

**TO: MAYOR AND CITY COUNCIL**  
**FROM: LANELL ENDRES, ASSISTANT CITY ADMINISTRATOR**  
**SUBJECT: 2013 AUDIT**  
**DATE: JUNE 17, 2014**

**BACKGROUND**

The City Auditors will be at the meeting to present the 2013 City Audit and answer any questions the Council might have.

**STAFF RECOMMENDATION**

Staff recommends that the City Council approve the 2013 City Audit as presented.

**REQUESTED COUNCIL ACTION**

Staff respectfully requests a motion to approve the 2013 City Audit as presented.

# Management Letter

## City of Cannon Falls

Cannon Falls, Minnesota

For the Year Ended  
December 31, 2013



People  
+ Process.  

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Going  
Beyond the  
Numbers

Management, Honorable Mayor and City Council  
City of Cannon Falls, Minnesota

We have audited the 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 Cannon Falls, Minnesota (the City), for the year ended December 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards***

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Significant Audit Findings**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below as items 2013-001 and 2013-002, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as item 2013-002 to be a material weakness.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described below as item 2013-001 to be a significant deficiency.

**2013-001 Preparation of financial statements**

*Condition:* As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

*Criteria:* Internal controls should be in place to provide reasonable assurance over financial reporting.

*Cause:* From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

*Effect:* The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

*Recommendation:* It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

*Management response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

**2013-002 Material audit adjustments**

*Condition:* During our audit, an entry was required to record a prior period adjustment. The adjustment related to \$57,483 of tower lease payments received from Mediacom for 2005-2012 and to record FEMA Federal Disaster Aid received for 2012 flood reimbursement in the amount of \$79,609. An entry was also required to record water utility infrastructure not identified.

*Criteria:* The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.

*Cause:* The year-end trial balance did not reflect all necessary accounting entries for the presentation of the financial statement in accordance with generally accepted accounting principles.

*Effect:* The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

*Recommendation:* We recommend that management review each journal entry, obtain an understanding of why the entries were necessary.

*Management response:*

Management has already taken steps to address the issue.

## **Compliance**

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

## **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

## **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The requirements of GASB statement No. 61 was adopted for the year ended December 31, 2013. The application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation on capital assets and allocation of payroll and compensated absences.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Allocations of gross wages and payroll benefits are approved by the City Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City. These allocations are also used in allocating accrued compensated absences payable.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed the following journal entries that we consider to be audit entries or corrections of management decisions. They related to the following situations:

- A material audit entry was required to record a prior period adjustment related to tower lease payments received from Mediacom for 2005-2012 and to record FEMA Federal Disaster Aid received for 2012 flood reimbursement, as described in finding 2013-002.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 10, 2014.

## **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Financial Position and Results of Operations**

Our principal observations and recommendations are summarized on the following pages. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended December 31, 2013.

### **General Fund**

The General fund is used to account for resources traditionally associated with government, which are not required legally or by sound principal management to be accounted for in another fund. The General fund balance decreased \$622,292 from 2012 to end the year at \$2,232,959. We recommend the unassigned fund balance be maintained at a level sufficient to fund operations until the major revenue sources are received in June. The City's unassigned fund balance is 67 percent of the 2014 budgeted expenditures. We feel a reserve of approximately 40 to 50 percent of planned expenditures and transfers out is adequate to meet working capital and small emergency needs.

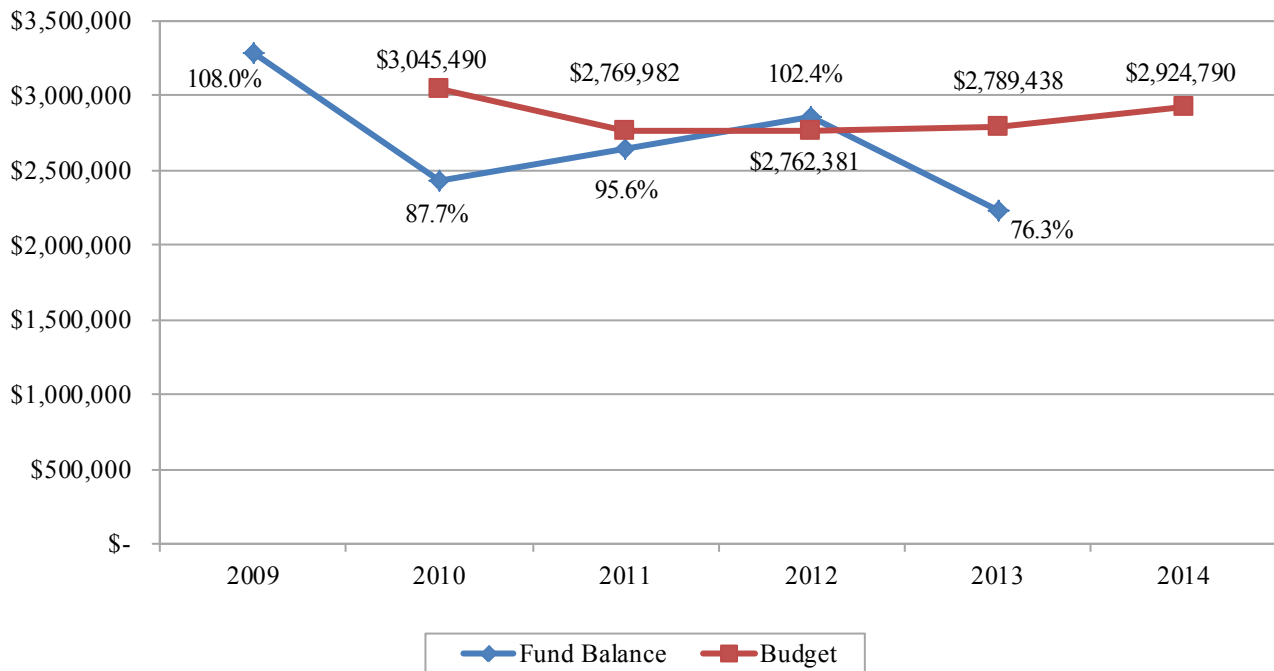
The purposes and benefits of a fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and state aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the General fund expenditures until these revenue sources are received.
- Expenditures not anticipated at the time the annual budget was adopted may need immediate City Council action. These would include capital outlay replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.
- A strong fund balance will assist the City in obtaining, maintaining or improving its bond rating. The result will be better interest rates in future bond sales.

A table summarizing the General fund balance in relation to budget follows:

Year	Fund Balance December 31	Budget Year	General Fund Budget	Percent of Fund Balance to Budget
2009	\$ 3,287,638	2010	\$ 3,045,490	108.0 %
2010	2,429,575	2011	2,769,982	87.7
2011	2,639,666	2012	2,762,381	95.6
2012	2,855,251	2013	2,789,438	102.4
2013	2,232,959	2014	2,924,790	76.3

**Fund Balance as a Percent of Next Year's Budget**



We have compiled a peer group average derived from information we have requested from the Office of the State Auditor for Cities of the 4th class which have populations of 2,500-10,000. In 2011 and 2012, the average General fund balance as a percentage of expenditures was 69 percent and 76 percent, respectively. Based on comparison to the peer groups, the City's General fund balance is average.

A summary of 2013 General fund revenue and expenditures is as follows:

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 2,742,988	\$ 2,742,988	\$ 2,859,967	\$ 116,979
Expenditures	<u>2,728,145</u>	<u>2,728,145</u>	<u>4,326,519</u>	<u>(1,598,374)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,843</u>	<u>14,843</u>	<u>(1,466,552)</u>	<u>(1,481,395)</u>
Other financing sources (uses)				
Transfer in	46,450	46,450	535,726	489,276
Sale of capital assets	-	-	276,735	276,735
Transfers out	<u>(61,293)</u>	<u>(61,293)</u>	<u>(105,293)</u>	<u>(44,000)</u>
Total other financing sources (uses)	<u>(14,843)</u>	<u>(14,843)</u>	<u>707,168</u>	<u>722,011</u>
Net change in fund balances	-	-	(759,384)	(759,384)
Fund balances, January 1	2,855,251	2,855,251	2,855,251	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>137,092</u>	<u>137,092</u>
Fund balances, December 31	<u>\$ 2,855,251</u>	<u>\$ 2,855,251</u>	<u>\$ 2,232,959</u>	<u>\$ (622,292)</u>

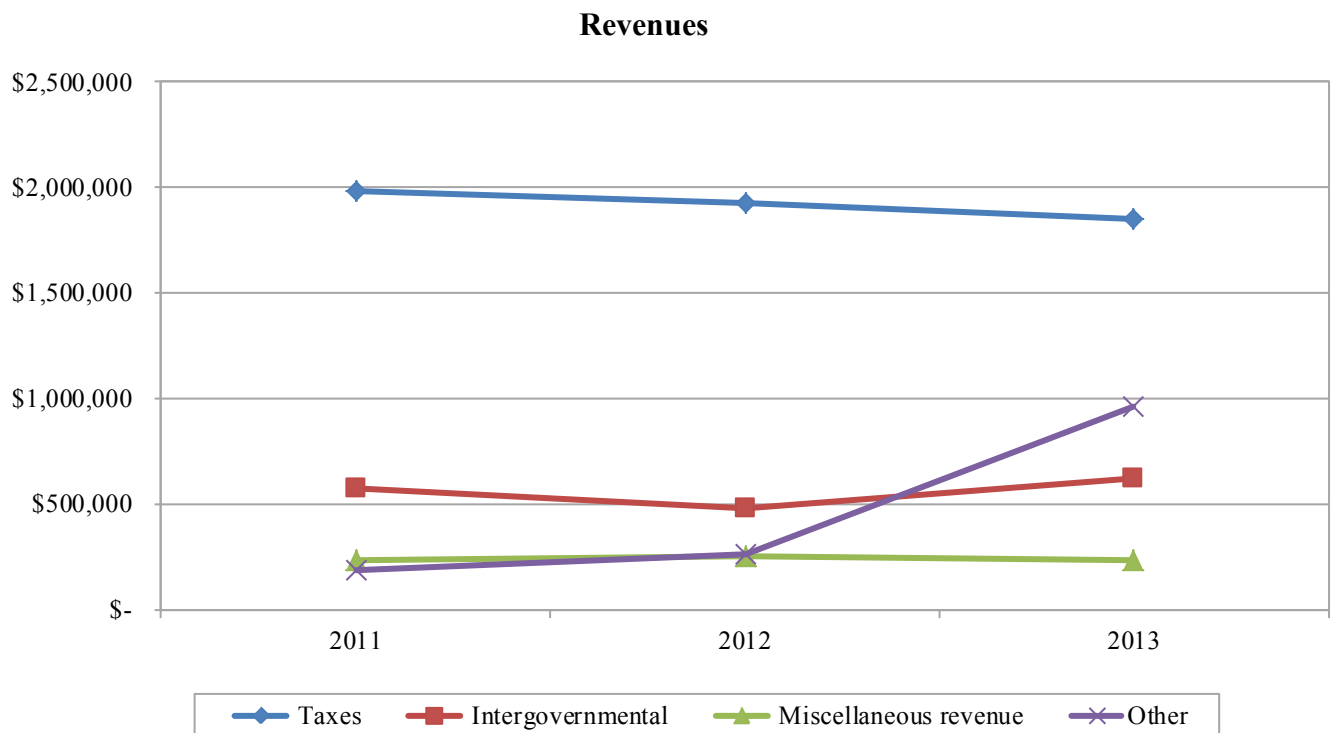
- The largest revenue variance was from Federal disaster aid, which was \$103,048 over budget due to 2013 FEMA that relates to 2013 expenditures
- The largest variances in expenditures included public works capital outlay which exceeded budget by \$1,468,870, and public works currents, which was over budget by \$39,735. The variance within public works capital expenditures was the City's share of the cost of the Hwy 52 interchange and the pedestrian bridge project.



A comparison between 2011, 2012 and 2013 revenues and transfers is presented below:

Source	2011	2012	2013	Percent of Total	Per Capita
Taxes	\$ 1,984,367	\$ 1,930,515	\$ 1,846,845	50.4 %	\$ 451
Licenses and permits	42,414	71,264	71,262	1.9	17
Intergovernmental	573,815	479,401	624,612	17.0	153
Charges for services	41,653	56,539	57,127	1.6	14
Fines and forfeitures	35,133	29,967	25,584	0.7	6
Special assessments	333	1,000	11,790	0.3	3
Interest on investments	10,962	5,247	(13,283)	(0.4)	(3)
Miscellaneous revenue	227,895	249,293	236,030	6.4	58
Capital lease issued	72,630	-	-	-	-
Sale of capital assets	-	54,433	276,735	7.5	68
Transfers in	54,450	45,000	535,726	14.6	131
<b>Total revenues and transfers</b>	<b>\$ 3,043,652</b>	<b>\$ 2,922,659</b>	<b>\$ 3,672,428</b>	<b>100.0 %</b>	<b>\$ 898</b>

A graphical presentation of 2011, 2012 and 2013 revenues and transfers totals follows:



Some of the line items with significant changes are highlighted below:

- Transfers in increased in 2013 due to TIF monies transferred for the Highway 52 interchange project.
- Tax revenues decreased in 2013, mostly due to the levy in the General fund decreasing. The overall tax revenue decreased slightly in 2013. More levy dollars were allocated to the library, EDA, and fire than in 2012, therefore decreasing the General fund levy.
- Interest on investments decreased mostly to the timing issues related to the fair market value adjustment.

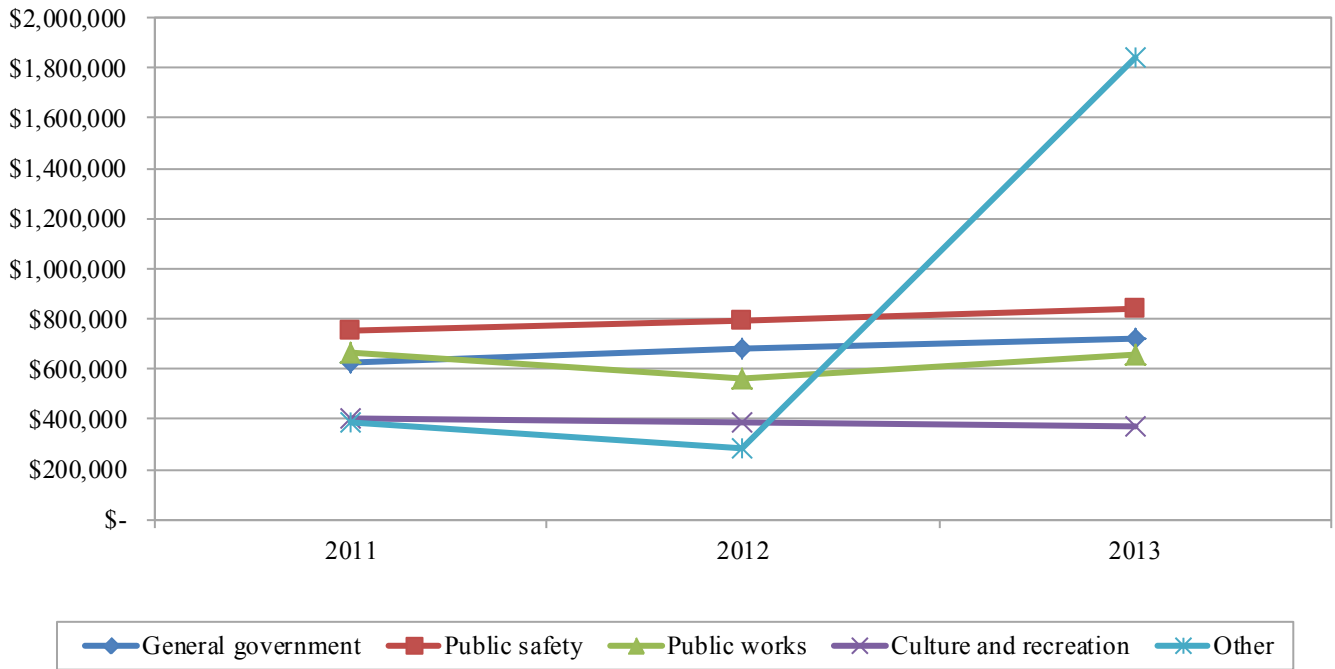
A comparison between 2011, 2012 and 2013 expenditures and transfers is presented below:

Program	2011	2012	2013	Percent of Total	Per Capita	Peer Group Per Capita
<b>Current</b>						
General government	\$ 627,558	\$ 681,698	\$ 719,780	16.2 %	\$ 176	\$ 125
Public safety	749,795	795,949	838,592	18.9	205	218
Public works	663,418	558,597	660,860	14.9	162	106
Culture and recreation	406,466	384,749	373,832	8.4	91	54
Miscellaneous	74,165	43,394	48,235	1.1	12	12
<b>Total current</b>	<b>2,521,402</b>	<b>2,464,387</b>	<b>2,641,299</b>	<b>59.5</b>	<b>646</b>	<b>515</b>
Capital outlay	110,239	109,366	1,655,210	37.4	405	34
Debt service	30,013	30,010	30,010	0.7	7	-
Transfers out	171,907	103,311	105,293	2.4	26	-
<b>Total expenditures and transfers</b>	<b>\$ 2,833,561</b>	<b>\$ 2,707,074</b>	<b>\$ 4,431,812</b>	<b>100.0 %</b>	<b>\$ 1,084</b>	<b>\$ 549</b>

The above chart compares the amount the City spends per capita, in comparison to a peer group. The peer group average is compiled from information from the 4<sup>th</sup> Class cities we audit and information from the Minnesota Office of the State Auditor.

