1,872,684</u>	<u>4,184,418</u>	<u>2,629,133</u>
<b>Fund balance:</b>							
Restricted for debt retirement	524,384	-	355,462	1,025,167	643,439	2,548,452	1,923,244
Total fund balance	<u>524,384</u>	<u>-</u>	<u>355,462</u>	<u>1,025,167</u>	<u>643,439</u>	<u>2,548,452</u>	<u>1,923,244</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 1,111,398</u>	<u>\$ -</u>	<u>\$ 693,580</u>	<u>\$ 2,411,769</u>	<u>\$ 2,516,123</u>	<u>\$ 6,732,870</u>	<u>\$ 4,558,352</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**PAVEMENT MANAGEMENT DEBT SERVICE SCHEDULE**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Exhibit 6**

	2009A Improvement Bonds	2009C Improvement Bonds	2012A Improvement Bonds	2013A Improvement Bonds	2015A Improvement Bonds	Totals	
						Pavement Management Debt Service Schedule	
						2015	2014
Revenues:							
General property taxes:							
Current and delinquent	\$ 176,651	\$ 1,267	\$ 81,122	\$ 328,885	\$ -	\$ 587,925	\$ 585,364
Special assessments:							
Current	119,989	16,659	58,820	175,528	592,212	963,208	422,386
Delinquent	1,573	239	-	1,479	-	3,291	2,282
Prepayments on deferred	15,862	-	14,616	53,053	51,944	135,475	123,932
Penalties	585	61	29	212	102	989	703
Investment earnings (loss)	2,814	434	2,088	5,973	(819)	10,490	22,082
Total revenues	<u>317,474</u>	<u>18,660</u>	<u>156,675</u>	<u>565,130</u>	<u>643,439</u>	<u>1,701,378</u>	<u>1,156,749</u>
Expenditures:							
Current:							
Contractual services	2,059	1,291	1,225	6,887	-	11,462	11,288
Debt service:							
Principal retirement	225,000	205,000	120,000	320,000	-	870,000	550,000
Interest and fiscal charges	88,650	6,150	23,258	223,215	-	341,273	324,165
Total expenditures	<u>315,709</u>	<u>212,441</u>	<u>144,483</u>	<u>550,102</u>	<u>-</u>	<u>1,222,735</u>	<u>885,453</u>
Revenues over (under) expenditures	1,765	(193,781)	12,192	15,028	643,439	478,643	271,296
Other financing sources (uses):							
Transfer from Debt Service Fund	-	146,565	-	-	-	146,565	-
Total other financing sources (uses)	<u>-</u>	<u>146,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,565</u>	<u>-</u>
Net increase (decrease) in fund balance	1,765	(47,216)	12,192	15,028	643,439	625,208	271,296
Fund balance - January 1	522,619	47,216	343,270	1,010,139	-	1,923,244	1,651,948
Fund balance - December 31	<u>\$ 524,384</u>	<u>\$ -</u>	<u>\$ 355,462</u>	<u>\$ 1,025,167</u>	<u>\$ 643,439</u>	<u>\$ 2,548,452</u>	<u>\$ 1,923,244</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**TAX INCREMENT CONSTRUCTION REVOLVING SCHEDULE**  
December 31, 2015  
With Comparative Data as of December 31, 2014

**Exhibit 7**

	TIF 1-8	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-16	Reconciliation to Nonmajor Fund	TIF Revolving Capital Project Schedule	
							2015	2014
<b>Assets:</b>								
Cash and investments	\$ 403,641	\$ 1,453,048	\$ 1,080	\$ -	\$ -	\$ -	\$ 1,857,769	\$ 1,336,659
<b>Total assets</b>	<u>\$ 403,641</u>	<u>\$ 1,453,048</u>	<u>\$ 1,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857,769</u>	<u>\$ 1,336,659</u>
<b>Liabilities:</b>								
Accounts payable	\$ -	\$ 52,661	\$ -	\$ 161	\$ 8,000	\$ -	\$ 60,822	\$ -
Interfund loan payable	-	-	296,000	437,863	27,895	-	761,758	350,000
<b>Total liabilities</b>	<u>-</u>	<u>52,661</u>	<u>296,000</u>	<u>438,024</u>	<u>35,895</u>	<u>-</u>	<u>822,580</u>	<u>350,000</u>
<b>Fund balance (deficit):</b>								
Restricted for:								
Tax increment purposes	403,641	1,400,387	-	-	-	(768,839)	1,035,189	986,659
Unassigned	-	-	(294,920)	(438,024)	(35,895)	768,839	-	-
<b>Total fund balance (deficit)</b>	<u>403,641</u>	<u>1,400,387</u>	<u>(294,920)</u>	<u>(438,024)</u>	<u>(35,895)</u>	<u>-</u>	<u>1,035,189</u>	<u>986,659</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 403,641</u>	<u>\$ 1,453,048</u>	<u>\$ 1,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857,769</u>	<u>\$ 1,336,659</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TAX INCREMENT CONSTRUCTION REVOLVING SCHEDULE**  
For The Year Ended December 31, 2015  
With Comparative Data for the Year Ended December 31, 2014

**Exhibit 8**

	TIF 1-8	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-16	Totals	
						TIF Revolving Capital Project Schedule	
						2015	2014
<b>Revenues:</b>							
Tax increment collections	\$ 32,090	\$ 599,845	\$ 78,606	\$ -	\$ -	\$ 710,541	\$ 723,304
Investment earnings (loss)	2,721	7,341	17	-	-	10,079	14,354
Sale of Property	-	-	-	469,454	-	469,454	-
Miscellaneous	-	-	-	-	-	-	1,561
Total revenues	<u>34,811</u>	<u>607,186</u>	<u>78,623</u>	<u>469,454</u>	<u>-</u>	<u>1,190,074</u>	<u>739,219</u>
<b>Expenditures:</b>							
Current:							
Contractual services	263	173,266	342	82,530	35,895	292,296	222,690
Land purchase				724,948	-	724,948	-
Construction costs:							
Contractual services				100,000		100,000	-
Debt service:							
Interest and fiscal charges	-	-	24,300	-	-	24,300	24,300
Total expenditures	<u>263</u>	<u>173,266</u>	<u>24,642</u>	<u>907,478</u>	<u>35,895</u>	<u>1,141,544</u>	<u>246,990</u>
Revenues over (under) expenditures	34,548	433,920	53,981	(438,024)	(35,895)	48,530	492,229
Fund balance (deficit) - January 1	<u>369,093</u>	<u>966,467</u>	<u>(348,901)</u>	<u>-</u>	<u>-</u>	<u>986,659</u>	<u>494,430</u>
Fund balance (deficit) - December 31	<u>\$ 403,641</u>	<u>\$ 1,400,387</u>	<u>\$ (294,920)</u>	<u>\$ (438,024)</u>	<u>\$ (35,895)</u>	<u>\$ 1,035,189</u>	<u>\$ 986,659</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING BALANCE SHEET**  
**TIF DEBT SERVICE REVOLVING SCHEDULE**  
December 31, 2015  
With Comparative Data as of December 31, 2014

**Exhibit 9**

	1985 Tax Increment Bonds TIF 1-1	2004A Tax Increment Refunding Bonds TIF 1-3	2004A Tax Exempt Increment Bonds TIF 1-12	2014A Taxable Tax Increment Refunding Bonds TIF 1-12	Totals	
					TIF Debt Service Revolving Schedule	
					2015	2014
Assets:						
Cash and investments	\$ 355,780	\$ 563,871	\$ 22,125	\$ 65,186	\$ 1,006,962	\$ 1,285,837
Total assets	<u>\$ 355,780</u>	<u>\$ 563,871</u>	<u>\$ 22,125</u>	<u>\$ 65,186</u>	<u>\$ 1,006,962</u>	<u>\$ 1,285,837</u>
Fund balance:						
Restricted for tax increment purposes	\$ 355,780	\$ 563,871	\$ 22,125	\$ 65,186	\$ 1,006,962	\$ 1,285,837
Total fund balance	<u>355,780</u>	<u>563,871</u>	<u>22,125</u>	<u>65,186</u>	<u>1,006,962</u>	<u>1,285,837</u>
Total fund balance	<u>\$ 355,780</u>	<u>\$ 563,871</u>	<u>\$ 22,125</u>	<u>\$ 65,186</u>	<u>\$ 1,006,962</u>	<u>\$ 1,285,837</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**SUBCOMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**  
**TIF DEBT SERVICE REVOLVING SCHEDULE**

**Exhibit 10**

For The Year Ended December 31, 2015

With Comparative Data for the Year Ended December 31, 2014

	1985 Tax	2004A Tax	2004A	2014A Taxable	Totals	
	Increment	Increment	Tax Exempt	Tax Increment	TIF Debt Service	
	Bonds	Refunding	Increment	Refunding	Revolving Schedule	
	TIF 1-1	TIF 1-3	TIF 1-12	TIF 1-12	2015	2014
Revenues:						
Investment earnings (loss)	\$ 2,600	\$ 4,121	\$ 544	\$ 1,964	\$ 9,229	\$ 19,580
Total revenues	<u>2,600</u>	<u>4,121</u>	<u>544</u>	<u>1,964</u>	<u>9,229</u>	<u>19,580</u>
Expenditures:						
Current:						
Contractual services	-	-	475	925	1,400	2,835
Debt service:						
Principal retirement	-	-	35,000	170,000	205,000	1,505,000
Interest and fiscal charges	-	-	48,870	32,834	81,704	157,571
Total expenditures	<u>-</u>	<u>-</u>	<u>84,345</u>	<u>203,759</u>	<u>288,104</u>	<u>1,665,406</u>
Revenues over (under) expenditures	2,600	4,121	(83,801)	(201,795)	(278,875)	(1,645,826)
Other financing sources (uses):						
Bonds issued	-	-	-	-	-	1,405,000
Premium on debt issued	-	-	-	-	-	18,461
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423,461</u>
Net increase (decrease) in fund balance	2,600	4,121	(83,801)	(201,795)	(278,875)	(222,365)
Fund balance - January 1	<u>353,180</u>	<u>559,750</u>	<u>105,926</u>	<u>266,981</u>	<u>1,285,837</u>	<u>1,508,202</u>
Fund balance - December 31	<u>\$ 355,780</u>	<u>\$ 563,871</u>	<u>\$ 22,125</u>	<u>\$ 65,186</u>	<u>\$ 1,006,962</u>	<u>\$ 1,285,837</u>

### **III. STATISTICAL SECTION (UNAUDITED)**

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**CITY OF COTTAGE GROVE, MINNESOTA**  
**NET POSITION BY COMPONENT**  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

**Table 1**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Net investment in capital assets	\$ 83,873,878	\$ 95,076,747	\$ 94,590,013	\$ 92,735,500	\$ 94,794,079	\$ 109,696,916	\$ 120,412,875	\$ 124,156,059	\$ 127,260,042	\$ 125,562,970
Restricted	6,187,415	6,415,232	7,828,338	8,158,356	5,841,563	4,282,305	4,210,913	7,187,948	6,971,432	8,766,706
Unrestricted	36,601,374	36,519,388	39,209,995	42,928,157	45,412,895	34,625,010	25,024,447	25,908,617	28,277,397	24,285,174
<b>Total governmental activities net position</b>	<b>\$ 126,662,667</b>	<b>\$ 138,011,367</b>	<b>\$ 141,628,346</b>	<b>\$ 143,822,013</b>	<b>\$ 146,048,537</b>	<b>\$ 148,604,231</b>	<b>\$ 149,648,235</b>	<b>\$ 157,252,624</b>	<b>\$ 162,508,871</b>	<b>\$ 158,614,850</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 44,968,098	\$ 49,645,870	\$ 53,367,475	\$ 54,106,504	\$ 53,870,041	\$ 53,664,161	\$ 53,225,445	\$ 51,453,195	\$ 54,432,059	\$ 54,202,710
Restricted	258,170	260,365	262,375	269,195	325,685	325,460	-	-	-	-
Unrestricted	9,133,446	10,007,818	10,922,468	12,283,780	12,829,661	13,236,680	14,645,490	16,792,024	15,896,363	13,980,970
<b>Total business-type activities net position</b>	<b>\$ 54,359,714</b>	<b>\$ 59,914,053</b>	<b>\$ 64,552,318</b>	<b>\$ 66,659,479</b>	<b>\$ 67,025,387</b>	<b>\$ 67,226,301</b>	<b>\$ 67,870,935</b>	<b>\$ 68,245,219</b>	<b>\$ 70,328,422</b>	<b>\$ 68,183,680</b>
<b>Primary Government</b>										
Net investment in capital assets	\$ 128,841,976	\$ 144,722,617	\$ 147,957,488	\$ 146,842,004	\$ 148,664,120	\$ 163,361,077	\$ 173,638,320	\$ 175,609,254	\$ 181,692,101	\$ 179,765,680
Restricted	6,445,585	6,675,597	8,090,713	8,427,551	6,167,248	4,607,765	4,210,913	7,187,948	6,971,432	8,766,706
Unrestricted	45,734,820	46,527,206	50,132,463	55,211,937	58,242,556	47,861,690	39,669,937	42,700,641	44,173,760	38,266,144
<b>Total primary government net position</b>	<b>\$ 181,022,381</b>	<b>\$ 197,925,420</b>	<b>\$ 206,180,664</b>	<b>\$ 210,481,492</b>	<b>\$ 213,073,924</b>	<b>\$ 215,830,532</b>	<b>\$ 217,519,170</b>	<b>\$ 225,497,843</b>	<b>\$ 232,837,293</b>	<b>\$ 226,798,530</b>