A graphical presentation of 2011, 2012 and 2013 expenditure and transfer totals by program follows:

### Expenditures



Some of the line items with significant changes are highlighted below:

- The large increase within capital outlay expense was due to payments to MN-DOT for the Hwy 52 interchange and payments for the pedestrian bridge.

## Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. A summary of the special revenue funds and fund balances is shown below:

Fund	Fund Balances		Increase (Decrease)
	2013	2012	
Nonmajor			
Library	\$ 27,272	\$ 71,633	\$ (44,361)
Cable Public Television	116,843	109,711	7,132
Fire Department Operations	11,743	(4,684)	16,427
Total	<u>\$ 155,858</u>	<u>\$ 176,660</u>	<u>\$ (20,802)</u>

The decrease in the library fund is mostly due to capital expenditures related to the new library.

## Capital Projects Funds

A two year comparison of year end fund balances for all capital project funds follows:

Fund	Fund Balances		Increase (Decrease)
	2013	2012	
Major			
2013 Eastside Improvement Project	\$ 189,928	\$ (40,216)	\$ 230,144
Nonmajor			
Public Improvement Revolving	160,209	171,739	(11,530)
Street Capital	5,940	4,357	1,583
Public Works Capital	188,396	169,758	18,638
Police Capital	(7,181)	(12,464)	5,283
Fire Capital	228,872	259,159	(30,287)
Administration Capital	29,048	56,372	(27,324)
Park Capital	51,486	45,718	5,768
Library Capital	44,788	44,984	(196)
2011 West Side Reconstruction Project	(38,740)	7,523	(46,263)
2012 Library Construction	(388,154)	(145,819)	(242,335)
Park Board	72,657	178,846	(106,189)
Tax Increment Financing District No. 2-1	224,490	164,595	59,895
Tax Increment Financing District No. 2-2	-	148,390	(148,390)
HWY 20 Clinic Access Road	(137,187)	-	(137,187)
Total capital projects funds	<u>\$ 624,552</u>	<u>\$ 1,052,942</u>	<u>\$ (428,390)</u>

All the deficits should be monitored by the City and management should develop funding plans to ensure deficits will be eliminated in future years. The decrease in the fund balance in the 2011 West Side Reconstruction Project, 2012 Library Construction, TIF 2-2 and HWY 20 Clinic Access Road funds relates directly to costs related to the respective projects. The decrease in the Park Board fund relates to the costs for playground equipment.

**Debt Service Funds**

Debt Service funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than enterprise fund debt).

Debt Service funds may have one or a combination of the following revenue sources pledged to retire debt as follows:

- Property taxes - Primarily for general City benefit projects such as parks and municipal buildings. Property taxes may also be used to fund special assessment bonds which are not fully assessed.
- Tax increments - Pledged exclusively for tax increment/economic development districts.
- Capitalized interest portion of bond proceeds - After the sale of bonds, the project may not produce revenue (tax increments or special assessments) for a period of one to two years. Bonds are issued with this timing difference considered in the form of capitalized interest.
- Special assessments - Charges to benefited properties for various improvements.

In addition to the above pledged assets, other funding sources may be received by Debt Service funds as follows:

- Residual project proceeds from the related capital projects fund
- Investment earnings
- State or Federal grants
- Transfers from other funds

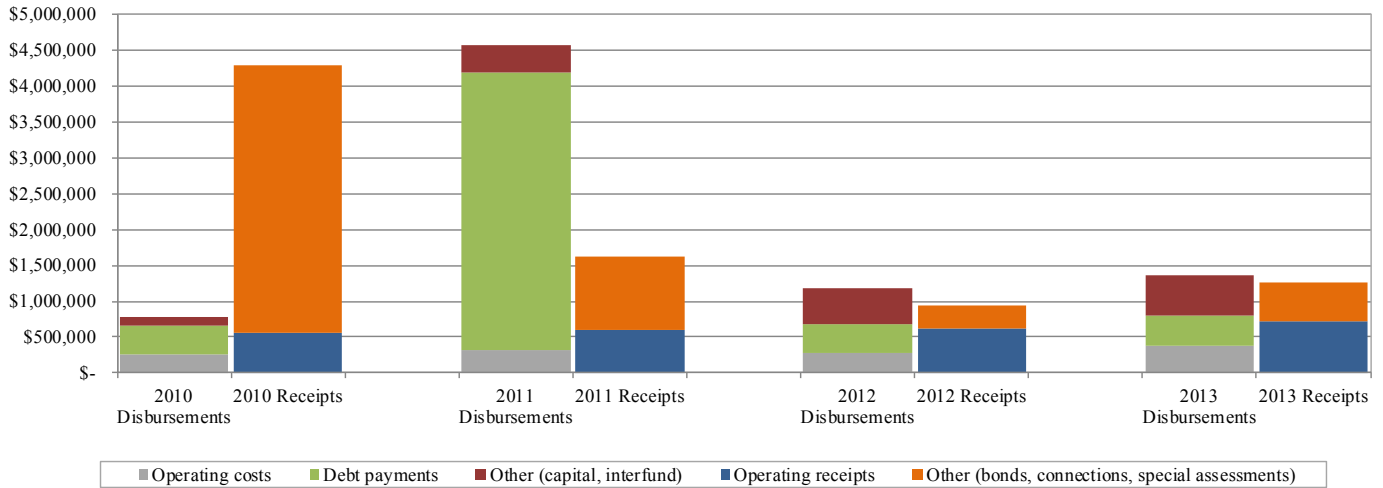
A comparison of the assets of each fund and the remaining bonds outstanding at year end are as follows:

Description	Total Cash	Total Assets	Bonds Outstanding	Maturity Date
1997/2003 Improvement Bonds	\$ 90,445	\$ 260,969	\$ 100,000	03/01/14
2006B G.O. PIR Bonds	209,346	931,866	1,635,000	02/01/15
2011A G.O. Improvement Bond	565,213	893,440	1,410,000	02/01/27
2012A G.O. Improvement Bond	399	250,399	797,000	02/01/22
2012B G.O. Refunding Bonds	62,743	1,448,053	3,085,000	02/01/23
2013A G.O. Improvement Bonds	123,091	751,105	1,475,000	02/01/34
<b>Total</b>	<b>\$ 1,051,237</b>	<b>\$ 4,535,832</b>	<b>\$ 8,502,000</b>	

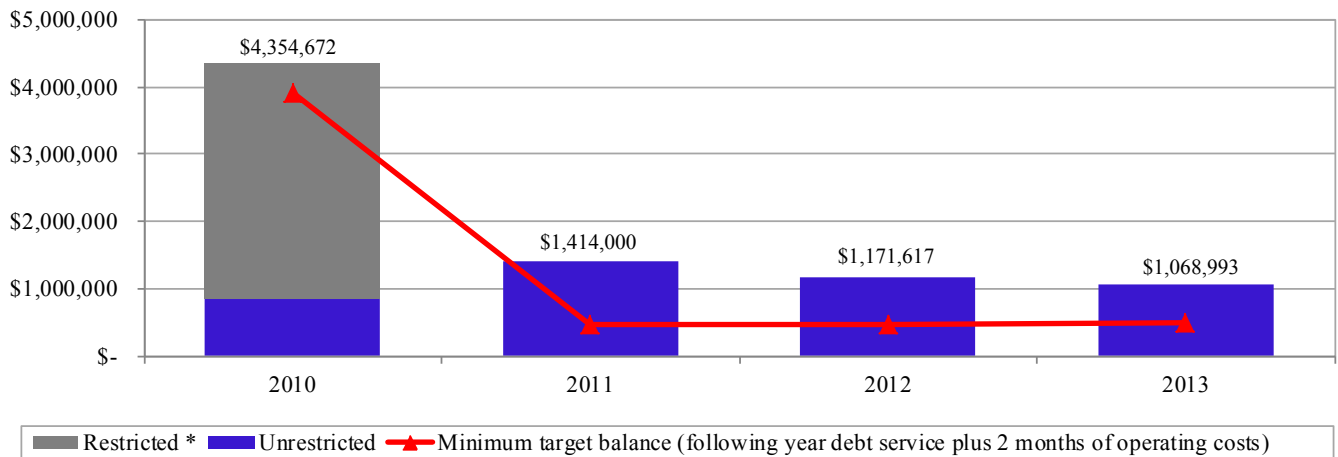
## Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:

### Water Utility Fund Cash Flow



### Water Utility Fund Cash Balance



\* Restricted cash, in 2010, was being held in escrow for future debt payments. For reporting, this was included as cash until the bond was called. The also relates to the higher other receipts (orange) in 2010 and the high debt payments (green) in 2011 when the bond was called.

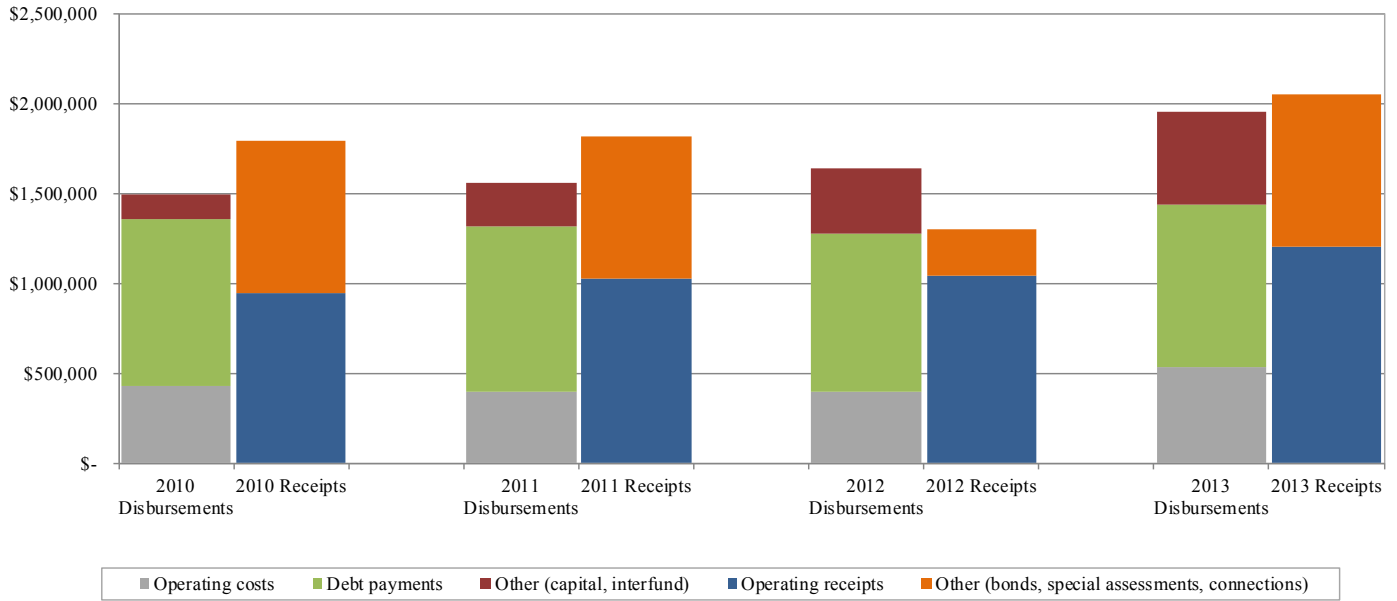
	2010	2011	2012	2013
Bonds payable	<u>\$ 7,059,000</u>	<u>\$ 4,056,617</u>	<u>\$ 3,746,617</u>	<u>\$ 3,719,699</u>

Some of the items with significant changes in the above charts are highlighted below:

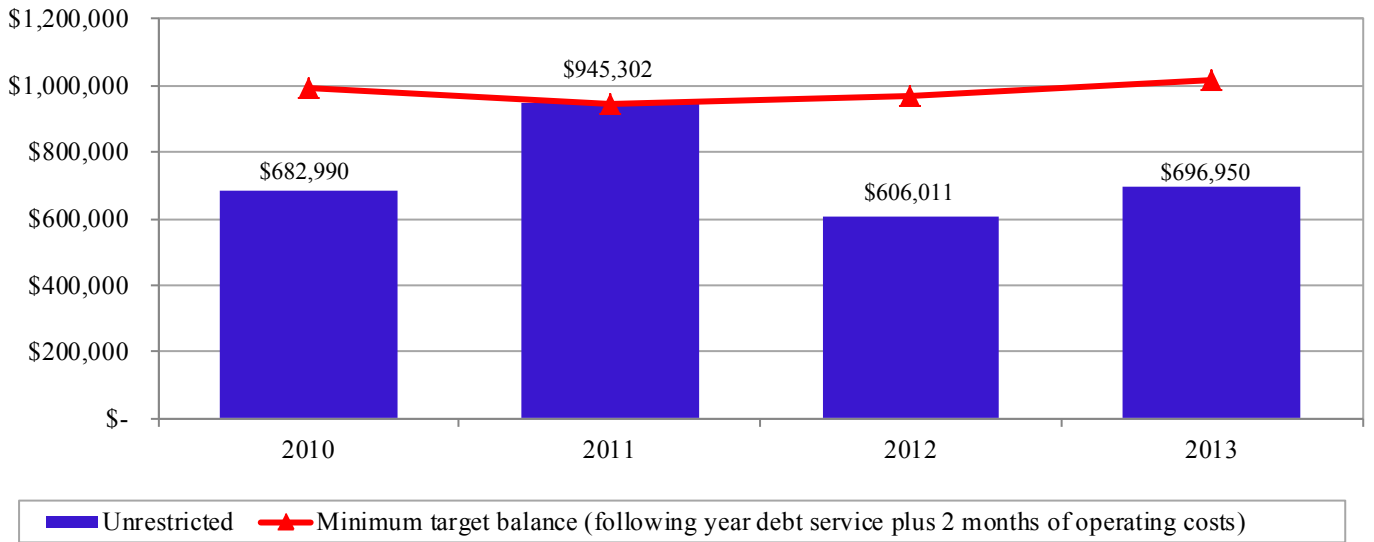
- Operating receipts (blue) have been sufficient to cover operating costs (grey) the past four years. However, operating receipts have not been sufficiently covered debt payments (green) in any of the four years presented. This signifies the need for cash from connections and special assessments (included in orange) and utilizing cash reserves to cover costs.

We recommend the City review rates annually to determine if operating revenues will cover operating costs, annual scheduled debt payments, and future projects.

### Disposal Fund Cash Flow



### Disposal Fund Cash Balance

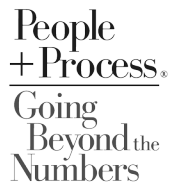


	2010	2011	2012	2013
Bonds payable	<u>\$ 8,413,909</u>	<u>\$ 8,374,327</u>	<u>\$ 7,738,327</u>	<u>\$ 7,724,310</u>

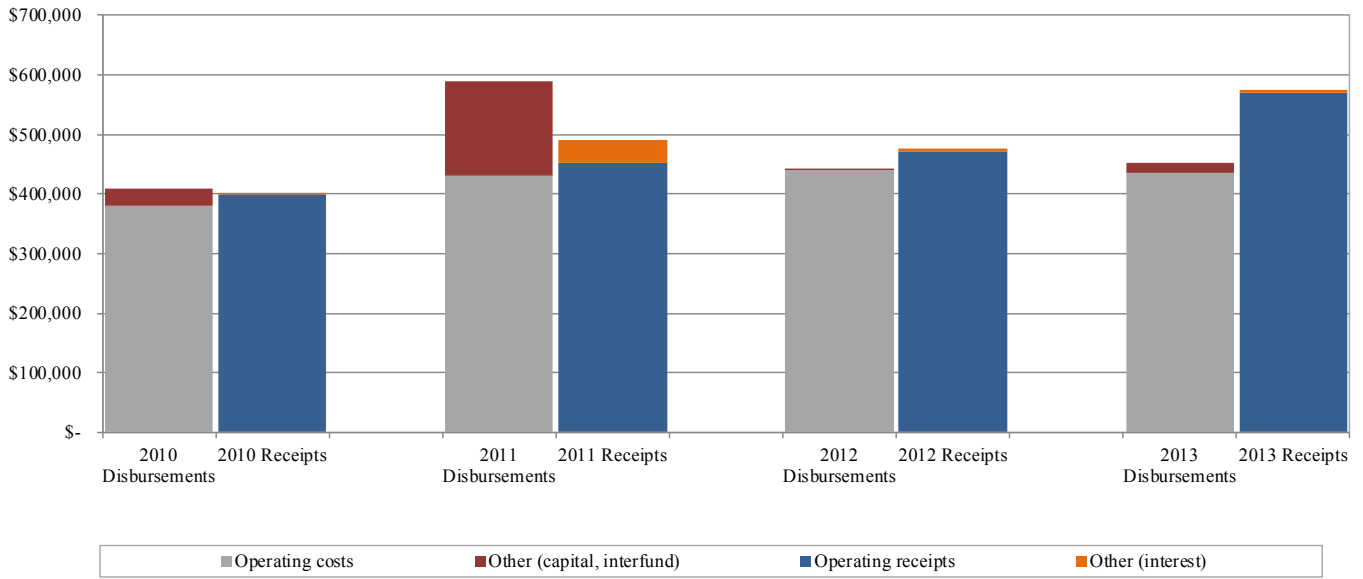
Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) have been sufficient to cover operating costs (grey) the past four years. However, operating receipts have not been sufficiently covered debt payments (green) in any of the four years presented. This signifies the need for cash from connections and special assessments (included in orange) and utilizing cash reserves to cover costs
- In 2011 and 2013 the disposal fund received bond proceeds of \$660,000 and \$573,177, respectively, resulting in an increase in cash.