CITY OF COTTAGE GROVE, MINNESOTA  
 CHANGES IN NET POSITION  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Table 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government										
Regular operations	\$ 1,830,072	\$ 1,907,725	\$ 2,155,101	\$ 1,868,582	\$ 2,125,407	\$ 2,985,571	\$ 2,997,825	\$ 2,270,332	\$ 2,229,518	\$ 2,331,648 (1)
Land Sales	706,602	2,273,696	-	-	-	-	-	-	-	-
Payment to component unit	-	-	678,880	-	-	-	-	-	-	-
Community development	753,185	803,916	893,468	1,106,256	1,140,456	-	-	903,180	946,001	1,086,197 (1)
Economic development	-	-	-	-	-	1,110,214	362,009	61,302	545,646	1,460,114
Public safety	5,437,971	5,475,440	5,705,153	5,724,450	5,888,224	6,252,530	7,069,301	6,949,225	7,212,998	7,662,393
Public works:										
Regular operations	2,817,872	2,855,163	3,197,111	3,267,455	3,364,115	3,805,839	4,074,995	4,128,694	4,627,829	4,713,100
Construction	2,618,123	2,066,692	2,188,158	2,384,980	2,547,078	2,882,276	2,534,116	3,992,536	2,971,353	2,712,945
Culture and recreation	2,432,041	2,417,221	2,604,623	2,674,781	2,992,620	2,948,075	3,059,273	4,768,181	5,119,093	5,153,844 (2)
Interest on long-term debt	1,188,586	1,278,801	1,163,542	1,548,704	1,056,110	846,258	827,645	976,891	808,642	1,029,228
Total governmental activities expenses	<u>17,784,452</u>	<u>19,078,654</u>	<u>18,586,036</u>	<u>18,575,208</u>	<u>19,114,010</u>	<u>20,830,763</u>	<u>20,925,164</u>	<u>24,050,341</u>	<u>24,461,080</u>	<u>26,149,469</u>
Business-type activities:										
Golf course	1,640,032	1,616,541	1,617,708	1,553,921	1,447,849	1,504,006	1,614,321	-	-	- (2)
Street lights	566,300	567,966	459,314	508,615	534,206	625,312	659,869	742,410	867,690	746,794
Cottage Grove EMS	1,029,482	951,159	768,240	920,991	975,560	1,038,972	1,109,809	1,322,635	1,412,855	1,507,766
Water operating	2,195,558	2,488,110	2,097,071	1,801,070	1,891,752	1,901,985	2,049,877	2,341,555	2,216,819	2,438,166
Sewer operating	1,892,487	1,806,750	1,953,985	2,079,127	2,150,795	2,223,749	2,242,778	2,278,958	2,428,944	2,448,283
Total business-type activities	<u>7,323,859</u>	<u>7,430,526</u>	<u>6,896,318</u>	<u>6,863,724</u>	<u>7,000,162</u>	<u>7,294,024</u>	<u>7,676,654</u>	<u>6,685,558</u>	<u>6,926,308</u>	<u>7,141,009</u>
Total primary government expenses	<u>\$ 25,108,311</u>	<u>\$ 26,509,180</u>	<u>\$ 25,482,354</u>	<u>\$ 25,438,932</u>	<u>\$ 26,114,172</u>	<u>\$ 28,124,787</u>	<u>\$ 28,601,818</u>	<u>\$30,735,899</u>	<u>\$ 31,387,388</u>	<u>\$ 33,290,478</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government:										
Regular operations	\$ 1,204,709	\$ 324,315	\$ 288,502	\$ 246,027	\$ 224,719	\$ 764,185	\$ 883,272	\$ 238,721	\$ 138,768	\$ 117,636 (1)
Land sales	1,095,357	2,265,963	-	-	-	-	-	-	-	-
Community development	1,063,113	884,977	959,800	852,453	944,278	-	-	1,115,203	989,140	1,527,836 (1)
Economic development	-	-	-	-	-	175	210	7,626	1,771	3,467
Public safety	383,067	372,491	363,046	391,593	396,887	444,039	429,646	353,130	325,368	394,574
Public works:										
Regular operations	803,783	748,267	818,692	720,397	710,341	845,315	880,095	797,432	1,010,695	971,599
Construction	88,919	130,073	237	17,273	-	-	-	-	-	-
Culture and recreation	575,110	616,602	779,941	980,003	1,178,977	1,024,516	1,026,685	2,413,744	2,448,968	3,091,072 (2)
Operating grants and contributions	1,114,928	1,216,184	1,252,052	1,192,559	1,210,249	1,084,928	1,075,529	1,211,506	1,545,268	1,237,805
Capital grants and contributions	13,034,878	12,787,794	6,156,916	2,941,206	2,464,782	5,118,546	3,064,292	10,370,972	9,401,775	5,861,631
Total governmental activities program revenues	<u>19,363,864</u>	<u>19,346,666</u>	<u>10,619,186</u>	<u>7,341,511</u>	<u>7,130,233</u>	<u>9,281,704</u>	<u>7,359,729</u>	<u>16,508,334</u>	<u>15,861,753</u>	<u>13,205,620</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues (continued)										
Business-type activities:										
Charges for services:										
Golf course	1,603,992	1,645,832	1,557,213	1,563,399	1,583,098	1,399,204	1,566,035	-	-	- (2)
Street lights	660,503	915,074	691,384	596,703	494,162	532,607	540,696	580,837	658,810	549,005
Cottage Grove EMS	1,040,474	1,158,397	876,762	1,130,948	1,068,953	1,114,226	1,528,756	1,569,017	1,626,320	1,431,007
Water operating	2,351,884	2,602,123	2,543,433	2,428,738	2,161,076	2,249,926	2,773,937	2,369,570	1,868,942	1,840,088
Sewer operating	1,831,643	1,859,889	1,933,680	1,939,912	2,202,013	2,208,014	2,207,363	2,175,479	2,151,756	2,310,624
Capital grants and contributions	-	-	-	-	165,266	267,465	-	1,051,532	1,783,762	361,762
Total business-type activities program revenues	7,488,496	8,181,315	7,602,472	7,659,700	7,674,568	7,771,442	8,616,787	7,746,435	8,089,590	6,492,486
Total primary government program revenues	<u>\$ 26,852,360</u>	<u>\$ 27,527,981</u>	<u>\$ 18,221,658</u>	<u>\$ 15,001,211</u>	<u>\$ 14,804,801</u>	<u>\$ 17,053,146</u>	<u>\$ 15,976,516</u>	<u>\$24,254,769</u>	<u>\$ 23,951,343</u>	<u>\$ 19,698,106</u>
Net (Expense)/Revenue										
Governmental activities	\$ 1,579,412	\$ 268,012	\$ (7,966,850)	\$ (11,233,697)	\$ (11,983,777)	\$ (11,549,059)	\$ (13,565,435)	\$ (7,542,007)	\$ (8,599,327)	\$ (12,943,849)
Business-type activities	164,637	750,789	706,154	795,976	674,406	477,418	940,133	1,060,877	1,163,282	(648,523)
Total primary government net expense	<u>\$ 1,744,049</u>	<u>\$ 1,018,801</u>	<u>\$ (7,260,696)</u>	<u>\$ (10,437,721)</u>	<u>\$ (11,309,371)</u>	<u>\$ (11,071,641)</u>	<u>\$ (12,625,302)</u>	<u>\$ (6,481,130)</u>	<u>\$ (7,436,045)</u>	<u>\$ (13,592,372)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 10,462,633	\$ 11,113,215	\$ 11,535,320	\$ 11,808,510	\$ 11,427,029	\$ 11,494,758	\$ 12,330,135	\$12,096,046	\$ 12,616,267	\$ 13,394,585
Franchise taxes	325,414	390,901	396,173	399,588	517,391	535,188	537,682	540,767	542,689	526,643
Aggregate taxes	12,879	9,494	13,489	24,234	30,554	26,131	26,180	26,135	26,236	37,133
Tax increment collections	770,857	904,836	909,434	1,123,774	1,253,414	946,603	892,438	939,314	711,628	710,541
Grants and contributions not restricted to specific programs	714,891	637,663	324,378	202,751	27,050	26,146	29,742	29,060	83,682	99,137
Unrestricted investment earnings (loss)	1,697,138	2,316,104	1,864,048	998,846	502,721	624,785	368,821	(149,614)	551,910	357,170
Gain on sale of capital assets	22,278	20,634	-	4,227	23,872	12,342	10,546	3,997	43,904	(15,157)
Other	-	-	-	-	-	-	-	-	-	-
Transfers	(2,583,801)	(4,312,159)	(3,459,013)	(1,134,566)	428,270	438,800	413,895	375,266	(720,742)	613,878
Special item-golf course loan forgiveness	-	-	-	-	-	-	-	1,020,000	-	-
Total governmental activities	<u>11,422,289</u>	<u>11,080,688</u>	<u>11,583,829</u>	<u>13,427,364</u>	<u>14,210,301</u>	<u>14,104,753</u>	<u>14,609,439</u>	<u>14,880,971</u>	<u>13,855,574</u>	<u>15,723,930</u>
Business-type activities:										
Unrestricted investment earnings (loss)	347,410	491,391	473,098	176,619	119,772	162,296	118,396	(45,902)	199,179	137,896
Other	-	-	-	-	-	-	-	-	-	-
Transfers	2,583,801	4,312,159	3,459,013	1,134,566	(428,270)	(438,800)	(413,895)	(375,266)	720,742	(613,878)
Total business-type activities	<u>2,931,211</u>	<u>4,803,550</u>	<u>3,932,111</u>	<u>1,311,185</u>	<u>(308,498)</u>	<u>(276,504)</u>	<u>(295,499)</u>	<u>(421,168)</u>	<u>919,921</u>	<u>(475,982)</u>
Total primary government	<u>\$ 14,353,500</u>	<u>\$ 15,884,238</u>	<u>\$ 15,515,940</u>	<u>\$ 14,738,549</u>	<u>\$ 13,901,803</u>	<u>\$ 13,828,249</u>	<u>\$ 14,313,940</u>	<u>\$14,459,803</u>	<u>\$ 14,775,495</u>	<u>\$ 15,247,948</u>
Change in Net Position										
Governmental activities	\$ 13,001,701	\$ 11,348,700	\$ 3,616,979	\$ 2,193,667	\$ 2,226,524	\$ 2,555,694	\$ 1,044,004	\$ 7,338,964	\$ 5,256,247	\$ 2,780,081
Business-type activities	3,095,848	5,554,339	4,638,265	2,107,161	365,908	200,914	644,634	639,709	2,083,203	(1,124,505)
Total primary government	<u>\$ 16,097,549</u>	<u>\$ 16,903,039</u>	<u>\$ 8,255,244</u>	<u>\$ 4,300,828</u>	<u>\$ 2,592,432</u>	<u>\$ 2,756,608</u>	<u>\$ 1,688,638</u>	<u>\$ 7,978,673</u>	<u>\$ 7,339,450</u>	<u>\$ 1,655,576</u>