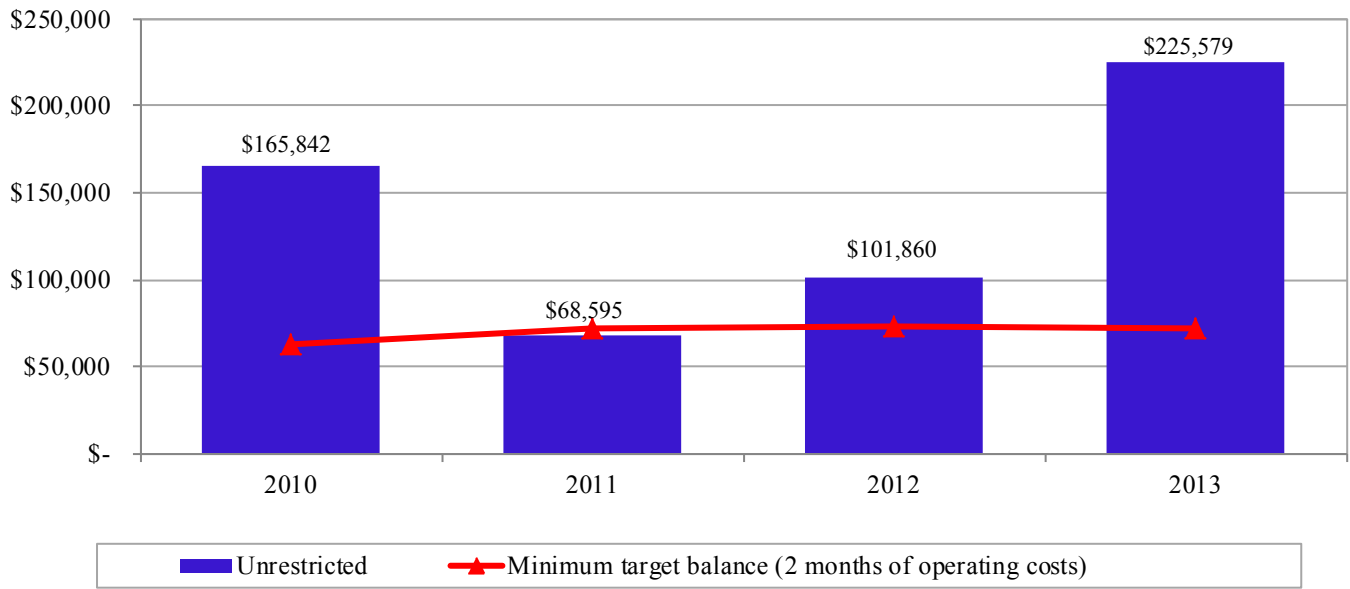
We recommend the City review rates annually to determine if operating revenues will cover operating costs, annual scheduled debt payments, and future projects.



### Ambulance Fund Cash Flow



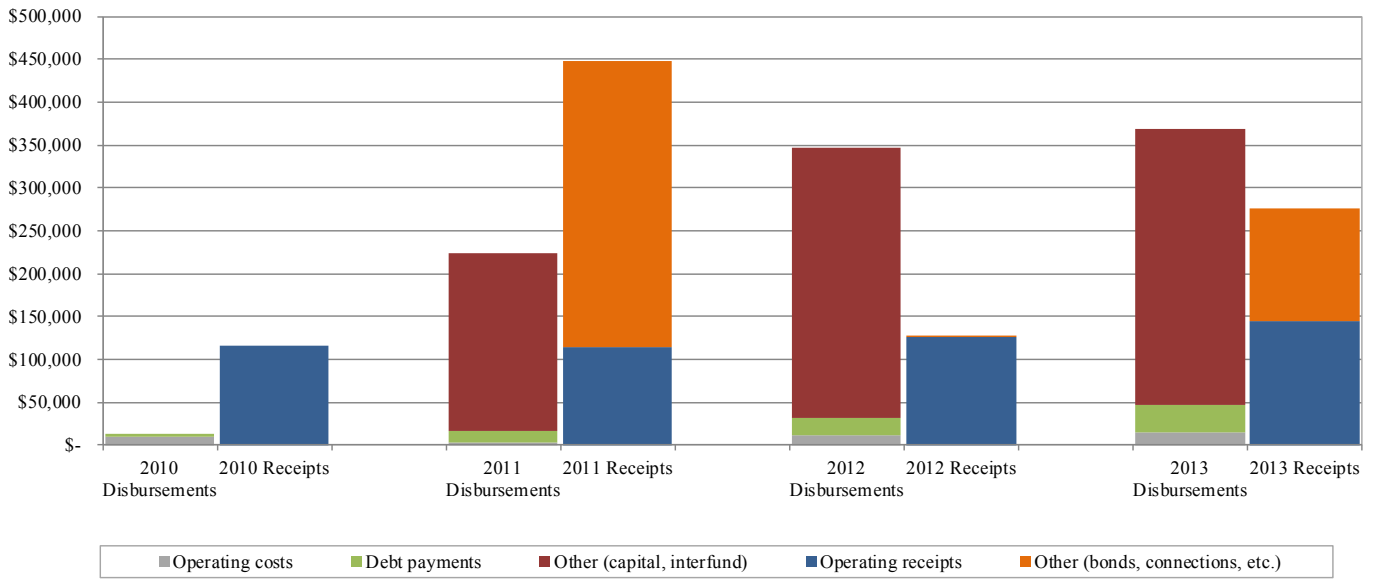
### Ambulance Fund Cash Balance



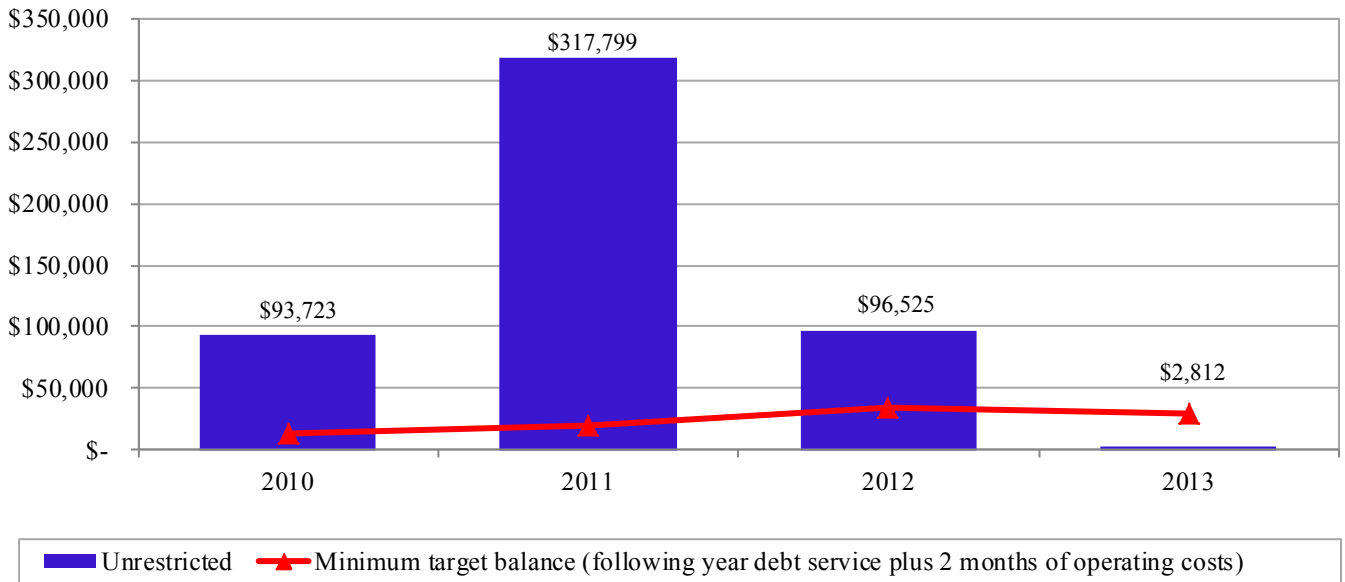
Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) have been sufficient alone to cover operating costs (grey) in all of the four years presented.
- The decrease in cash in 2011 relates to the purchase of a new ambulance. The cash has since increased to above the target balance.

### Storm Water Fund Cash Flow



### Storm Water Fund Cash Balance



	2010	2011	2012	2013
Bonds payable	\$ -	\$ 335,965	\$ 324,900	\$ 442,817

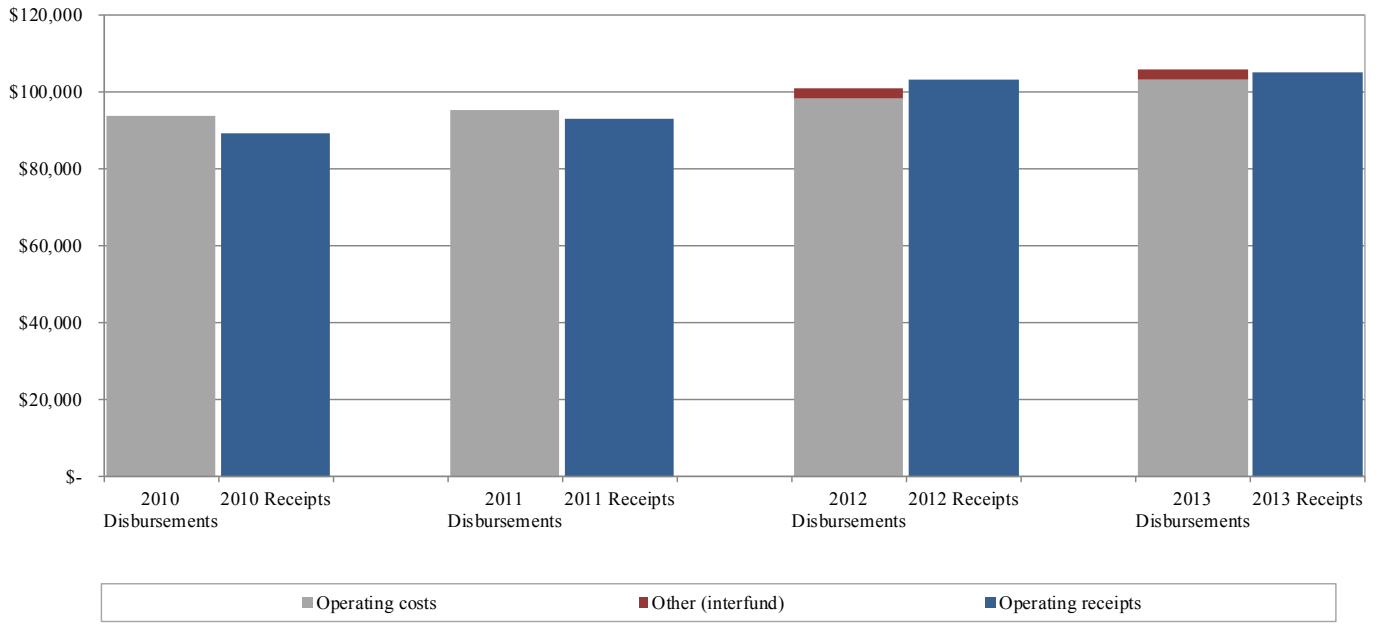
Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) were sufficient alone to cover operating costs (grey) and debt payments (green) in all four years presented.
- Cash has significantly decreased since 2011 due to project costs. The City bonded for these costs in 2011 and 2013. However, the costs have been higher than the amounts bonded (red higher than orange in 2012 and 2013) therefore decreasing cash.

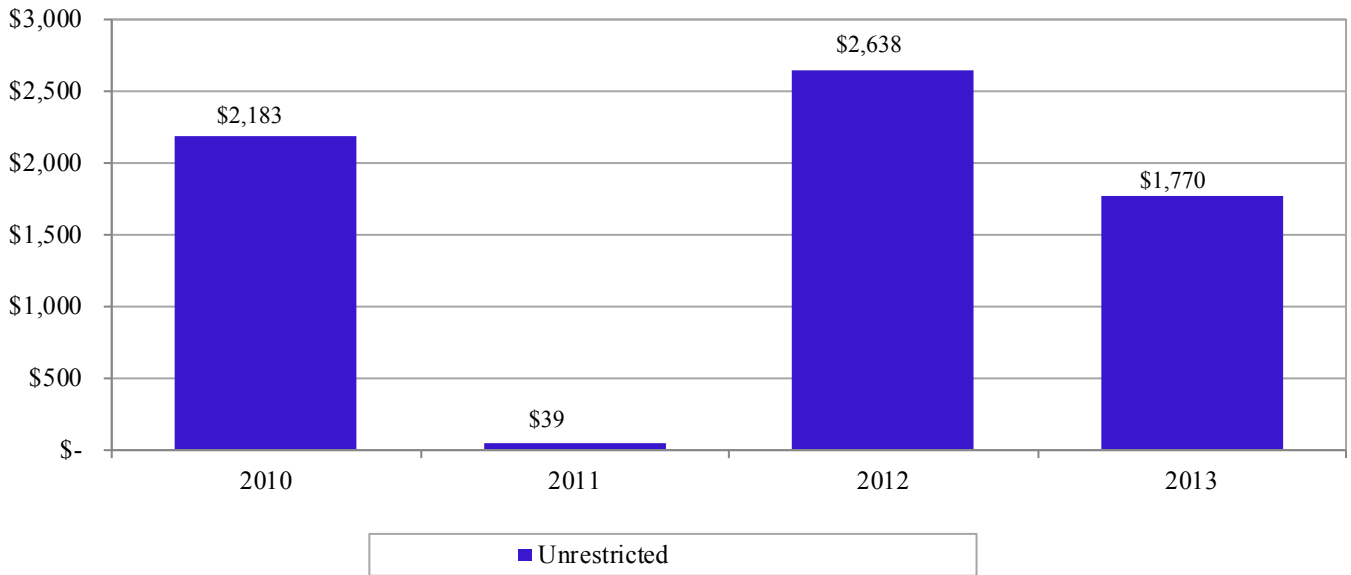
We recommend the City review rates annually to determine if operating revenues will cover operating costs, annual scheduled debt payments, and future projects.



### Deputy Registrar Fund Cash Flow



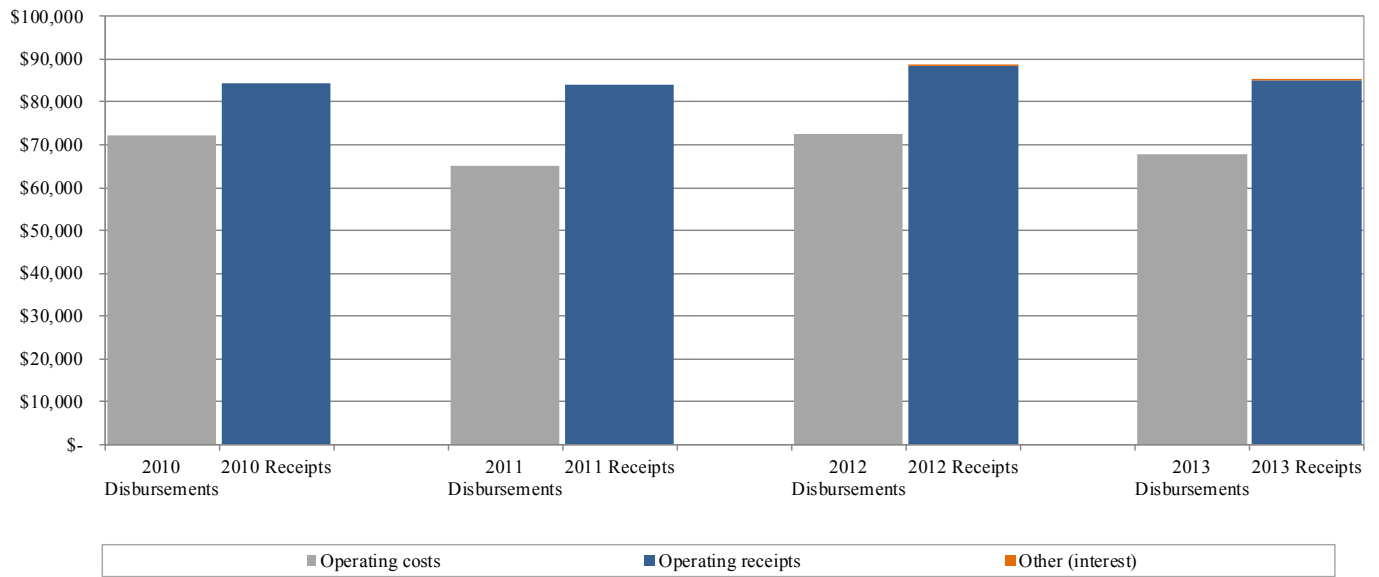
### Deputy Registrar Fund Cash Balance



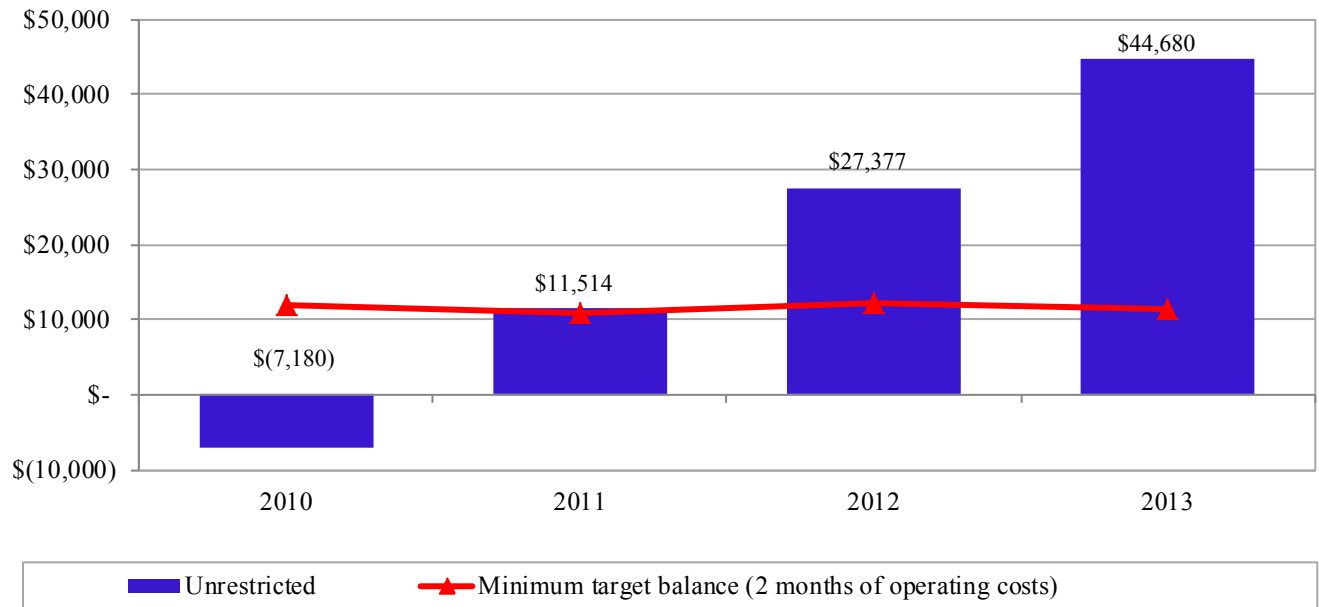
Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) were sufficient alone to cover operating costs (grey) in 2012 and 2013.
- The fund has transferred out \$2,500 and 2,575 in 2012 and 2013, respectively to the General fund.

### Recycling Fund Cash Flow



### Recycling Fund Cash Balance



Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) were sufficient alone to cover operating costs (grey) in all four years presented.
- The increase in cash over the past four years is a result of an increase in operating income.

## Ratio Analysis

The following captures a few ratios from the City's financial statements that give some additional information for trend and peer group analysis. The peer group average is derived from information we have requested from the Office of the State Auditor. Different peer group averages are used for Cities of the 4<sup>th</sup> Class (population 2,500 – 10,000). The majority of these ratios facilitate the use of economic resources focus and accrual basis of accounting at the government-wide level. A combination of liquidity (ability to pay its most immediate obligations), solvency (ability to pay its long-term obligations), funding (comparison of financial amounts and economic indicators to measure changes in financial capacity over time) and common-size (comparison of financial data with other cities regardless of size) ratios are shown below.

Ratio	Calculation	Source	2010	2011	2012	2013
Debt to assets	Total liabilities/total assets	Government-wide	44% 34%	41% 33%	44% 33%	42% N/A
Debt service coverage	Net cash provided by operations/ enterprise fund debt payments	Enterprise funds	64% 90%	82% 106%	86% 106%	85% N/A
Debt per capita	Bonded debt/population	Government-wide	\$ 5,207 \$ 2,774	\$ 4,727 \$ 2,826	\$ 5,263 \$ 2,626	\$ 4,988 N/A
Taxes per capita	Tax revenues/population	Government-wide	\$ 541 \$ 458	\$ 565 \$ 500	\$ 579 \$ 480	\$ 557 N/A
Current expenditures per capita	Governmental fund current expenditures/population	Governmental funds	\$ 811 \$ 624	\$ 765 \$ 640	\$ 872 \$ 649	\$ 791 N/A
Capital expenditures per capita	Governmental fund capital expenditures/population	Governmental funds	\$ 254 \$ 265	\$ 257 \$ 229	\$ 692 \$ 298	\$ 915 N/A
Capital assets % left to depreciate - Governmental	Net capital assets/ gross capital assets	Government-wide	71% 68%	69% 64%	71% 65%	71% N/A
Capital assets % left to depreciate - Business-type	Net capital assets/ gross capital assets	Government-wide	75% 68%	73% 65%	71% 63%	69% N/A

Represents the City of Cannon Falls

Peer Group Ratio

### **Debt-to-Assets Leverage Ratio (Solvency Ratio)**

The debt-to-assets leverage ratio is a comparison of a city's total liabilities to its total assets or the percentage of total assets that are provided by creditors. It indicates the degree to which the City's assets are financed through borrowings and other long-term obligations (i.e. a ratio of 50 percent would indicate half of the assets are financed with outstanding debt).

### **Debt Service Coverage Ratio (Solvency Ratio)**

The debt coverage ratio is a comparison of cash generated by operations to total debt service payments (principal and interest) of enterprise funds. This ratio indicates if there are sufficient cash flows from operations to meet Debt Service obligations. Except in cases where other nonoperating revenues (i.e. taxes, assessments, transfers from other funds, etc.) are used to fund Debt Service payments, an acceptable ratio would be above 100 percent.

### **Bonded Debt per Capita (Funding Ratio)**

This dollar amount is arrived at by dividing the total bonded debt by the population of the City and represents the amount of bonded debt obligation for each citizen of the City at the end of the year. The higher the amount, the more resources are needed in the future to retire these obligations through taxes, assessments or user fees.

### **Taxes per Capita (Funding Ratio)**

This dollar amount is arrived at by dividing the total tax revenues by the population of the City and represents the amount of taxes for each citizen of the City for the year. The higher this amount is, the more reliant the City is on taxes to fund its operations.

### **Current Expenditures per Capita (Funding Ratio)**

This dollar amount is arrived at by dividing the total current governmental expenditures by the population of the City and represents the amount of governmental expenditure for each citizen of the City during the year. Since this is generally based on ongoing expenditures, we would expect consistent annual per capita results.

### **Capital Expenditures per Capita (Funding Ratio)**

This dollar amount is arrived at by dividing the total governmental capital outlay expenditures by the population of the City and represents the amount of capital expenditure for each citizen of the City during the year. Since projects are not always recurring, the per capita amount will fluctuate from year to year.

### **Capital Assets Percentage (Common-size Ratio)**

This percentage represents the percent of governmental or business-type capital assets that are left to be depreciated. The lower this percentage, the older the City's capital assets are and may need major repairs or replacements in the near future. A higher percentage may indicate newer assets being constructed or purchased and may coincide with higher debt ratios or bonded debt per capita.

## Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: <sup>(1)</sup>

### **GASB Statement No. 67 - *The Financial Reporting for Pension Plans- an Amendment to GASB Statement No. 25***

#### **Summary**

The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

#### **How the Changes in This Statement Will Improve Financial Reporting**

The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year. The net pension liability information, including ratios, will offer an up-to-date indication of the extent to which the total pension liability is covered by the fiduciary net position of the pension plan. The comparability of the reported information for similar types of pension plans will be improved by the changes related to the attribution method used to determine the total pension liability. The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates, when such rates are determined. In that circumstance, it also will provide information about whether employers and nonemployer contributing entities, if applicable, are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due.

### **GASB Statement No. 68 - *The Accounting and Financial Reporting of Pensions- an Amendment of GASB Statement No. 27***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

## Future Accounting Standard Changes - Continued

### How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

#### **GASB Statement No. 69** - *Government Combinations and Disposals of Government Operations*

##### Summary

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

### How the Changes in This Statement Will Improve Financial Reporting

Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, Business Combinations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

#### **GASB Statement No. 70** - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

##### Summary

Some governments extend financial guarantees for the obligations of another government, a not-for-profit organization, a private entity, or individual without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range.

## Future Accounting Standard Changes - Continued

This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.

### How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

**GASB Statement No. 71** - *Pension Transition for Contributions Made Subsequent to the Measure Date - an Amendment of GASB Statement No. 68*

### Summary

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

## Future Accounting Standard Changes - Continued

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

### How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

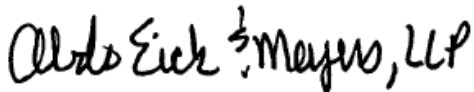
<sup>1</sup> *Note.* From GASB Pronouncements Summaries. Copyright 2014 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

\* \* \* \* \*

This communication is intended solely for the information and use of management, City Council, others within the City and the Minnesota Office of the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 10, 2014



CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2013

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**INTRODUCTORY SECTION**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2013

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CITY OF CANNON FALLS, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2013

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyman (Robby) Robinson	Mayor	12/31/14
Merlyce Johnson	Council Member	12/31/16
Jay Sjoblom	Council Member	12/31/16
Morris Mattson	Council Member	12/31/16
LeRoy McCusker	Council Member	12/31/14
Bill Duncan	Council Member	12/31/14
Rodney Holst	Council Member	12/31/14

**APPOINTED**

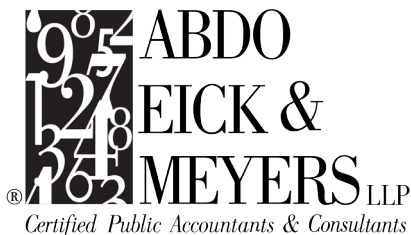
<u>Name</u>	<u>Title</u>
Aaron Reeves	City Administrator
Lanell Endres	Assistant City Administrator
Tom Bergeson	Public Works Director
Justin Padgett	Library Director
Jeff McCormick	Chief of Police
Campbell, Knutson, P.A.	City Attorney
David Maroney	Community Development Director
Brenda Voshalike	Ambulance Director

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**FINANCIAL SECTION**  
**CITY OF CANNON FALLS**  
**CANNON FALLS, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2013**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Cannon Falls, Minnesota

### **Report on 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 Cannon Falls, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated May 16, 2013 we express unmodified opinions on the respective proprietary fund financial statements. 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 of 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 financial statement presentation.

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

### **Opinions**

In our opinion, the financial statements referred to 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 as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

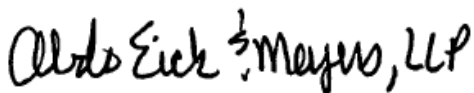
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 10, 2014

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## **Management's Discussion and Analysis**

As management of the City of Cannon Falls, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2013.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$29,842,452 (net position). Of this amount, \$6,288,210 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$458,312. Most on this increase is due to governmental activities, which increased \$322,801, which was mostly due to sales of land.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,827,004, a decrease of \$2,763,368 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$2,232,959 or 76 percent of budgeted 2014 General fund expenditures.
- The City's total bonded debt decreased \$1,119,677 during the current fiscal year due to debt service principal payments of \$3,694,678 and the issuance of the 2013A Improvement Bonds for \$2,575,000.

## Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1**  
**Required Components of the**  
**City's Annual Financial Report**

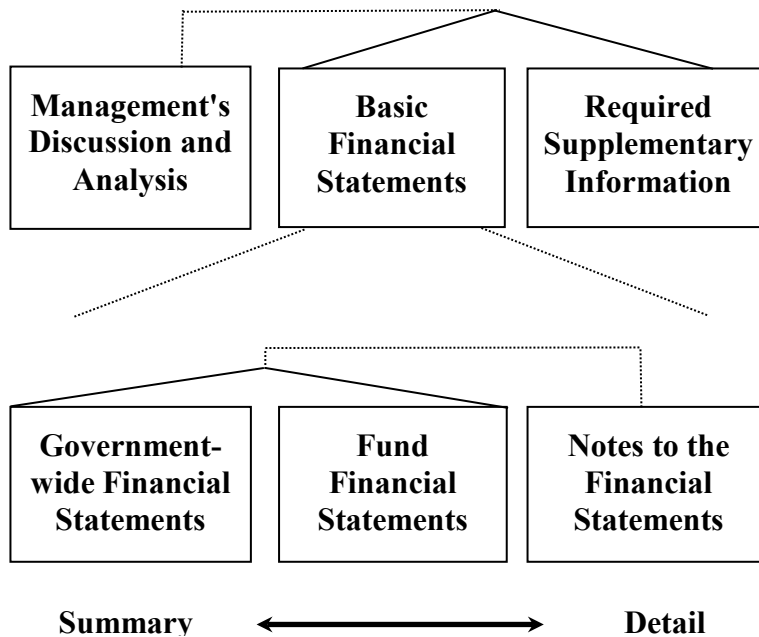


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City’s assets and liabilities, 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 is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous, and debt service. The business-type activities of the City include water utility, disposal, ambulance, storm water, recycling, and deputy registrar. The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is discretely presented from the financial information presented for the primary government itself.

The government-wide financial statements start on page 29 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, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds:** *Governmental funds* are used to account for essentially the same 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 financing requirements.

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

The City maintains 27 individual governmental funds, seven of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service fund and the 2013 Eastside Improvement Project, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund, special revenue funds and certain Debt Service funds. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with its budget.

The basic governmental fund financial statements start on page 34 of this report.

**Proprietary funds:** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, disposal, storm water, ambulance, recycling, and deputy registrar.

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 each of the enterprise funds which are considered to be major funds of the City. Data from the non-major enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The basic proprietary fund financial statements start on page 40 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 49 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 74 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, assets exceeded liabilities by \$29,842,452 at the close of the most recent fiscal year.

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

### City of Cannon Falls' Summary of Net Position

	Governmental Activities			Business-type Activities		
	2013	Restated 2012	Increase (Decrease)	2013	Restated 2012	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 8,193,746	\$10,397,690	\$ (2,203,944)	\$ 4,379,098	\$ 4,620,201	\$ (241,103)
Capital assets	15,095,885	13,713,852	1,382,033	23,653,265	23,246,531	406,734
Total assets	<u>23,289,631</u>	<u>24,111,542</u>	<u>(821,911)</u>	<u>28,032,363</u>	<u>27,866,732</u>	<u>165,631</u>
<b>Liabilities</b>						
Long-term						
liabilities outstanding	8,740,710	9,940,276	(1,199,566)	12,016,415	11,948,356	68,059
Other liabilities	502,046	584,284	(82,238)	220,371	258,310	(37,939)
Total liabilities	<u>9,242,756</u>	<u>10,524,560</u>	<u>(1,281,804)</u>	<u>12,236,786</u>	<u>12,206,666</u>	<u>30,120</u>
<b>Net position</b>						
Net investment in capital assets	8,119,545	7,072,248	1,047,297	12,054,156	11,614,312	439,844
Restricted	3,380,541	2,865,344	515,197	-	-	-
Unrestricted	2,546,789	3,649,390	(1,102,601)	3,741,421	4,045,754	(304,333)
Total net position	<u>\$14,046,875</u>	<u>\$13,586,982</u>	<u>\$ 459,893</u>	<u>\$15,795,577</u>	<u>\$15,660,066</u>	<u>\$ 135,511</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Statement of activities.** The changes in net position are highlighted below:

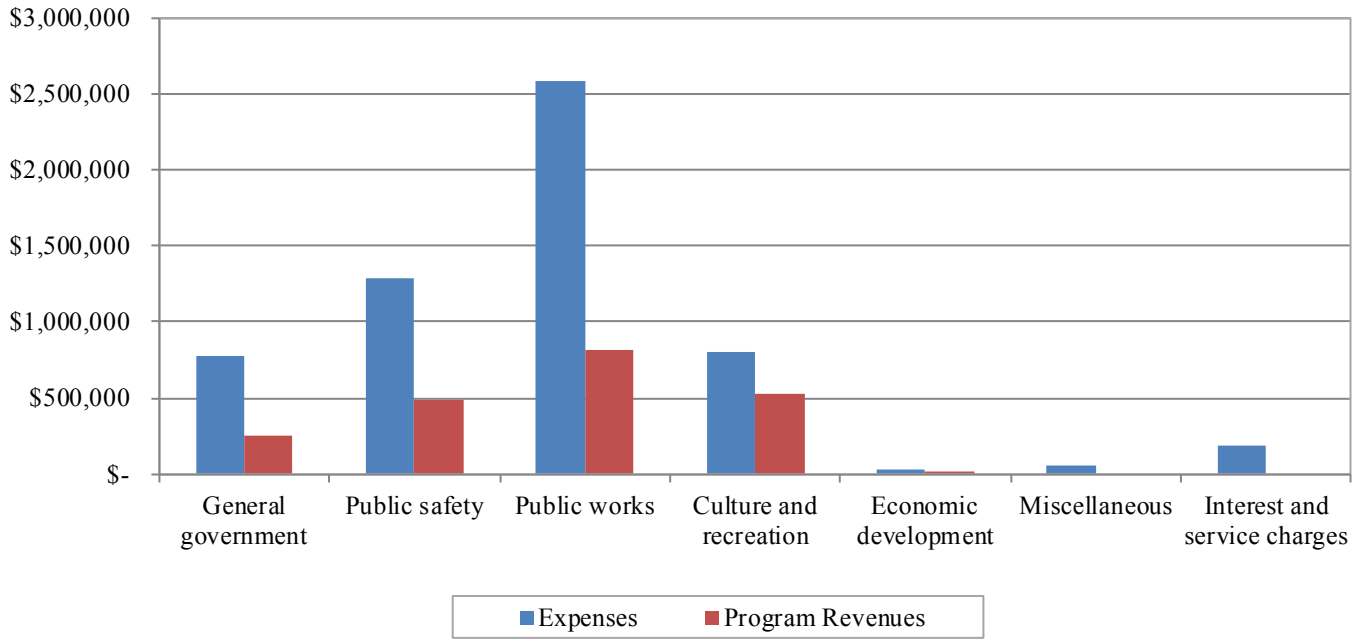
### City of Cannon Falls' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2013	Restated 2012	Increase (Decrease)	2013	Restated 2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 487,136	\$ 499,575	\$ (12,439)	\$ 2,816,159	\$ 2,427,863	\$ 388,296
Operating grants and contributions	597,246	759,917	(162,671)	6,171	8,992	(2,821)
Capital grants and contributions	1,024,022	55,356	968,666	156,114	105,561	50,553
General revenues						
Taxes	3,157,135	3,151,613	5,522	-	-	-
Grants and contributions not restricted to specific programs	476,948	436,045	40,903	-	-	-
Investment earnings	(8,907)	14,876	(23,783)	14,045	14,711	(666)
Gain on sale of capital assets	227,035	54,433	172,602	-	-	-
Total revenues	5,960,615	4,971,815	988,800	2,992,489	2,557,127	435,362
Expenses						
General government	775,983	748,783	27,200	-	-	-
Public safety	1,286,329	1,077,517	208,812	-	-	-
Public works	2,583,764	876,101	1,707,663	-	-	-
Culture and recreation	808,463	765,322	43,141	-	-	-
Economic development	29,038	525,887	(496,849)	-	-	-
Miscellaneous	50,789	119,568	(68,779)	-	-	-
Interest and service charges	190,943	308,247	(117,304)	-	-	-
Water utility	-	-	-	795,142	733,063	62,079
Disposal	-	-	-	1,260,904	1,140,126	120,778
Storm water	-	-	-	50,099	35,428	14,671
Recycling	-	-	-	65,370	74,798	(9,428)
Ambulance	-	-	-	493,293	492,683	610
Deputy registrar	-	-	-	104,675	98,300	6,375
Total expenses	5,725,309	4,421,425	1,303,884	2,769,483	2,574,398	195,085
Change in net position before transfers	235,306	550,390	(315,084)	223,006	(17,271)	240,277
Capital transfers by other funds	(119,208)	(12,052)	(107,156)	119,208	12,052	107,156
Transfers	206,703	258,025	(51,322)	(206,703)	(258,025)	51,322
Change in net position	322,801	796,363	(473,562)	135,511	(263,244)	398,755
Net position (restated), January 1	13,586,982	12,790,619	796,363	15,660,066	15,923,310	(263,244)
Prior period adjustment	137,092	-	137,092	-	-	-
Net position, December 31	\$14,046,875	\$13,586,982	\$ 459,893	\$15,795,577	\$15,660,066	\$ 135,511