Notes: (1) Community Development is in General Government in 2010, & 2011.

(2) Golf Course reclassified to a special revenue fund in 2013.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

**Table 3**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$ 12,657	\$ 7,326	\$ 8,060	\$ 35,038	\$ 33,905	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,838,924	8,382,550	8,817,737	9,096,547	9,105,235	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	24,382	5,764	13,175	18,019	15,383
Assigned	-	-	-	-	-	1,611,427	1,695,203	1,443,243	1,380,698	1,408,357
Unassigned	-	-	-	-	-	7,178,108	7,449,565	7,775,548	8,113,424	8,829,697
Total general fund	<u>\$ 7,851,581</u>	<u>\$ 8,389,876</u>	<u>\$ 8,825,797</u>	<u>\$ 9,131,585</u>	<u>\$ 9,139,140</u>	<u>\$ 8,813,917</u>	<u>\$ 9,150,532</u>	<u>\$ 9,231,966</u>	<u>\$ 9,512,141</u>	<u>\$ 10,253,437</u>
All other Governmental Funds										
Reserved reported in:										
Special Revenue Funds	\$ 325	\$ 1,475	\$ 1,225,825	\$ 1,076,850	\$ 1,273	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service Funds	9,533,463	8,735,656	9,587,587	6,076,380	8,716,563	-	-	-	-	-
Capital Projects Funds	2,410,045	2,323,835	3,122,128	500,000	267,498	-	-	-	-	-
Unreserved reported in:										
Special Revenue Funds	5,502,814	5,876,378	5,494,321	6,058,259	6,366,077	-	-	-	-	-
Debt Service Funds	1,474,889	3,016,733	1,658,843	4,071,740	4,726,677	-	-	-	-	-
Capital Projects Funds	5,475,815	4,969,486	5,945,984	14,827,707	14,244,338	-	-	-	-	-
Nonspendable:										
Prepaid items	-	-	-	-	-	938	938	10,229	8,529	7,343
Inventory	-	-	-	-	-	-	-	31,617	24,434	20,696
Restricted	-	-	-	-	-	3,445,145	2,997,220	4,347,850	4,478,812	4,857,365
Committed	-	-	-	-	-	833,500	560,321	416,027	329,841	394,204
Assigned	-	-	-	-	-	21,540,577	20,240,161	22,936,733	25,591,181	26,322,717
Unassigned	-	-	-	-	-	(2,174,299)	(9,521,907)	(10,379,965)	(10,958,389)	(9,122,473)
Total all other governmental funds	<u>\$ 24,397,351</u>	<u>\$ 24,923,563</u>	<u>\$ 27,034,688</u>	<u>\$ 32,610,936</u>	<u>\$ 34,322,426</u>	<u>\$ 23,645,861</u>	<u>\$ 14,276,733</u>	<u>\$ 17,362,491</u>	<u>\$ 19,474,408</u>	<u>\$ 22,479,852</u>
Total all funds	<u>\$ 32,248,932</u>	<u>\$ 33,313,439</u>	<u>\$ 35,860,485</u>	<u>\$ 41,742,521</u>	<u>\$ 43,461,566</u>	<u>\$ 32,459,778</u>	<u>\$ 23,427,265</u>	<u>\$ 26,594,457</u>	<u>\$ 28,986,549</u>	<u>\$ 32,733,289</u>

Notes:

The implementation of Governmental Accounting Standards Board Statement No. 54 in 2011 resulted in a significant change in the City's fund balance classifications.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

**Table 4**

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
General property taxes	\$ 10,377,285	\$ 11,067,434	\$ 11,533,333	\$ 11,745,148	\$ 11,456,224	\$ 11,539,640	\$ 12,367,978	\$ 12,081,764	\$ 12,687,917	\$ 13,465,987
Other taxes	1,109,150	1,305,231	1,319,096	1,547,576	1,801,359	1,507,922	1,456,300	1,513,749	1,292,229	1,274,317
Special assessments	7,354,073	7,322,653	4,110,568	4,372,581	2,899,954	1,875,486	1,153,019	1,575,736	1,326,017	1,499,796
Licenses and permits	1,162,761	1,013,351	1,029,559	683,204	753,468	593,272	831,687	860,954	904,400	1,305,442
Direct charges to developers	329,453	27,442	35,787	24,786	50,047	101,913	16,555	2,106,723	661,861	307,971
Intergovernmental	3,657,543	4,660,453	1,158,760	1,226,818	1,166,785	3,879,411	2,684,040	4,642,768	3,932,021	2,415,754
Charges for services	2,443,257	2,183,757	2,328,913	2,630,298	2,668,428	2,494,018	2,467,187	4,023,844	3,572,351	3,808,618
Rent	-	-	-	-	-	-	-	-	435,975	450,428
Fines and forfeits	231,727	223,463	224,807	192,169	201,559	246,753	198,022	188,657	171,317	228,642
Investment earnings (loss)	1,308,723	1,699,306	1,412,432	508,246	350,673	448,782	196,879	(173,267)	452,293	262,799
Interest on interfund loan	302,012	496,478	361,341	458,001	130,000	144,500	155,301	47,025	59,066	74,340
Connection charges	439,789	417,092	148,434	201,463	439,238	322,009	282,265	805,261	841,434	318,092
Park dedication fees	143,661	788,177	21,707	64,584	145,640	62,198	41,990	252,386	63,595	9,010
Miscellaneous	1,825,184	2,980,621	705,107	674,038	609,809	595,218	601,255	705,409	1,005,867	1,138,274
<b>Total revenues</b>	<b>30,684,618</b>	<b>34,185,458</b>	<b>24,389,844</b>	<b>24,328,912</b>	<b>22,673,184</b>	<b>23,811,122</b>	<b>22,452,478</b>	<b>28,631,009</b>	<b>27,406,343</b>	<b>26,559,470</b>
<b>Expenditures</b>										
Current:										
General government	2,361,944	4,030,450	1,978,714	1,759,695	2,071,715	2,942,106	2,689,156	2,071,272	2,025,709	2,155,327
Community development	740,175	788,811	894,642	1,102,740	1,132,127	-	-	892,699	919,126	1,058,537 (1)
Economic development	-	-	-	-	299,614	793,046	491,040	151,562	541,838	1,456,306
Public safety	5,092,987	5,125,047	5,190,603	5,295,003	5,493,307	5,827,572	6,151,677	6,297,323	6,484,552	6,751,804
Public works	3,159,417	3,106,491	3,358,927	3,476,794	3,337,054	3,774,559	4,059,582	4,271,651	4,306,068	4,344,837
Culture and recreation	2,023,881	1,975,083	2,036,414	2,023,085	2,330,909	2,326,733	2,387,655	3,954,968	4,169,469	4,154,992
Capital outlay	12,755,743	14,105,231	15,003,669	2,990,009	3,383,343	10,877,928	15,420,808	12,274,561	5,028,422	7,036,802
Debt Service:										
Principal retirement	4,640,000	2,700,000	1,845,000	3,755,000	1,625,000	7,135,000	1,335,000	950,000	2,470,000	1,320,000
Capital lease payment	-	3,374	3,627	158,900	239,189	245,000	250,000	293,953	305,076	316,235
Debt payment to component unit	-	-	678,880	-	-	-	-	-	-	-
Interest and fiscal charges	1,233,407	1,308,876	1,158,708	1,640,143	1,101,145	906,910	849,046	769,129	882,508	912,107
<b>Total expenditures</b>	<b>32,007,554</b>	<b>33,143,363</b>	<b>32,149,184</b>	<b>22,201,369</b>	<b>21,013,403</b>	<b>34,828,854</b>	<b>33,633,964</b>	<b>31,927,118</b>	<b>27,132,768</b>	<b>29,506,947</b>
Excess revenues over (under) expenditures	(1,322,936)	1,042,095	(7,759,340)	2,127,543	1,659,781	(11,017,732)	(11,181,486)	(3,296,109)	273,575	(2,947,477)
<b>Other Financing Sources (Uses)</b>										
Transfers in	2,447,895	2,580,150	2,675,074	2,942,924	1,233,938	3,052,403	2,171,149	759,446	1,840,995	3,049,657
Transfers out	(2,447,895)	(2,580,150)	(2,309,809)	(2,942,924)	(1,246,180)	(3,048,803)	(1,881,870)	(638,374)	(1,213,059)	(2,362,952)
Bonds issued	-	-	3,370,000	3,685,000	-	-	1,865,000	7,345,000	1,405,000	5,700,000
Capital lease issued	15,090	-	6,500,000	-	-	-	-	-	-	-
Premium on debt issued	-	-	27,946	22,705	-	-	-	211,507	18,461	254,245
Discount on debt Issued	-	-	-	(2,906)	-	-	(15,852)	-	-	-
Proceeds from sale of capital assets	11,514	22,412	43,175	49,694	71,506	12,344	10,546	27,195	67,120	53,267
<b>Total other financing sources (uses)</b>	<b>26,604</b>	<b>22,412</b>	<b>10,306,386</b>	<b>3,754,493</b>	<b>59,264</b>	<b>15,944</b>	<b>2,148,973</b>	<b>7,704,774</b>	<b>2,118,517</b>	<b>6,694,217</b>
<b>Net change in fund balances</b>	<b>\$ (1,296,332)</b>	<b>\$ 1,064,507</b>	<b>\$ 2,547,046</b>	<b>\$ 5,882,036</b>	<b>\$ 1,719,045</b>	<b>\$ (11,001,788)</b>	<b>\$ (9,032,513)</b>	<b>\$ 4,408,665</b>	<b>\$ 2,392,092</b>	<b>\$ 3,746,740</b>
Debt service as a percentage of noncapital expenditures	30.5%	21.1%	21.5%	28.9%	16.8%	34.6%	13.4%	10.2%	16.5%	11.3%

Note: (1) Community Development is in General Government in 2011 & 2012

CITY OF COTTAGE GROVE, MINNESOTA  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 Last Ten Fiscal Years