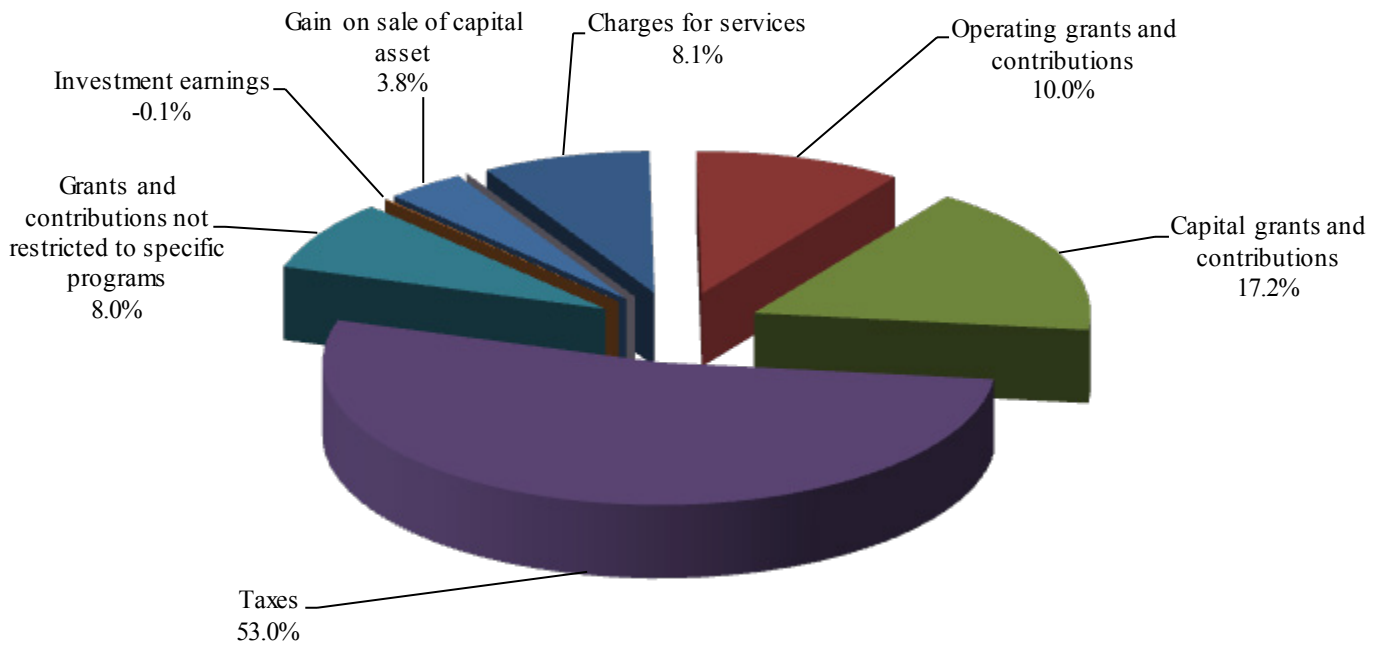
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

**Governmental activities.** Net position in the governmental activities increased \$322,801.

### Expenses and Program Revenues - Governmental Activities



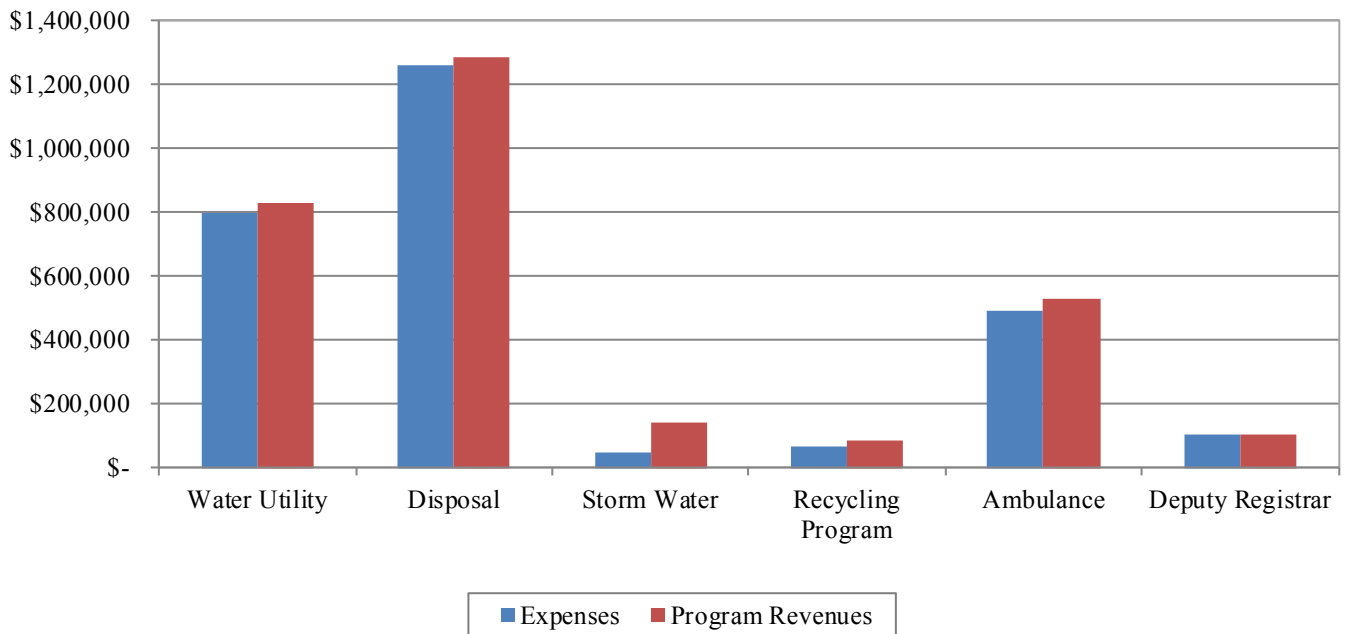
### Revenues by Source - Governmental Activities



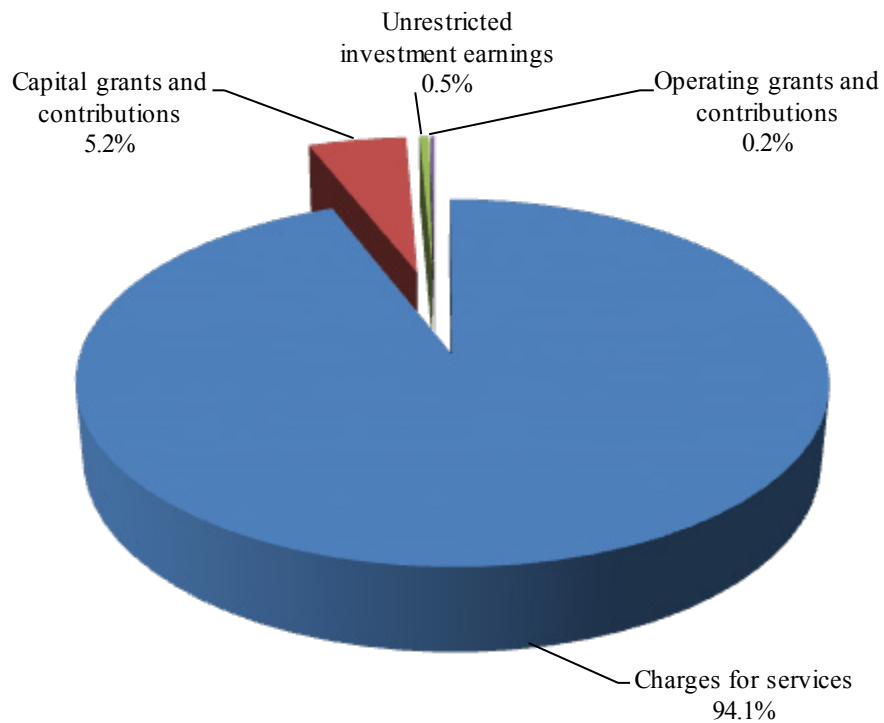
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

**Business-type activities.** Net position in business-type activities increased by \$135,511.

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



### Revenues by Source - Business-type Activities





## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *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.

Activity in the City's major funds is discussed below:

<u>Major Funds</u>	Fund Balance December 31,		Increase (Decrease)
	2013	2012	
<b>General</b>	\$ 2,232,959	\$ 2,855,251	\$ (622,292)
Fund balance decreased due to paying roughly \$1.489 million to MNDot for the City's portion of the Hwy 52 interchange and pedestrian bridge.			
<b>Debt Service</b>	\$ 2,813,635	\$ 4,368,427	\$ (1,554,792)
The Debt Service funds decreased due to debt service principal payments. The debt service principal payments included \$1,945,000 of refunded debt payments, in which the refunding proceeds were received in 2012.			
<b>2013 East Side Improvement Project</b>	\$ 189,928	\$ (40,216)	\$ 230,144
The increase in the fund balance is due to construction costs for the East Side improvement project being less than the bonds issues to fund the project in the current year.			

### General Fund Budgetary Highlights

The City's General fund budget was not amended during 2013. Compared to the final budget, revenues were over budget by \$116,979 and expenditures were over budget by \$1,598,374.

- The largest revenue variance was from Federal disaster aid, which was \$103,048 over budget due to 2013 FEMA that relates to 2013 expenditures
- The largest variances in expenditures included capital outlay which exceeded budget by \$1,583,815 and current public works expenditures, which was over budget by \$39,735. The largest variance within capital outlay expense was due to public works expenditures exceeding budget by \$1,468,870 due to payments to MN-DOT for the Hwy 52 interchange and payments for the pedestrian bridge.

## Capital Asset and Debt Administration

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of December 31, 2013, amounts to \$38,749,150 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City's capital assets can be found in Note 3E starting on page 61 of this report.

### City of Cannon Falls' Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 908,474	\$ 958,174	\$ (49,700)	\$ 87,816	\$ 87,816	\$ -
Construction in progress	1,277,996	40,217	1,237,779	1,187,588	40,217	1,147,371
Buildings and improvements	3,741,762	3,859,920	(118,158)	7,534	8,068	(534)
System improvements/infrastructure	7,472,094	7,353,829	118,265	21,772,908	22,476,441	(703,533)
Machinery and equipment	860,834	591,742	269,092	384,201	407,145	(22,944)
Vehicles	834,725	909,970	(75,245)	213,218	226,844	(13,626)
<b>Total</b>	<b>\$15,095,885</b>	<b>\$13,713,852</b>	<b>\$ 1,382,033</b>	<b>\$23,653,265</b>	<b>\$23,246,531</b>	<b>\$ 406,734</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$20,550,459. While all of the City's bonds have revenue streams, all are backed by the full faith and credit of the City.

### City of Cannon Falls' Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Capital lease payable	\$ 79,029	\$ 104,651	\$ (25,622)	\$ 68,521	\$ 82,576	\$ (14,055)
Compensated absences payable	159,681	173,625	(13,944)	46,985	44,871	2,114
General obligation special assessment bonds	1,735,000	4,165,000	(2,430,000)	-	-	-
General obligation revenue bonds	6,767,000	5,497,000	1,270,000	11,900,909	11,820,909	80,000
<b>Total</b>	<b>\$ 8,740,710</b>	<b>\$ 9,940,276</b>	<b>\$ (1,199,566)</b>	<b>\$12,016,415</b>	<b>\$11,948,356</b>	<b>\$ 68,059</b>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3H starting on page 64 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- Property values appear to have stabilized and the City is continuing to see strong Commercial/Industrial growth along with an increase in new home construction.
- The City will continue to monitor utility fees to ensure that charges are sufficient to cover costs in the Water and Disposal funds.
- The Legislature approved an increase in State Aid to Cities which resulted in a large increase to the City.
- The City will continue to update and monitor its Financial Management Plan to ensure that the numerous scheduled capital projects can be completed as budgeted.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Cannon Falls, 918 River Road, Cannon Falls, MN 55009.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2013

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CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 4,093,294	\$ 2,040,784	\$ 6,134,078	\$ 341,345
Cash held with fiscal agent	1,385,310	-	1,385,310	-
Receivables				
Accrued interest	409	171	580	86
Taxes	157,982	-	157,982	-
Accounts, net of allowance	353,915	294,679	648,594	-
Special assessments	1,946,327	2,027,228	3,973,555	-
Deposits	-	-	-	25,000
Loans	-	-	-	204,566
Contract for deed	22,450	-	22,450	225,291
Due from other governments	137,736	-	137,736	-
Inventories, at cost	-	4,438	4,438	-
Prepaid items	96,323	11,798	108,121	94
Capital assets				
Land and construction in progress	2,186,470	1,275,404	3,461,874	562,918
Depreciable buildings, property, and equipment, net	12,909,415	22,377,861	35,287,276	-
<b>TOTAL ASSETS</b>	<b>23,289,631</b>	<b>28,032,363</b>	<b>51,321,994</b>	<b>1,359,300</b>
<b>LIABILITIES</b>				
Accounts and contracts payable	290,746	73,485	364,231	-
Accrued interest payable	81,855	131,663	213,518	-
Due to other governments	-	1,878	1,878	-
Accrued salaries payable	62,301	13,345	75,646	2,146
Deposits payable	67,144	-	67,144	-
Noncurrent liabilities				
Due within one year	867,367	1,085,431	1,952,798	3,475
Due in more than one year	7,873,343	10,930,984	18,804,327	10,426
<b>TOTAL LIABILITIES</b>	<b>9,242,756</b>	<b>12,236,786</b>	<b>21,479,542</b>	<b>16,047</b>
<b>NET POSITION</b>				
Net investment in capital assets	8,119,545	12,054,156	20,173,701	562,918
Restricted for				
Debt service	3,038,977	-	3,038,977	-
Cable television	116,843	-	116,843	-
Economic development	224,721	-	224,721	-
Unrestricted	2,546,789	3,741,421	6,288,210	780,335
<b>TOTAL NET POSITION</b>	<b>\$ 14,046,875</b>	<b>\$ 15,795,577</b>	<b>\$ 29,842,452</b>	<b>\$ 1,343,253</b>

The notes to the financial statements are an integral part of this statement.

CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 775,983	\$ 152,622	\$ 103,048	\$ -
Public safety	1,286,329	162,529	116,419	203,020
Public works	2,583,764	-	-	821,002
Culture and recreation	808,463	171,985	355,329	-
Economic development	29,038	-	22,450	-
Miscellaneous	50,789	-	-	-
Interest on long-term debt	190,943	-	-	-
Total governmental activities	<u>5,725,309</u>	<u>487,136</u>	<u>597,246</u>	<u>1,024,022</u>
Business-type activities				
Water Utility	795,142	746,745	-	83,989
Disposal	1,260,904	1,214,795	-	72,125
Storm Water	50,099	144,148	-	-
Recycling Program	65,370	85,113	-	-
Ambulance	493,293	520,866	6,171	-
Deputy Registrar	104,675	104,492	-	-
Total business-type activities	<u>2,769,483</u>	<u>2,816,159</u>	<u>6,171</u>	<u>156,114</u>
Total	<u>8,494,792</u>	<u>3,303,295</u>	<u>603,417</u>	<u>1,180,136</u>
Component unit				
Economic Development Authority	<u>\$ 763,584</u>	<u>\$ 26,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>

General revenues
Taxes
Property taxes, levied for general purpose
Property taxes, levied for debt service
Property taxes, for economic development
Property taxes, for library
Property taxes, for public safety
Payments in lieu of property taxes
Franchise tax
Tax increments
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Transfers - internal activities
Transfers - capital assets contributed by other funds
Total general revenues and transfers
Change in net position
Net position, (restated) January 1
Prior period adjustment
Net position, December 31

The notes to the financial statements are an integral part of this statement.



Net (Expense) Revenue and Changes in Net Position

Primary government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (520,313)	\$ -	\$ (520,313)	\$ -
(804,361)	-	(804,361)	-
(1,762,762)	-	(1,762,762)	-
(281,149)	-	(281,149)	-
(6,588)	-	(6,588)	-
(50,789)	-	(50,789)	-
(190,943)	-	(190,943)	-
<u>(3,616,905)</u>	<u>-</u>	<u>(3,616,905)</u>	<u>-</u>
-	35,592	35,592	-
-	26,016	26,016	-
-	94,049	94,049	-
-	19,743	19,743	-
-	33,744	33,744	-
-	(183)	(183)	-
<u>-</u>	<u>208,961</u>	<u>208,961</u>	<u>-</u>
<u>(3,616,905)</u>	<u>208,961</u>	<u>(3,407,944)</u>	<u>-</u>
			<u>(727,584)</u>
1,335,777	-	1,335,777	-
463,456	-	463,456	-
-	-	-	90,400
280,839	-	280,839	-
90,594	-	90,594	-
507,500	-	507,500	-
49,240	-	49,240	-
429,729	-	429,729	-
476,948	-	476,948	-
(8,907)	14,045	5,138	11,591
227,035	-	227,035	-
206,703	(206,703)	-	-
(119,208)	119,208	-	-
<u>3,939,706</u>	<u>(73,450)</u>	<u>3,866,256</u>	<u>101,991</u>
322,801	135,511	458,312	(625,593)
13,586,982	15,660,066	29,247,048	1,968,846
<u>137,092</u>	<u>-</u>	<u>137,092</u>	<u>-</u>
<u>\$ 14,046,875</u>	<u>\$ 15,795,577</u>	<u>\$ 29,842,452</u>	<u>\$ 1,343,253</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2013

CITY OF CANNON FALLS , MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

	General	Debt Service	2013 Eastside Improvement Project	Other Governmental	Total Governmental
<b>ASSETS</b>					
Cash and temporary investments	\$ 2,181,205	\$ 1,051,237	\$ 247,245	\$ 613,607	\$ 4,093,294
Cash held with fiscal agent	-	1,385,310	-	-	1,385,310
Receivables					
Accrued interest	279	50	-	80	409
Taxes	156,495	-	-	1,487	157,982
Accounts	85,872	250,000	4,709	13,334	353,915
Special assessments	12,004	1,849,235	-	85,088	1,946,327
Contract for deed	22,450	-	-	-	22,450
Due from other governments	137,736	-	-	-	137,736
Prepaid items	24,392	-	-	71,931	96,323
<b>TOTAL ASSETS</b>	<b><u>\$ 2,620,433</u></b>	<b><u>\$ 4,535,832</u></b>	<b><u>\$ 251,954</u></b>	<b><u>\$ 785,527</u></b>	<b><u>\$ 8,193,746</u></b>
<b>LIABILITIES</b>					
Accounts and contracts payable	\$ 122,245	\$ -	\$ 62,026	\$ 106,475	\$ 290,746
Accrued salaries payable	56,094	-	-	6,207	62,301
Deposits payable	67,144	-	-	-	67,144
<b>TOTAL LIABILITIES</b>	<b><u>245,483</u></b>	<b><u>-</u></b>	<b><u>62,026</u></b>	<b><u>112,682</u></b>	<b><u>420,191</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	119,541	-	-	231	119,772
Unavailable revenue - special assessments	-	1,722,197	-	82,132	1,804,329
Unavailable revenue - contracts for deed	22,450	-	-	-	22,450
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>141,991</u></b>	<b><u>1,722,197</u></b>	<b><u>-</u></b>	<b><u>82,363</u></b>	<b><u>1,946,551</u></b>
<b>FUND BALANCES</b>					
Nonspendable	24,392	-	-	71,931	96,323
Restricted	-	2,813,635	-	341,333	3,154,968
Committed	-	-	-	514,386	514,386
Assigned	260,000	-	189,928	237,141	687,069
Unassigned	1,948,567	-	-	(574,309)	1,374,258
<b>TOTAL FUND BALANCES</b>	<b><u>2,232,959</u></b>	<b><u>2,813,635</u></b>	<b><u>189,928</u></b>	<b><u>590,482</u></b>	<b><u>5,827,004</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 2,620,433</u></b>	<b><u>\$ 4,535,832</u></b>	<b><u>\$ 251,954</u></b>	<b><u>\$ 785,527</u></b>	<b><u>\$ 8,193,746</u></b>

The notes to the financial statements are an integral part of this statement.

CITY OF CANNON FALLS, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013

Total fund balances - governmental funds	\$ 5,827,004
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	21,315,371
Less: accumulated depreciation	(6,219,486)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(8,502,000)
Capital lease payable	(79,029)
Compensated absences payable	(159,681)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Delinquent taxes receivable	119,772
Special assessments receivable	1,804,329
Contract for deed	22,450
Governmental funds do not report a liability for accrued interest until due and payable.	(81,855)
Total net position - governmental activities	\$ 14,046,875

The notes to the financial statements are an integral part of this statement.

CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Debt Service	2013 Eastside Improvement Project	Other Governmental	Total Governmental
<b>REVENUES</b>					
Taxes	\$ 1,846,845	\$ 463,456	\$ -	\$ 850,402	\$ 3,160,703
Licenses and permits	71,262	-	-	-	71,262
Intergovernmental	624,612	-	-	356,015	980,627
Charges for services	57,127	-	-	80,856	137,983
Fines and forfeitures	25,584	-	-	5,197	30,781
Special assessments	11,790	341,485	-	4,511	357,786
Interest on investments	(13,283)	2,495	239	386	(10,163)
Miscellaneous	236,030	250,000	-	30,131	516,161
<b>TOTAL REVENUES</b>	<b>2,859,967</b>	<b>1,057,436</b>	<b>239</b>	<b>1,327,498</b>	<b>5,245,140</b>
<b>EXPENDITURES</b>					
Current					
General government	719,780	-	-	-	719,780
Public safety	838,592	-	-	216,059	1,054,651
Public works	660,860	-	-	-	660,860
Culture and recreation	373,832	-	-	376,430	750,262
Economic development	-	-	-	1,519	1,519
Miscellaneous	48,235	-	-	-	48,235
Capital outlay					
General government	4,248	-	-	28,912	33,160
Public safety	5,200	-	-	308,167	313,367
Public works	1,522,570	-	1,237,779	185,745	2,946,094
Culture and recreation	-	-	-	420,612	420,612
Economic development	-	-	-	27,519	27,519
Miscellaneous	123,192	-	-	-	123,192
Debt service					
Principal	25,622	2,635,000	-	-	2,660,622
Interest and service charges	4,388	195,369	-	-	199,757
Bond issuance costs	-	7,316	-	-	7,316
<b>TOTAL EXPENDITURES</b>	<b>4,326,519</b>	<b>2,837,685</b>	<b>1,237,779</b>	<b>1,564,963</b>	<b>9,966,946</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(1,466,552)</b>	<b>(1,780,249)</b>	<b>(1,237,540)</b>	<b>(237,465)</b>	<b>(4,721,806)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	535,726	218,141	-	94,525	848,392
Bonds issued	-	7,316	1,467,684	-	1,475,000
Sale of capital assets	276,735	-	-	-	276,735
Transfers out	(105,293)	-	-	(536,396)	(641,689)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>707,168</b>	<b>225,457</b>	<b>1,467,684</b>	<b>(441,871)</b>	<b>1,958,438</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(759,384)</b>	<b>(1,554,792)</b>	<b>230,144</b>	<b>(679,336)</b>	<b>(2,763,368)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>2,855,251</b>	<b>4,368,427</b>	<b>(40,216)</b>	<b>1,269,818</b>	<b>8,453,280</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>137,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,092</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,232,959</b>	<b>\$ 2,813,635</b>	<b>\$ 189,928</b>	<b>\$ 590,482</b>	<b>\$ 5,827,004</b>

The notes to the financial statements are an integral part of this statement.

CITY OF CANNON FALLS, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - governmental funds	\$ (2,763,368)
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays and sales are reported in governmental funds as expenditures and proceeds. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense and the proceeds are reported as reductions of net position and gains or losses on sales.	
Capital outlays	2,202,841
Depreciation expense	(651,900)
Book value disposal of capital assets	(49,700)
Assets purchased in the governmental funds for the enterprise funds are eliminated in the government-wide statements.	
	(119,208)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments	2,635,000
Capital lease principal payments	25,622
Bonds issued	(1,475,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	16,130
Certain revenues are recognized as soon as earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(3,568)
Special assessments	469,558
Contract for deed	22,450
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	13,944
Change in net position - governmental activities	\$ 322,801

The notes to the financial statements are an integral part of this statement.

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CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,852,792	\$ 1,852,792	\$ 1,846,845	\$ (5,947)
Licenses and permits	49,300	49,300	71,262	21,962
Intergovernmental	521,696	521,696	624,612	102,916
Charges for services	48,900	48,900	57,127	8,227
Fines and forfeitures	26,000	26,000	25,584	(416)
Special assessments	-	-	11,790	11,790
Interest on investments	10,500	10,500	(13,283)	(23,783)
Miscellaneous	233,800	233,800	236,030	2,230
<b>TOTAL REVENUES</b>	<u>2,742,988</u>	<u>2,742,988</u>	<u>2,859,967</u>	<u>116,979</u>
<b>EXPENDITURES</b>				
Current				
General government	724,875	724,875	719,780	5,095
Public safety	835,725	835,725	838,592	(2,867)
Public works	621,125	621,125	660,860	(39,735)
Culture and recreation	399,575	399,575	373,832	25,743
Miscellaneous	48,250	48,250	48,235	15
Capital outlay	71,395	71,395	1,655,210	(1,583,815)
Debt service				
Capital lease				
Principal	23,400	23,400	25,622	(2,222)
Interest	3,800	3,800	4,388	(588)
<b>TOTAL EXPENDITURES</b>	<u>2,728,145</u>	<u>2,728,145</u>	<u>4,326,519</u>	<u>(1,598,374)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,843</u>	<u>14,843</u>	<u>(1,466,552)</u>	<u>(1,481,395)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	46,450	46,450	535,726	489,276
Sale of capital assets	-	-	276,735	276,735
Transfers out	(61,293)	(61,293)	(105,293)	(44,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(14,843)</u>	<u>(14,843)</u>	<u>707,168</u>	<u>722,011</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(759,384)	(759,384)
<b>FUND BALANCES, JANUARY 1</b>	2,855,251	2,855,251	2,855,251	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>137,092</u>	<u>137,092</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 2,855,251</u>	<u>\$ 2,855,251</u>	<u>\$ 2,232,959</u>	<u>\$ (622,292)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CANNON FALLS, MINNESOTA  
STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water Utility		Disposal	
	2013	2012	2013	2012
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 1,068,993	\$ 1,171,617	\$ 696,950	\$ 606,011
Receivables				
Accrued interest	132	179	15	394
Accounts, net of allowance	100,837	68,262	115,921	105,236
Special assessments	138,098	156,174	145,054	164,522
Due from other governments	-	-	-	-
Inventories, at cost	2,219	24,962	2,219	15,000
Prepaid items	3,733	1,601	4,172	2,743
<b>TOTAL CURRENT ASSETS</b>	<b>1,314,012</b>	<b>1,422,795</b>	<b>964,331</b>	<b>893,906</b>
<b>NONCURRENT ASSETS</b>				
Special assessments receivable	945,626	1,058,441	785,488	879,160
Capital assets				
Land and construction in progress	524,679	103,903	432,082	12,869
Depreciable buildings, property, and equipment	12,730,439	12,597,998	18,823,707	18,786,298
Accumulated depreciation	(4,411,899)	(4,064,779)	(5,689,081)	(5,185,596)
<b>Total net capital assets</b>	<b>8,843,219</b>	<b>8,637,122</b>	<b>13,566,708</b>	<b>13,613,571</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>9,788,845</b>	<b>9,695,563</b>	<b>14,352,196</b>	<b>14,492,731</b>
<b>TOTAL ASSETS</b>	<b>11,102,857</b>	<b>11,118,358</b>	<b>15,316,527</b>	<b>15,386,637</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and contracts payable	13,297	49,095	40,937	54,654
Accrued interest payable	40,942	38,766	82,894	81,270
Due to other governments	1,878	1,770	-	-
Accrued salaries payable	2,364	2,777	2,910	1,735
Compensated absences payable - current	1,706	1,770	1,805	2,173
Capital lease payable - current	2,737	2,614	2,737	2,614
Bonds payable - current	346,714	334,919	698,203	674,017
<b>TOTAL CURRENT LIABILITIES</b>	<b>409,638</b>	<b>431,711</b>	<b>829,486</b>	<b>816,463</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences payable	5,119	5,309	5,415	6,518
Capital lease payable	2,856	5,597	2,856	5,597
Bonds payable	3,372,985	3,411,698	7,026,107	7,064,310
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,380,960</b>	<b>3,422,604</b>	<b>7,034,378</b>	<b>7,076,425</b>
<b>TOTAL LIABILITIES</b>	<b>3,790,598</b>	<b>3,854,315</b>	<b>7,863,864</b>	<b>7,892,888</b>
<b>NET POSITION</b>				
Net investment in capital assets	5,166,046	5,059,276	6,159,007	5,961,317
Unrestricted	2,146,213	2,204,767	1,293,656	1,532,432
<b>TOTAL NET POSITION</b>	<b>\$ 7,312,259</b>	<b>\$ 7,264,043</b>	<b>\$ 7,452,663</b>	<b>\$ 7,493,749</b>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

Ambulance		Nonmajor Enterprise funds		Totals	
2013	Restated 2012	2013	2012	2013	Restated 2012
\$ 225,579	\$ 101,860	\$ 49,262	\$ 126,540	\$ 2,040,784	\$ 2,006,028
3	-	21	47	171	620
54,695	95,140	23,226	23,033	294,679	291,671
-	-	12,962	13,922	296,114	334,618
-	1,807	-	-	-	1,807
-	-	-	-	4,438	39,962
3,810	3,461	83	89	11,798	7,894
284,087	202,268	85,554	163,631	2,647,984	2,682,600
-	-	-	-	1,731,114	1,937,601
-	-	318,643	11,261	1,275,404	128,033
596,738	582,520	705,338	705,338	32,856,222	32,672,154
(328,481)	(279,003)	(48,900)	(24,278)	(10,478,361)	(9,553,656)
268,257	303,517	975,081	692,321	23,653,265	23,246,531
268,257	303,517	975,081	692,321	25,384,379	25,184,132
552,344	505,785	1,060,635	855,952	28,032,363	27,866,732
12,903	7,822	6,348	8,025	73,485	119,596
-	-	7,827	6,501	131,663	126,537
-	-	-	-	1,878	1,770
6,220	4,859	1,851	1,036	13,345	10,407
7,505	6,716	730	559	11,746	11,218
-	-	9,211	8,815	14,685	14,043
-	-	14,083	11,065	1,059,000	1,020,001
26,628	19,397	40,050	36,001	1,305,802	1,303,572
22,514	20,149	2,191	1,677	35,239	33,653
-	-	48,124	57,339	53,836	68,533
-	-	442,817	324,900	10,841,909	10,800,908
22,514	20,149	493,132	383,916	10,930,984	10,903,094
49,142	39,546	533,182	419,917	12,236,786	12,206,666
268,257	303,517	460,846	290,202	12,054,156	11,614,312
234,945	162,722	66,607	145,833	3,741,421	4,045,754
\$ 503,202	\$ 466,239	\$ 527,453	\$ 436,035	\$ 15,795,577	\$ 15,660,066

CITY OF CANNON FALLS, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water Utility		Disposal	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 746,745	\$ 633,085	\$ 1,214,795	\$ 1,055,602
OPERATING EXPENSES				
Personnel services	135,490	135,795	146,597	136,762
Supplies	52,768	48,544	55,284	47,239
Repairs and maintenance	25,221	17,393	22,707	15,285
Depreciation	347,120	334,668	503,485	489,529
Rent	-	-	-	-
Insurance	2,818	4,605	9,039	8,032
Utilities	65,274	57,395	140,960	110,943
Other	68,161	39,960	147,185	93,995
TOTAL OPERATING EXPENSES	696,852	638,360	1,025,257	901,785
OPERATING INCOME (LOSS)	49,893	(5,275)	189,538	153,817
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	8,118	9,870	5,517	4,564
Other income	-	-	-	-
Loss on disposal of assets	-	-	-	-
Bond issuance costs	(3,790)	-	(8,122)	-
Interest expense	(94,500)	(94,703)	(227,525)	(238,341)
TOTAL NONOPERATING REVENUES (EXPENSES)	(90,172)	(84,833)	(230,130)	(233,777)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(40,279)	(90,108)	(40,592)	(79,960)
CAPITAL CONTRIBUTIONS	83,989	57,525	72,125	48,036
CAPITAL CONTRIBUTIONS FROM GOVERNMENTAL FUNDS	119,208	-	-	-
TRANSFERS IN	25,000	-	-	-
TRANSFERS OUT	(139,702)	(166,760)	(72,619)	(71,865)
CHANGE IN NET POSITION	48,216	(199,343)	(41,086)	(103,789)
NET POSITION (RESTATED), JANUARY 1	7,264,043	7,463,386	7,493,749	7,597,538
NET POSITION, DECEMBER 31	\$ 7,312,259	\$ 7,264,043	\$ 7,452,663	\$ 7,493,749