Table 5

Payable Year	Residential Property	Commercial Property	Agricultural Property	Residential Non-homestead and Other	Personal Property	Total Taxable Real and Personal Property	Fiscal Disparity Contribution (Net) and TIF	Total Adjusted Taxable Value	Taxable Assessed Value as a Percentage of Taxable Value	Estimated Actual Taxable Market Value	Total Direct Tax Rate
2015	\$ 20,730,170	\$ 5,093,035	\$ 776,575	\$ 2,609,305	\$ 633,787	\$ 29,842,872	\$ 3,544,899	\$ 33,387,771	1.23%	\$ 2,705,975,400	41.591
2014	\$ 18,114,214	\$ 5,001,690	\$ 761,279	\$ 2,207,013	\$ 622,578	\$ 26,706,774	\$ 2,264,989	\$ 28,971,763	1.21%	\$ 2,396,493,700	43.812
2013	17,241,606	5,076,716	700,036	1,920,395	612,076	25,550,829	2,134,831	27,685,660	1.22%	2,277,900,700	45.046
2012	19,042,270	5,094,236	724,887	2,010,313	568,078	27,439,784	2,626,702	30,066,486	1.22%	2,464,372,900	41.446
2011	21,316,906	5,120,056	778,196	2,003,968	550,999	29,770,125	2,775,315	32,545,440	1.21%	2,695,641,900	38.255
2010	23,326,829	5,557,410	672,344	2,231,128	502,282	32,289,993	2,268,060	34,558,053	1.18%	2,924,191,800	35.415
2009	24,725,529	5,511,940	613,932	2,287,839	497,621	33,636,861	2,295,610	35,932,471	1.17%	3,058,237,500	34.632
2008	24,639,556	4,640,730	536,173	2,163,150	481,275	32,460,884	2,145,513	34,606,397	1.16%	2,986,391,700	35.189
2007	23,730,974	4,339,196	460,308	1,904,124	490,708	30,925,310	1,898,978	32,824,288	1.15%	2,848,502,600	35.813
2006	21,757,729	3,788,927	412,783	1,605,598	465,295	28,030,332	1,314,012	29,344,344	1.13%	2,588,151,800	37.925

Source: Washington County

Notes:

- (1) The tax capacity (assessed taxable value) of the property is calculated by applying a statutory formula to the estimated market value of the property.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**PROPERTY TAX RATES**  
**DIRECT AND OVERLAPPING GOVERNMENTS**  
 Last Ten Fiscal Years  
 (rate per \$1,000 of assessed value)

**Table 6**

	City Direct Rate(1)			Overlapping Rates				Total Direct and Overlapping Tax Rate	
	General	Debt Service	Total City Direct Rate	Washington County	School District (2)	Vocational/School District (3)	Other (4)		Total Overlapping
2015	38.886	2.705	41.591	30.186	35.675	-	4.182	70.043	111.634
2014	40.976	2.836	43.812	32.811	39.169	-	5.401	77.381	121.193
2013	42.665	2.381	45.046	34.225	41.285	-	5.637	81.147	126.193
2012	39.065	2.381	41.446	31.939	37.894	-	5.139	74.972	116.418
2011	34.500	3.755	38.255	29.772	35.216	-	4.715	69.703	107.958
2010	31.780	3.635	35.415	27.775	31.650	-	4.499	63.924	99.339
2009	30.825	3.807	34.632	26.371	30.708	-	4.268	61.347	95.979
2008	31.548	3.641	35.189	25.936	29.841	-	4.206	59.983	95.172
2007	32.022	3.791	35.813	25.673	31.101	-	4.093	60.867	96.680
2006	33.316	4.609	37.925	26.968	27.460	0.066	4.528	59.022	96.947

Source: Washington County

Overlapping rates are those of local and county governments that apply to property owners within the City of Cottage Grove.

Not all overlapping rates apply to all City of Cottage Grove property owners.

(1) The City Direct Rate is the Urban based rate.

(2) Independent School District 833

(3) Vocational District 916

(4) Includes Metropolitan Transit Commission, Metropolitan Council, and South Washington Watershed

**CITY OF COTTAGE GROVE, MINNESOTA**

**PRINCIPAL PROPERTY TAXPAYERS**

**Table 7**

Current year and nine years ago

Taxpayer	2015			2006		
	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total City Tax Capacity Value
Xcel Energy/NSP	604,390	1	1.88%	457,355	2	1.56%
3M Company	\$ 625,241	2	1.95%	\$ 513,232	1	1.75%
Menard Inc.	178,806	3	0.56%	171,090	5	0.58%
Mars II Inc.	169,544	4	0.53%	182,062	3	0.62%
Dayton-Hudson Corporation	154,230	5	0.48%	152,574	6	0.52%
Wal-Mart Real Estate Business Trust	149,612	6	0.47%	-		0.00%
Renewal by Andersen Corporation	144,534	7	0.45%	175,510	4	0.60%
Grove-Rainbow LP	135,516	8	0.42%	-		-0.01%
Wer Dis LLC	131,250	9	0.42%	-		-
MN Pipeline Co.	130,690	10	0.41%	-		-
Kohl's Department Stores Inc.	-		-	114,200	8	0.39%
First Trust Co. of St. Paul	-		-	116,853	10	0.40%
Super Valu Holdings	-		-	106,932	9	0.36%
Home Depot USA, Inc	-		-	123,574	7	0.42%
<b>Total</b>	<b>\$ 2,423,813</b>		<b>7.55%</b>	<b>\$ 2,113,382</b>		<b>7.20%</b>

Source: Washington County

CITY OF COTTAGE GROVE, MINNESOTA  
PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year					Collected within the Fiscal Year of Levy			Collections in Subsequent Years	Total Collections to Date	
	Gross Operating Tax Levy	Debt Tax Levy	MVHC/Ag Credit (1)	State Aid Cut	Total Net Tax Levy	Amount	Percentage of Levy	Abatements		Amount	Percentage of Levy
2015	\$ 12,526,600	\$ 875,500	\$ (8,722)	\$ -	\$ 13,393,378	\$ 13,326,911	99.50%	\$ 3,737	\$ -	\$ 13,326,911	99.50%
2014	11,873,130	826,000	(5,947)	-	12,693,183	12,610,243	99.35%	11,112	75,201	12,685,444	99.94%
2013	11,585,100	656,150	(5,354)	-	12,235,896	12,114,166	99.01%	(21,952)	82,537	12,196,703	99.68%
2012	11,683,300	557,950	(4,762)	-	12,236,488	12,104,072	98.92%	(23,267)	99,615	12,203,687	99.73%
2011	11,035,100	1,206,150	(4,350)	(690,152)	11,546,748	11,395,797	98.69%	(25,901)	118,312	11,514,109	99.72%
2010	10,903,300	1,251,700	(4,637)	(629,015)	11,521,348	11,358,969	98.59%	(33,547)	125,137	11,484,106	99.68%
2009	10,784,900	1,661,600	(176,941)	(412,323)	11,857,236	11,591,141	97.76%	(97,610) (1)	164,752	11,755,893	99.15%
2008	10,920,700	1,263,300	(306,555)	(295,108)	11,582,337	11,354,286	98.03%	(47,239)	177,249	11,531,535	99.56%
2007	10,568,850	1,253,600	(617,641)	-	11,204,809	10,975,151	97.95%	(3,585)	224,952	11,200,103	99.96%
2006	9,758,390	1,391,720	(695,238)	-	10,454,872	10,268,967	98.22%	(16,140)	168,640	10,437,607	99.83%

Notes:

- (1) In 2009 a property tax classification appeal for one property owner resulted in a large abatement.
- (2) In 2005 an assessed valuation appeal in tax court resulting in a large abatement for 2004, and 2005 was settled.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years