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

Ambulance		Nonmajor Enterprise funds		Totals	
2013	Restated 2012	2013	2012	2013	Restated 2012
\$ 520,866	\$ 410,061	\$ 333,111	\$ 316,547	\$ 2,815,517	\$ 2,415,295
332,204	303,220	82,672	76,965	696,963	652,742
41,240	48,003	2,292	1,647	151,584	145,433
9,896	9,964	364	265	58,188	42,907
49,478	48,765	24,622	12,305	924,705	885,267
-	-	16,950	16,950	16,950	16,950
2,459	2,773	-	-	14,316	15,410
16,382	14,492	-	-	222,616	182,830
41,634	65,466	77,781	87,562	334,761	286,983
493,293	492,683	204,681	195,694	2,420,083	2,228,522
27,573	(82,622)	128,430	120,853	395,434	186,773
26	13	384	264	14,045	14,711
6,171	17,578	642	4,326	6,813	21,904
-	(344)	-	-	-	(344)
-	-	(1,625)	-	(13,537)	-
-	-	(13,838)	(12,832)	(335,863)	(345,876)
6,197	17,247	(14,437)	(8,242)	(328,542)	(309,605)
33,770	(65,375)	113,993	112,611	66,892	(122,832)
-	-	-	-	156,114	105,561
-	12,052	-	-	119,208	12,052
5,768	5,600	-	-	30,768	5,600
(2,575)	(2,500)	(22,575)	(22,500)	(237,471)	(263,625)
36,963	(50,223)	91,418	90,111	135,511	(263,244)
466,239	516,462	436,035	345,924	15,660,066	15,923,310
\$ 503,202	\$ 466,239	\$ 527,453	\$ 436,035	\$ 15,795,577	\$ 15,660,066

CITY OF CANNON FALLS, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water Utility		Disposal	
	2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 714,170	\$ 623,449	\$ 1,204,110	\$ 1,043,729
Payments to suppliers	(236,867)	(138,502)	(385,058)	(263,153)
Payments to employees	(136,157)	(133,457)	(146,893)	(132,138)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>341,146</u>	<u>351,490</u>	<u>672,159</u>	<u>648,438</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers in	25,000	-	-	-
Transfers out	(139,702)	(166,760)	(72,619)	(71,865)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(114,702)</u>	<u>(166,760)</u>	<u>(72,619)</u>	<u>(71,865)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Permits and connection fees received	15,300	2,450	15,300	2,450
Special assessments received	199,580	309,415	169,965	252,050
Acquisition of capital assets	(426,463)	(345,165)	(449,104)	(293,800)
Proceeds from bonds issued	308,000	-	660,000	-
Bond issuance costs paid	(3,790)	-	(8,122)	-
Principal paid on capital leases	(2,618)	(2,502)	(2,618)	(2,502)
Principal paid on bonds	(334,918)	(310,000)	(674,017)	(636,000)
Interest paid on bonds and capital leases	(92,324)	(92,376)	(225,901)	(242,294)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(337,233)</u>	<u>(438,178)</u>	<u>(514,497)</u>	<u>(920,096)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received from investments	8,165	11,065	5,896	4,232
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(102,624)	(242,383)	90,939	(339,291)
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>1,171,617</u>	<u>1,414,000</u>	<u>606,011</u>	<u>945,302</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 1,068,993</u>	<u>\$ 1,171,617</u>	<u>\$ 696,950</u>	<u>\$ 606,011</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds

Ambulance		Nonmajor Enterprise funds		Totals	
2013	Restated 2012	2013	2012	2013	Restated 2012
\$ 569,289	\$ 471,562	\$ 334,520	\$ 317,210	\$ 2,822,089	\$ 2,455,950
(106,879)	(141,524)	(104,570)	(104,870)	(833,374)	(648,049)
(327,689)	(299,886)	(81,172)	(76,888)	(691,911)	(642,369)
<u>134,721</u>	<u>30,152</u>	<u>148,778</u>	<u>135,452</u>	<u>1,296,804</u>	<u>1,165,532</u>
5,768	5,600	-	-	30,768	5,600
(2,575)	(2,500)	(22,575)	(22,500)	(237,471)	(263,625)
<u>3,193</u>	<u>3,100</u>	<u>(22,575)</u>	<u>(22,500)</u>	<u>(206,703)</u>	<u>(258,025)</u>
-	-	-	-	30,600	4,900
-	-	-	-	369,545	561,465
(14,218)	-	(301,870)	(296,066)	(1,191,655)	(935,031)
-	-	132,000	-	1,100,000	-
-	-	(1,625)	-	(13,537)	-
-	-	(8,819)	(8,443)	(14,055)	(13,447)
-	-	(11,065)	-	(1,020,000)	(946,000)
-	-	(12,512)	(11,483)	(330,737)	(346,153)
<u>(14,218)</u>	<u>-</u>	<u>(203,891)</u>	<u>(315,992)</u>	<u>(1,069,839)</u>	<u>(1,674,266)</u>
<u>23</u>	<u>13</u>	<u>410</u>	<u>228</u>	<u>14,494</u>	<u>15,538</u>
123,719	33,265	(77,278)	(202,812)	34,756	(751,221)
<u>101,860</u>	<u>68,595</u>	<u>126,540</u>	<u>329,352</u>	<u>2,006,028</u>	<u>2,757,249</u>
<u>\$ 225,579</u>	<u>\$ 101,860</u>	<u>\$ 49,262</u>	<u>\$ 126,540</u>	<u>\$ 2,040,784</u>	<u>\$ 2,006,028</u>

CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Water Utility		Disposal	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 49,893	\$ (5,275)	\$ 189,538	\$ 153,817
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	-	-
Depreciation	347,120	334,668	503,485	489,529
(Increase) decrease in assets				
Accounts receivable	(32,575)	(9,636)	(10,685)	(11,873)
Due from other governments	-	-	-	-
Special assessments receivable	-	-	-	-
Inventory	22,743	(1,462)	12,781	(10,500)
Prepaid items	(2,132)	(94)	(1,429)	(447)
Increase (decrease) in liabilities				
Accounts and contracts payable	(43,344)	30,949	(21,235)	23,288
Due to other governments	108	2	-	-
Accrued salaries payable	(413)	469	1,175	522
Compensated absences payable	(254)	1,869	(1,471)	4,102
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 341,146</u>	 <u>\$ 351,490</u>	 <u>\$ 672,159</u>	 <u>\$ 648,438</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets contributed by other funds	\$ 119,208	\$ -	\$ -	\$ -
Net disposal of capital assets	\$ -	\$ -	\$ -	\$ -
Capital assets purchased on account	\$ 7,546	\$ -	\$ 7,518	\$ -

The notes to the financial statements are an integral part of this statement.



Business-type Activities - Enterprise Funds

Ambulance		Nonmajor Enterprise funds		Totals	
2013	Restated 2012	2013	2012	2013	Restated 2012
\$ 27,573	\$ (82,622)	\$ 128,430	\$ 120,853	\$ 395,434	\$ 186,773
6,171	17,578	642	4,326	6,813	21,904
49,478	48,765	24,622	12,305	924,705	885,267
40,445	45,730	(193)	(1,277)	(3,008)	22,944
1,807	(1,807)	-	-	1,807	(1,807)
-	-	960	(2,386)	960	(2,386)
-	-	-	-	35,524	(11,962)
(349)	(727)	6	(3)	(3,904)	(1,271)
5,081	(99)	(7,189)	1,557	(66,687)	55,695
-	-	-	-	108	2
1,361	1,530	815	177	2,938	2,698
3,154	1,804	685	(100)	2,114	7,675
<u>\$ 134,721</u>	<u>\$ 30,152</u>	<u>\$ 148,778</u>	<u>\$ 135,452</u>	<u>\$ 1,296,804</u>	<u>\$ 1,165,532</u>
<u>\$ -</u>	<u>\$ 12,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,208</u>	<u>\$ 12,052</u>
<u>\$ -</u>	<u>\$ 83,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,843</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,512</u>	<u>\$ -</u>	<u>\$ 20,576</u>	<u>\$ -</u>

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CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Cannon Falls, Minnesota (the City), operates under a home rule charter form of government as defined in the State of Minnesota statutes, which is termed the “Mayor-City Council Plan.” The City is governed by an elected Mayor and a six-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Included in the City’s reporting entity, based upon the application of these criteria, is the following discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements.

*Economic Development Authority.* The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The EDA is governed by five board members, two of which are City Council members and three are at-large members. The City Council appoints the EDA governing board and approves tax levies. The City does not have fiduciary responsibility for the EDA. It is this criterion that results in the EDA being reported as a discretely presented component unit. The EDA does not prepare separate financial statements. The EDA fund financial statements begin on page 108.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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 financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days 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, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

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

The City reports major governmental funds that are calculated based on the following criteria:

- 1) Total assets, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total (that is, total governmental or total enterprise funds),

*and*

- 2) Total assets, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The following major governmental funds meet the criteria described above:

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

The *Debt Service* fund is used for the servicing of general long-term debt not being financed by the proprietary fund.

The *2013 Eastside Improvement Project* fund is set up to account for financial resources for the 2013 improvement project.

The City reports the following major proprietary funds:

The *Water Utility* fund is used for the activities of the water distribution system the City maintains.

The *Disposal* fund is used for the activities of the City's sewage collection operations.

The *Ambulance* fund is used for the activities related to the ambulance and emergency services the City provides.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water and disposal function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, deferred inflows of resources and net position/fund balance**

*Deposits and investments*

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

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

The City may also invest idle funds as authorized by Minnesota statutes and the City's investment policy as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities in (1) above.
3. Minnesota Municipal Money Market fund and certificates of deposit with preference to local financial institutions.
4. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less rated by at least two of the three rating agencies. (Moody's, A-1/ Standard and Poor's, P-1/ Fitches, F-1)

It is the City's policy to invest in a manner which seeks to insure the preservation of capital. Safety of principal is the foremost objective, but liquidity and yield are also important considerations. It is essential that cash is available when needed, therefore the goal is to maximize yield while matching maturity dates with expenditure needs. All participating in the investment process shall seek to act responsibly as custodians of the public trust.

It is the policy of the City to invest available fund at the highest rates attainable at the time of the investment, however giving preference to local financial institutions where the highest local bid is not more than .25 percent less than the non-local investment.

Investments may be held in safekeeping with any federal reserve bank, any bank authorized under laws of the United States or any state to exercise corporate trust powers, including but not limited to the bank from which it is purchased. The City's ownership of all securities shall be evidenced by a written acknowledgment identifying the securities by name of issue, maturity date, interest rate and serial number or other distinguishing mark

Investments for the City are reported at fair value. The Minnesota Municipal Money Market Fund (4M) operates in accordance with appropriate state laws and regulations. The 4M fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management (U.S.) Inc. at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2013. The City annually certifies delinquent water and disposal accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established for water and disposal funds. The Ambulance fund has an allowance for uncollectible accounts set at 25 percent of the outstanding balance. This amount totaled \$18,232 as of December 31, 2013.

***Property taxes***

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

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes receivable have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end and when the following years levy is certified. All other governmental special assessments receivable not received within 60 days after year end are offset by a deferred inflow of resources in the fund financial statements.

***Interfund receivables and payables***

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

***Inventories and prepaid items***

Inventories are valued at lower of cost or market, using the first-in, first-out (FIFO) method.

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.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years for equipment and \$1,000 for land. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Land improvements	5 to 30
Buildings and improvements	15 to 40
System improvements/infrastructure	15 to 50
Machinery and equipment	3 to 20
Vehicles	3 to 15

***Deferred inflows of resources***

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, special assessments, loans receivable and contract for deed receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Compensated absences***

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which is paid to the employee upon separation. In governmental fund types, the cost of these benefits is recognized when payments are made to the employees. Employees can accumulate to a total of 320 hours of vacation and 960 hours of sick leave. Proprietary fund types accrue vacation and sick leave in the period it is earned. A liability of \$206,666 represents accrued vacation and sick leave unused at year end for the governmental and business-type activities. The General fund is typically used to liquidate governmental fund compensated absences. The liability in the discretely presented component unit totals \$13,901.

***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. The recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Fund balance***

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

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

*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, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator 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 has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40-50 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net position*

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

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

*Comparative data/reclassifications*

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statement in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, special revenue and certain Debt Service funds. All annual appropriations lapse at fiscal yearend. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15<sup>th</sup>, the proposed budget is presented to the City Council for review. The City Council adopts a preliminary maximum budget. Truth-in-taxation notices are mailed out to residents by the County. The City Council holds public hearings and adopts a budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The City’s Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2013.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2013, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$2,728,145	\$4,326,519	\$ 1,598,374
Nonmajor			
Library fund	397,005	436,811	39,806
Fire Department Operations fund	218,594	226,093	7,499
Component unit			
Economic Development fund	116,400	117,707	1,307
Industrial Revolving Loan fund	-	123,243	123,243

These over-expenditures were funded by revenues in excess of appropriations and/or available fund balance.

**C. Deficit fund equity**

The following funds had fund equity deficits at December 31, 2013:

Fund	Amount
Capital project	
Police Capital	\$ 7,181
2011 West Side Reconstruction Project	38,740
2012 Library Construction	388,154
HWY 20 Clinic Access Road	137,187
Enterprise fund	
Deputy Registrar	2,781

The deficits will be eliminated with future revenue, transfers, donations, tax levies, and donations to the library project.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by Minnesota statutes. Each fund's portion of this pool (or pools) is displayed on the financial statements as "cash and investments." For purposes of identifying the risk of investing public funds, the balances are categorized as follows:

***Deposits***

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$3,245,248 and the bank balance was \$3,323,283. The bank balance was covered by federal depository insurance totaling \$1,000,518, with the rest covered by collateral held by the City's agent in the City's name.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

Investments are carried at fair value. Investment and dividend income are recognized as revenue when earned. The investments of the City are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes and the City's investment policy limit the City's investments.
- *Custodial Credit Risk.* Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The City is exposed to custodial credit risk in relation to the CDs invested in the CDARS program.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer.
- *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 investment policy limits its exposure to interest rate risk.

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Non-pooled			
Negotiable CDs	N/A	1 to 3 years	\$ 396,769
Negotiable CDs	N/A	More than 3 years	397,415
U.S. Government Agencies	AAA	6 months to 1 year	94,487
U.S. Government Agencies	AAA	More than 3 years	238,912
U.S. Treasury Securities	AAA	1 to 3 years	<u>1,385,310</u>
Total nonpooled			2,512,893
Pooled			
4M Fund	N/A	Less than 6 months	<u>2,102,037</u>
Total investments			<u><u>\$ 4,614,930</u></u>

(1) Ratings are provided by Standard & Poors agency where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying amount of deposits	\$ 3,245,248
Investments	4,614,930
Cash on hand	<u>555</u>
Total	<u><u>\$ 7,860,733</u></u>

As reported in the financial statements

Statement of net position

Primary government

Governmental activities

Cash and temporary investments
 \$ 4,093,294 |

Cash held with fiscal agent
 1,385,310 |

Business-type activities

Cash and temporary investments
 2,040,784 |

Component unit

Economic Development Authority

Cash and temporary investments
 341,345 |

Total
 \$ 7,860,733 |

**B. Deposit receivable**

*Economic Development Authority*

On December 31, 2002, the discretely presented component unit deposited \$25,000 into the Minnesota Community Fund to finance a loan program. The deposit carries no interest rate.

\$ 25,000

**C. Loans receivable**

*Economic Development Authority*

On December 1, 2010, the EDA authorized a loan up to \$75,000 to Sibley Engineering at the rate of 3 percent per year. The loan is due February 1, 2016. Monthly payments of \$518 are due beginning March 1, 2011. The outstanding balance as of December 31, 2013 was \$63,289.

On November 29, 2012, the EDA loaned \$150,000 to ArtOrg at the rate of 3 percent per year. The loan is due November 29, 2017. Month payments of \$1,035.87 are due beginning December 29, 2012. The outstanding balance as of December 31, 2013 was \$141,277.

The total loan receivable balance as of December 31, 2013 was \$204,566.

**D. Contract for deed**

On March 15, 2012, the City entered into a contract for deed with S&S Investment Properties, LLP for the purchase of land for \$31,430 with an interest rate of 3 percent per year. The loan is due March 1, 2019. Semi-annual payments of \$2,245 are due beginning September 1, 2012. The outstanding balance as of December 31, 2013 was \$22,450.

On January 15, 2013, the EDA entered into a contract for deed with World Food Processing, LLC for the purchase of land for \$231,000 with an interest rate of 4 percent per year. The loan is due January 15, 2018. Semi-annual payments of \$10,354 are due beginning July 15, 2013. The outstanding balance as of December 31, 2013 was \$225,291.