**Table 9**

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita(2)
	General Obligation Tax Increment Bonds(1)	General Obligation Bonds(1)	General Obligation Special Assessments Bonds(1)	Capital Leases	Other Long-Term Debt	Revenue Bonds(1)	Capital Lease	Other Long-Term Debt			
2015	\$ 2,309,130	\$ -	\$ 17,964,105	\$ 4,842,432	\$ -	\$ 609,856	\$ -	\$ -	\$ 25,725,523	1.28%	\$ 718
2014	\$ 2,516,865	\$ -	\$ 13,140,768	\$ 5,158,667	\$ -	\$ 717,221	\$ -	\$ -	\$ 21,533,521	1.12%	605
2013	2,600,000	-	14,125,979	5,463,743	-	824,586	-	-	23,014,308	1.25%	650
2012	2,735,000	-	7,332,245	5,615,000	-	1,036,584	142,696	900,000	17,761,525	0.97%	505
2011	2,790,000	-	6,763,867	5,865,000	-	1,456,067	-	900,000	17,774,934	1.01%	510
2010	2,830,000	-	13,832,649	6,110,000	-	1,814,178	-	900,000	25,486,827	1.56%	737
2009	2,925,000	-	15,375,000	6,349,189	-	2,360,000	9,085	900,000	27,918,274	1.76%	816
2008	3,215,000	255,000	14,900,000	6,508,089	-	2,835,000	96,742	900,000	28,709,831	1.76%	844
2007	3,490,000	495,000	12,860,000	11,716	65,313	3,310,000	146,606	900,000	21,278,635	1.34%	630
2006	3,725,000	725,000	15,095,000	15,090	115,313	3,750,000	193,474	500,000	24,118,877	1.60%	719

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Presented net of original issuance discounts and premiums.

(2) See the Demographic and Economic Statistics schedule for personal income and population data.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
 Last Ten Fiscal Years

**Table 10**

Fiscal Year	General Obligation Tax Increment Bonds(1)	General Obligation Bonds(1)	General Obligation Special Assessments Bonds(1)	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Market Value (2)	Per Capita (3)
2015	\$ 2,309,130	\$ -	\$ 17,964,105	\$ 3,773,605	\$ 16,499,630	0.61%	\$ 461
2014	2,516,865	-	13,140,768	2,833,208	12,824,425	0.54%	\$ 360
2013	2,600,000	-	14,125,979	3,550,891	13,175,088	0.58%	372
2012	2,735,000	-	7,332,245	2,377,981	7,689,264	0.31%	219
2011	2,790,000	-	6,763,867	1,499,819	8,054,048	0.30%	231
2010	2,830,000	-	13,832,649	5,512,986	11,149,663	0.38%	322
2009	2,925,000	-	15,375,000	5,031,380	13,268,620	0.43%	388
2008	3,215,000	255,000	14,900,000	5,725,764	12,644,236	0.42%	372
2007	3,490,000	495,000	12,860,000	6,179,732	10,665,268	0.37%	316
2006	3,725,000	725,000	15,095,000	5,993,804	13,551,196	0.52%	404

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Presented net of original issuance discounts and premiums.

(2) See the Assessed and Estimated Actual Value of Taxable Property for estimated actual taxable market value.

(3) See the Demographic and Economic Statistics schedule for population data.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
As of December 31, 2015

**Table 11**

	Net Debt Outstanding	% of Debt Applicable to City	City of Cottage Grove Share of Overlapping Debt
Overlapping:			
Washington County	\$ 120,300,000	12.2795%	\$ 14,772,239
School Districts			
ISD No. 200 (Hastings)	22,475,000	1.6407%	368,747
ISD No. 833 (South Wash. County)	256,005,000	30.7616%	78,751,234
Metro Council	206,140,000	0.9772%	2,014,400
Total Overlapping			<u>95,906,620</u>
City of Cottage Grove Direct Debt	<u>\$ 25,115,667</u>	100.00%	<u>25,115,667</u>
Total Direct and Overlapping Debt:	<u><u>\$ 630,035,667</u></u>		<u><u>\$ 121,022,287</u></u>

Source: City of Cottage Grove Municipal Disclosure Reporting

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF COTTAGE GROVE, MINNESOTA  
 LEGAL DEBT MARGIN INFORMATION  
 Last Ten Fiscal Years

Table 12

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 51,763,036	\$ 56,970,052	\$ 89,591,751	\$ 91,747,125	\$ 87,725,754	\$ 80,869,257	\$ 73,931,187	\$ 68,337,021	\$ 71,894,811	\$ 81,179,262
Total net debt applicable to limit	<u>725,000</u>	<u>495,000</u>	<u>6,755,000</u>	<u>6,345,000</u>	<u>6,110,000</u>	<u>5,865,000</u>	<u>5,615,000</u>	<u>5,355,000</u>	<u>5,085,000</u>	<u>4,805,000</u>
Legal debt margin	<u>\$ 51,038,036</u>	<u>\$ 56,475,052</u>	<u>\$ 82,836,751</u>	<u>\$ 85,402,125</u>	<u>\$ 81,615,754</u>	<u>\$ 75,004,257</u>	<u>\$ 68,316,187</u>	<u>\$ 62,982,021</u>	<u>\$ 66,809,811</u>	<u>\$ 76,374,262</u>
Total net debt applicable to the limit as a percentage of debt limit	1.40%	0.87%	7.54%	6.92%	6.96%	7.25%	7.59%	7.84%	7.07%	5.92%

Legal Debt Margin Calculation for Fiscal Year 2014	
Market Value (after fiscal disparities)	\$ 2,705,975,400
Debt limit (3% of assessed value)	81,179,262
Debt applicable to limit	<u>4,805,000</u>
Legal debt margin	<u>\$ 76,374,262</u>

**CITY OF COTTAGE GROVE, MINNESOTA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

**Table 13**

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2015	35,814	\$ 2,012,741,903	\$ 56,200	17,893	3.9%
2014	35,619	\$ 1,926,643,820	\$ 54,090	17,685	3.9%
2013	35,403	1,843,080,180	52,060	17,671	4.8%
2012	35,187	1,823,284,779	51,817	17,639	5.5%
2011	34,828	1,764,595,448	50,666	17,389	6.0%
2010	34,589	1,638,619,286	47,374	17,060	6.9%
2009	34,213	1,583,309,214	46,278	16,795	7.6%
2008	34,017	1,630,264,725	47,925	16,800	4.9%
2007	33,788	1,588,272,516	47,007	16,805	3.9%
2006	33,529	1,503,105,070	44,830	16,467	3.5%

Sources:

- (1) Metropolitan Council-2002-2009 & 2012-2013. Census-2010. Cottage Grove Planning Department-2014-2015
- (2) Washington County data from Bureau of Economic Analysis.
- (3) Independent School District No. 833 including Valley Crossing School.
- (4) Minnesota Department of Employment and Economic Development.

**CITY OF COTTAGE GROVE, MINNESOTA**

**PRINCIPAL EMPLOYERS**

Current year and nine years ago

**Table 14**

Taxpayer	2015			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
School District 833	2,232	1	33%	1,081	1	16%
3M Cottage Grove	775	2	11%	1,000	2	15%
Renewal by Andersen	450	3	7%	250	4	4%
Up North Plastics Inc	300	4	4%	280	3	4%
Werner Electric	170	8	2%	-	-	-
City of Cottage Grove	176	7	3%	-	-	-
Walmart	230	5	3%	-	-	-
Target	130	10	2%	212	5	3%
Cub Foods	200	6	0	208	6	3%
Commercial Carriers Inc.	-	-	-	200	7	3%
Menard's	150	9	0	200	8	3%
Aggregate Industries	-	-	-	165	10	2%
Rainbow Foods	-	-	-	200	9	3%
<b>Total</b>	<b>4,813</b>		<b>70%</b>	<b>3,796</b>		<b>57%</b>

Sources:

City of Cottage Grove Annual Municipal Disclosure Reporting and Cottage Grove Economic Development Department.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
 Last Ten Fiscal Years

**Table 15**

	Budgeted Full-time Equivalent Employees as of December 31									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
Total General Government	<u>21.94</u>	<u>23.03</u>	<u>22.48</u>	<u>21.76</u>	<u>21.76</u>	<u>21.76</u>	<u>22.06</u>	<u>23.38</u>	<u>23.40</u>	<u>23.25</u>
Public Safety										
Police/Cottage Grove EMS										
Officers	39.00	39.00	39.00	39.00	39.00	39.00	39.00	39.00	40.00	40.00
Civilians*	15.40	9.40	9.10	7.25	7.25	7.25	8.46	8.09	8.26	7.56
Fire/Emergency Management	<u>3.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>4.00</u>	<u>5.00</u>	<u>7.00</u>	<u>9.00</u>
Total Public Safety	<u>57.40</u>	<u>52.40</u>	<u>52.10</u>	<u>50.25</u>	<u>50.25</u>	<u>50.25</u>	<u>51.46</u>	<u>52.09</u>	<u>55.26</u>	<u>56.56</u>
Public Works	<u>23.56</u>	<u>22.56</u>	<u>21.56</u>	<u>21.56</u>	<u>21.56</u>	<u>21.56</u>	<u>20.83</u>	<u>21.68</u>	<u>23.68</u>	<u>24.08</u>
Recreation and Swimming Pool	3.50	3.00	3.00	2.50	2.50	2.50	2.50	2.55	2.55	2.55
Ice Arena	2.60	2.60	2.60	2.60	2.60	2.60	3.20	3.65	3.65	3.65
Water/Sewer	10.04	10.04	9.36	8.36	8.36	8.36	8.23	8.18	8.18	8.28
Storm Sewer	1.40	3.40	3.40	3.40	3.40	3.40	3.54	3.54	3.54	3.54
Golf Course Fund	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Street Light Fund	1.04	1.04	1.04	1.04	1.04	1.04	1.06	1.06	1.06	1.06
Fleet Maintenance	3.84	3.84	3.84	3.84	3.84	3.84	4.04	4.04	4.04	4.04
Total	<u>130.32</u>	<u>126.91</u>	<u>124.38</u>	<u>120.31</u>	<u>120.31</u>	<u>120.31</u>	<u>121.92</u>	<u>125.17</u>	<u>130.36</u>	<u>132.01</u>

Source: City of Cottage Grove Finance Office

\*Dispatch services were transferred to Washington County in 2007. Six positions were transferred to the County as part of this transition.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
 Last Ten Years

**Table 16**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
Elections	2		2		2		2		2	
Registered voters as of 7 am election day	19,588		20,358		20,607		21,119		20,780	
Number of votes cast	13,420		19,050		13,345		19,727		11,166	
Voter participation (registered)	68.51%		93.58%		64.76%		93.41%		53.73%	
(elections are held every other year)										
<b>Community Development</b>										
<b>Inspections</b>										
Building Permits (New Dwelling Units)	185	67	89	66	89	49	53	56	77	65
Code Enforcement Inspections	943	1,032	1,777	1,759	1,447	1,276	2,407	2,826	1,482	1,013
<b>Public Safety</b>										
<b>Police</b>										
Crimes - Part I	1010(1)	892	850	743	674	694	756	783	774	719
Crimes - Part II	2,480	2,883	2,472	2,478	2,055	2,117	1,614	1,473	1,434	1,419
Total Calls for Service	15,500	20,469	20,356	19,434	20,104	20,707	17,348	18,151	18,448	20,576
<b>Fire</b>										
Medical	1,280	1,250	1,442	1,765	1,968	2,000	2,347	2,437	2,562	2,464
Fire	325	580	553	556	643	456	295	280	301	290
Avg Response Time (minutes) Medical*	n/a	n/a	n/a	n/a	n/a	8:38	6:51	6:15	6:19	6:13
Avg Response Time (minutes) Fire*	n/a	n/a	n/a	n/a	n/a	8:24	8:04	7:25	7:34	7:06
Avg Response Time (minutes) Both*	9.32	8.57	8.54	8.59	9:01	8:36	6:59	6:22	6:27	6:16
*Entire service area										
<b>Public Works</b>										
Sq. Yards of Streets Sealcoated	345,178	404,821	425,577	352,953	349,349	382,374	488,210	457,275	199,725	118,159
Miles of Streets New Construction	2.63	0.73	0.00	0.00	0.26	1.12	0.30	1.23	1.99	0.56
Miles of watermain added	3.74	2.06	1.68	0.00	0.39	0.63	0.79	2.42	1.84	1.06

Source: Various City of Cottage Grove Departments

Notes:

- (1) 2006 are estimated amounts.
- (2) Information not available is labeled n/a.

**CITY OF COTTAGE GROVE, MINNESOTA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
 Last Ten Years

**Table 17**

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Safety</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	12	12	12	12	12	12	12	13	13	13
<b>Fire</b>										
Stations	4	4	4	4	4	4	4	4	4	4
Fire Trucks	6	6	6	6	6	6	6	6	6	6
<b>Public Works</b>										
City-owned Lights	2,207	2,270	2,273	2,273	2,279	2,320	2,345	2,416	2,481	2,495
Xcel owned Lights	301	301	301	301	301	301	301	301	301	301
Streets (miles)	154.72	155.45	155.45	155.45	155.71	156.83	157.13	158.36	160.35	160.91
Sidewalks/trails (miles)	39.01	41.35	44.23	44.27	46.40	48.25	48.61	53.82	57.83	59.56
<b>Parks (acreage)</b>										
Community Parks	330	368	377	377	377	377	377	377	377	400
Neighborhood Parks	201	201	201	201	201	201	244	275	303	275
Recreation facilities	21	21	21	21	21	21	21	21	21	15
County Parks	539	552	571	571	571	571	571	571	571	569
State Scientific and Nature Area	238	238	238	238	238	238	238	238	238	238
Golf Course	219	219	219	219	219	219	219	219	219	219
Other Open Space	406	450	453	453	453	453	453	581	581	961
<b>Water</b>										
Number of Connections	10,056	10,056	10,298	10,381	10,423	10,474	10,538	10,573	10,640	10,706
Miles of Water Mains and Laterals	139.11	141.17	142.85	142.85	143.24	143.87	144.66	147.08	148.92	149.98
<b>Sanitary Sewer</b>										
Number of Connections	9,998	10,143	10,209	10,330	10,382	10,433	10,486	10,532	10,604	10,670
Miles of Sanitary Sewer Mains and Laterals	124.00	126.72	126.72	126.72	127.02	127.58	127.99	129.32	131.11	131.45
<b>Storm Sewer</b>										
Miles of storm sewers	75.67	77.04	77.17	77.41	78.07	79.50	80.39	85.41	87.81	89.52

Source: Various City Departments