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CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Capital assets**

Capital asset activity for the year ended December 31, 2013 was as follows:

**Primary government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 958,174	\$ -	\$ (49,700)	\$ 908,474
Construction in progress	40,217	1,237,779	-	1,277,996
	<u>998,391</u>	<u>1,237,779</u>	<u>(49,700)</u>	<u>2,186,470</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings and improvements	4,846,250	-	-	4,846,250
System improvements/infrastructure	9,590,052	430,538	-	10,020,590
Machinery and equipment	1,426,939	364,299	(25,290)	1,765,948
Vehicles	2,451,096	51,017	(6,000)	2,496,113
	<u>18,314,337</u>	<u>845,854</u>	<u>(31,290)</u>	<u>19,128,901</u>
Total capital assets being depreciated				
Less accumulated depreciation for				
Buildings and improvements	(986,330)	(118,158)	-	(1,104,488)
System improvements/infrastructure	(2,236,223)	(312,273)	-	(2,548,496)
Machinery and equipment	(835,197)	(95,207)	25,290	(905,114)
Vehicles	(1,541,126)	(126,262)	6,000	(1,661,388)
	<u>(5,598,876)</u>	<u>(651,900)</u>	<u>31,290</u>	<u>(6,219,486)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>12,715,461</u>	<u>193,954</u>	<u>-</u>	<u>12,909,415</u>
Governmental activities capital assets, net	<u>\$ 13,713,852</u>	<u>\$ 1,431,733</u>	<u>\$ (49,700)</u>	<u>\$ 15,095,885</u>

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

<b>Governmental activities</b>	
General government	\$ 50,769
Public safety	172,762
Public works	352,783
Culture and recreation	75,586
	<u>651,900</u>
Total depreciation expense - governmental activities	<u>\$ 651,900</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	<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	\$ 87,816	\$ -	\$ -	\$ 87,816
Construction in progress	40,217	1,147,371	-	1,187,588
	<u>128,033</u>	<u>1,147,371</u>	<u>-</u>	<u>1,275,404</u>
Total capital assets not being depreciated				
	<u>128,033</u>	<u>1,147,371</u>	<u>-</u>	<u>1,275,404</u>
Capital assets being depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	31,347,195	119,208	-	31,466,403
Machinery and equipment	829,204	38,394	-	867,598
Vehicles	479,775	26,466	-	506,241
	<u>32,672,154</u>	<u>184,068</u>	<u>-</u>	<u>32,856,222</u>
Total capital assets being depreciated				
	<u>32,672,154</u>	<u>184,068</u>	<u>-</u>	<u>32,856,222</u>
Less accumulated depreciation for				
Buildings and improvements	(7,912)	(534)	-	(8,446)
System improvements/infrastructure	(8,870,754)	(822,741)	-	(9,693,495)
Machinery and equipment	(422,059)	(61,338)	-	(483,397)
Vehicles	(252,931)	(40,092)	-	(293,023)
	<u>(9,553,656)</u>	<u>(924,705)</u>	<u>-</u>	<u>(10,478,361)</u>
Total accumulated depreciation				
	<u>(9,553,656)</u>	<u>(924,705)</u>	<u>-</u>	<u>(10,478,361)</u>
Total capital assets being depreciated, net				
	<u>23,118,498</u>	<u>(740,637)</u>	<u>-</u>	<u>22,377,861</u>
Business-type activities capital assets, net				
	<u>\$ 23,246,531</u>	<u>\$ 406,734</u>	<u>\$ -</u>	<u>\$ 23,653,265</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

<b>Business-type activities</b>	
Water Utility	\$ 347,120
Disposal	503,485
Ambulance	49,478
Storm Water	24,622
	<u>924,705</u>
Total depreciation expense - business-type activities	
	<u>\$ 924,705</u>



CITY OF CANNON FALLS, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Discretely presented component units*

Activity for the Economic Development Authority for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	<u>\$ 1,286,175</u>	<u>\$ 113,243</u>	<u>\$ (836,500)</u>	<u>\$ 562,918</u>

**F. Construction commitments**

The City has active construction projects as of December 31, 2013. At year end, the City's commitments with the contractors are as follows:

Project	Spent to date	Remaining Commitment
2013 Eastside Improvement Project	<u>\$1,912,466</u>	<u>\$ 88,300</u>

**G. Transfers**

*Interfund transfers*

The composition of interfund transfers as of December 31, 2013, is as follows:

Fund	Transfers in					Total
	General Fund	Debt Service Fund	Water Utility	Ambulance Fund	Nonmajor Governmental Funds	
Transfer out						
General	\$ -	\$ -	\$ 25,000	\$ 5,768	\$ 74,525	\$105,293
Nonmajor governmental	520,276	16,120	-	-	-	536,396
Water Utility	5,150	124,552	-	-	10,000	139,702
Disposal	5,150	57,469	-	-	10,000	72,619
Ambulance	2,575	-	-	-	-	2,575
Nonmajor enterprise	2,575	20,000	-	-	-	22,575
Total transfers out	<u>\$ 535,726</u>	<u>\$ 218,141</u>	<u>\$ 25,000</u>	<u>\$ 5,768</u>	<u>\$ 94,525</u>	<u>\$879,160</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Transfers were made for the following purposes:

- The nonmajor governmental TIF District 2-2 and TIF District 2-1 transferred \$447,571 and \$41,705, respectively to the General fund to provide funds for the interchange project.
- The Water Utility, Disposal, Ambulance, and other nonmajor governmental and business type funds transferred a total of \$46,450 to the General fund for reimbursement of IT Costs.
- Other governmental funds transferred \$16,120 to the Debt Service fund for 2013 bond payments.
- The Water Utility, Disposal and Nonmajor enterprise funds transferred \$124,552, \$57,469 and \$20,000, respectively, to Debt Service funds for 2013 bond payments.
- The General fund transferred \$25,000 and \$5,768, respectively, to the Water Utility and Ambulance fund to help fund future capital purchases.
- The General fund transferred \$44,000 to Nonmajor governmental funds for the purchase of a police squad car.
- The General fund transferred \$30,525 to Nonmajor governmental funds for future capital purchases.
- The Water Utility and the Disposal fund each transferred \$10,000 to Nonmajor governmental funds for future capital purchases.

**H. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities. In addition, bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation improvement bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2003A	\$ 2,860,000	3.00 - 3.20 %	07/01/03	03/01/14	\$ 100,000
G.O. Permanent Improvement Revolving Bonds of 2006B	3,410,000	3.70 - 4.05	09/20/06	02/01/15	1,635,000
G.O. Improvement Bonds of 2011A	3,150,000	2.00 - 3.40	10/13/11	02/01/32	3,025,000
G.O. Improvement Bonds of 2012A	932,000	.75 - 2.5	05/01/12	02/01/22	797,000
G.O. Refunding Permanent Bonds of 2012B	3,085,000	1.00 - 1.65	11/28/12	02/01/23	3,085,000
G.O. Improvement Bonds of 2013A	2,575,000	2.00 - 4.00	08/07/13	02/01/34	<u>2,575,000</u>
 Total G.O. Improvement Bonds					 <u><u>\$ 11,217,000</u></u>

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year Ending December 31,	<b>G.O. Improvement Bonds</b> Governmental Activities			<b>G.O. Improvement Bonds</b> Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 803,000	\$ 181,973	\$ 984,973	\$ 70,000	\$ 78,355	\$ 148,355
2015	2,115,000	141,316	2,256,316	100,000	76,655	176,655
2016	729,000	103,296	832,296	115,000	74,506	189,506
2017	730,000	93,976	823,976	115,000	72,205	187,205
2018	557,000	85,279	642,279	115,000	69,904	184,904
2019 - 2023	2,443,000	295,456	2,738,456	635,000	308,756	943,756
2024 - 2028	1,005,000	100,374	1,105,374	735,000	214,342	949,342
2029 - 2033	120,000	2,250	122,250	755,000	78,420	833,420
2034	-	-	-	75,000	1,500	76,500
Total	<u>\$ 8,502,000</u>	<u>\$ 1,003,920</u>	<u>\$ 9,505,920</u>	<u>\$ 2,715,000</u>	<u>\$ 974,643</u>	<u>\$ 3,689,643</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation revenue bonds

The following bonds were issued to finance expansion to the water and wastewater system. They will be retired with assessments against the benefited properties.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. MN Public Facilities Authority Bond 2001 - Water and Wastewater Improvements	\$ 4,529,000	3.07 %	06/27/01	08/20/21	\$ 2,266,000
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	8,021,909	2.86	11/20/01	08/20/22	4,239,909
G.O. Water Revenue Refunding Bonds - Series 2010A	3,560,000	1.00 - 3.50	12/09/10	08/01/21	<u>2,680,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 9,185,909</u></u>

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2014	\$ 989,000	\$ 258,818	\$ 1,247,818
2015	1,014,000	234,598	1,248,598
2016	1,039,000	208,759	1,247,759
2017	1,065,000	181,109	1,246,109
2018	1,092,000	151,751	1,243,751
2019 - 2022	<u>3,986,909</u>	<u>274,580</u>	<u>4,261,489</u>
Total	<u><u>\$ 9,185,909</u></u>	<u><u>\$ 1,309,615</u></u>	<u><u>\$ 10,495,524</u></u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Capital lease obligation

The City has entered into capital lease agreements for the purchase of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Sweeper	\$ 145,260	4.30 %	03/25/11	03/25/21	\$ 103,485
Telephone System	55,240	-	10/20/09	09/20/14	9,206
New Holland Snowblower	100,000	4.65	01/15/10	01/15/15	34,859
Total Capital Leases					<u>\$ 147,550</u>

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending December 31,	Capital Leases Governmental Activities			Capital Leases Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 24,447	\$ 3,722	\$ 28,169	\$ 14,685	\$ 3,662	\$ 18,347
2015	16,071	3,026	19,097	15,354	2,992	18,346
2016	7,054	2,292	9,346	7,054	2,292	9,346
2017	7,364	1,982	9,346	7,364	1,982	9,346
2018	7,688	1,659	9,347	7,688	1,659	9,347
2019-2021	16,405	2,290	18,695	16,376	2,290	18,666
Total	<u>\$ 79,029</u>	<u>\$ 14,971</u>	<u>\$ 94,000</u>	<u>\$ 68,521</u>	<u>\$ 14,877</u>	<u>\$ 83,398</u>

Assets related to the above outstanding capital lease obligations are as follows:

Asset	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 191,196	\$ 132,544
Less: Accumulated depreciation	<u>(44,885)</u>	<u>(28,325)</u>
Total	<u>\$ 146,311</u>	<u>\$ 104,219</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

During the year ended December 31, 2013, the following changes in long-term liabilities occurred:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds payable					
General obligation special assessment bonds	\$ 9,662,000	\$ 1,475,000	\$ (2,635,000)	\$ 8,502,000	\$ 803,000
Capital leases payable	104,651	-	(25,622)	79,029	24,447
Compensated absences payable	<u>173,625</u>	<u>29,463</u>	<u>(43,406)</u>	<u>159,681</u>	<u>39,920</u>
Governmental activity long-term liabilities	<u>\$ 9,940,276</u>	<u>\$ 1,504,463</u>	<u>\$ (2,704,028)</u>	<u>\$ 8,740,710</u>	<u>\$ 867,367</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 10,150,909	\$ -	\$ (965,000)	\$ 9,185,909	\$ 989,000
General obligation improvement bonds	1,670,000	1,100,000	(55,000)	2,715,000	70,000
Capital leases payable	82,577	-	(14,056)	68,521	14,685
Compensated absences payable	<u>44,870</u>	<u>13,861</u>	<u>(11,746)</u>	<u>46,985</u>	<u>11,746</u>
Business-type activity long-term liabilities	<u>\$ 11,948,356</u>	<u>\$ 1,113,861</u>	<u>\$ (1,045,802)</u>	<u>\$ 12,016,415</u>	<u>\$ 1,085,431</u>
<b>Component unit - EDA</b>					
Compensated absences payable	<u>\$ 12,709</u>	<u>\$ 4,369</u>	<u>\$ (3,177)</u>	<u>13,901</u>	<u>\$ 3,475</u>

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**I. Fund balance**

At December 31, 2013, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	2013 Eastside Improvement Project	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	\$ 24,392	\$ -	\$ -	\$ 71,931	\$ 96,323
Restricted for					
Debt service	\$ -	\$2,813,635	\$ -	\$ -	\$2,813,635
Cable television	-	-	-	116,843	116,843
Economic development	-	-	-	224,490	224,490
Total restricted	<u>\$ -</u>	<u>\$2,813,635</u>	<u>\$ -</u>	<u>\$ 341,333</u>	<u>\$3,154,968</u>
Committed for					
Public works capital	\$ -	\$ -	\$ -	\$ 188,396	\$ 188,396
Fire capital	-	-	-	172,799	172,799
Administration capital	-	-	-	29,048	29,048
Park capital	-	-	-	124,143	124,143
Total committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,386</u>	<u>\$ 514,386</u>
Assigned					
Library operations	\$ 260,000	\$ -	\$ -	\$ 26,204	286,204
Public improvements	-	-	189,928	210,937	400,865
Total assigned	<u>\$ 260,000</u>	<u>\$ -</u>	<u>\$ 189,928</u>	<u>\$ 237,141</u>	<u>\$ 687,069</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

All full-time and certain part-time employees of the City of Cannon Falls are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State statute, and vest after three years of credited service. The defined retirement 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 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.



CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**B. Funding policy**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2013. In 2013, the City of Cannon Falls is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent of Coordinated Plan GERS members and 14.40 percent for PEPFF members. The City of Cannon Falls contributions to the GERS for the years ending December 31, 2013, 2012 and 2011 were \$116,985, \$109,680, and \$104,665, respectively. The City's contributions to the PEPFF for the years ending December 31, 2013, 2012 and 2011 were \$65,846, \$62,135, and \$60,846, respectively. The City of Cannon Falls contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 5: OTHER INFORMATION**

**A. Legal debt margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City has \$147,550 applied against the limit of \$8,484,387 at year end.

**B. 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; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

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

**C. Concentrations**

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2013 was \$469,740. This accounted for 16 percent of General fund revenues.

**Note 6: COMMITMENTS AND CONTINGENCIES**

**Tax increment districts**

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. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2013

**Note 7: TRANSACTIONS BETWEEN THE PRIMARY GOVERNMENT AND ITS COMPONENT UNIT**

The City conducts routine transactions with its component unit for services provided. The City provides administrative and financial services for the EDA activities. Other significant transactions between the primary government and its component unit are described in other notes.

**Note 8: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded for the following items:

- The City recorded a prior period adjustment for 2005 - 2012 tower lease payments received from Mediacom in the amount of \$57,483. Through the prior period adjustment the tower lease payments will increase fund balance in the General fund and net position of governmental activities on the statement of activities.
- The City recorded a prior period adjustment for FEMA Federal Disaster Aid received for 2012 flood reimbursement in the amount of \$79,609. Through the prior period adjustment the reimbursement will increase fund balance in the General fund and net position of governmental activities on the statement of activities.

**Note 9: RESTATEMENT**

The following restatement was recorded and relates to the Ambulance capital fund which was originally recorded in the governmental funds but is more appropriately reported combined with the proprietary Ambulance fund. The following is a summary of the accounts affected by this restatement; the change in fund balance/net position reflects the restatement as reported in the basic financial statements:

<u>Accounts Adjusted/Restated</u>	<u>Governmental Funds</u>	<u>Governmental Activities</u>	<u>Proprietary Fund Ambulance</u>	<u>Business-type Activities</u>
Assets				
Cash and temporary investments	\$ (33,766)	\$ (33,766)	\$ 33,766	\$ 33,766
Due from other governments	<u>(1,807)</u>	<u>(1,807)</u>	<u>1,807</u>	<u>1,807</u>
Total assets	<u>\$ (35,573)</u>	<u>\$ (35,573)</u>	<u>\$ 35,573</u>	<u>\$ 35,573</u>
Fund balance/net position	<u>\$ (35,573)</u>	<u>\$ (35,573)</u>	<u>\$ 35,573</u>	<u>\$ 35,573</u>

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2012 balances to the December 31, 2013 financial statements:

<u>Activities/Fund</u>	<u>Net Position December 31, 2012 as Previously Reported</u>	<u>Restatement</u>	<u>Net Position January 1, 2013 as Restated</u>
Governmental activities	<u>\$ 13,622,555</u>	<u>\$ (35,573)</u>	<u>\$ 13,586,982</u>
Business-type activities	<u>\$ 15,624,493</u>	<u>\$ 35,573</u>	<u>\$ 15,660,066</u>
Proprietary fund Ambulance	<u>\$ 430,666</u>	<u>\$ 35,573</u>	<u>\$ 466,239</u>

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2013

CITY OF CANNON FALLS , MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and temporary investments	\$ 146,268	\$ 467,339	\$ 613,607
Receivables			
Accrued interest	5	75	80
Taxes	-	1,487	1,487
Accounts	13,334	-	13,334
Special assessments	-	85,088	85,088
Prepaid items	15,858	56,073	71,931
 TOTAL ASSETS	 \$ 175,465	 \$ 610,062	 \$ 785,527
 <b>LIABILITIES</b>			
Accounts and contracts payable	\$ 13,400	\$ 93,075	\$ 106,475
Accrued salaries payable	6,207	-	6,207
 TOTAL LIABILITIES	 19,607	 93,075	 112,682
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	-	231	231
Unavailable revenue - special assessments	-	82,132	82,132
 TOTAL DEFERRED INFLOWS OF RESOURCES	 -	 82,363	 82,363
 <b>FUND BALANCES</b>			
Nonspendable	15,858	56,073	71,931
Restricted	116,843	224,490	341,333
Committed	-	514,386	514,386
Assigned	26,204	210,937	237,141
Unassigned	(3,047)	(571,262)	(574,309)
 TOTAL FUND BALANCES	 155,858	 434,624	 590,482
  TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	  \$ 175,465	  \$ 610,062	  \$ 785,527

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total Nonmajor Funds
<b>REVENUES</b>			
Taxes			
Property	\$ 371,433	\$ -	\$ 371,433
Tax increments	-	429,729	429,729
Franchise taxes	49,240	-	49,240
Intergovernmental	152,995	203,020	356,015
Charges for services	80,856	-	80,856
Fines and forfeitures	5,197	-	5,197
Special assessments	-	4,511	4,511
Interest on investments	31	355	386
Miscellaneous	24,531	5,600	30,131
	<u>684,283</u>	<u>643,215</u>	<u>1,327,498</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
Public safety	216,059	-	216,059
Culture and recreation	376,430	-	376,430
Economic development	-	1,519	1,519
Capital outlay			
General government	-	28,912	28,912
Public safety	10,034	298,133	308,167
Public works	-	185,745	185,745
Culture and recreation	71,562	349,050	420,612
Economic development	-	27,519	27,519
	<u>674,085</u>	<u>890,878</u>	<u>1,564,963</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>10,198</u>	<u>(247,663)</u>	<u>(237,465)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	94,525	94,525
Transfers out	(31,000)	(505,396)	(536,396)
	<u>(31,000)</u>	<u>(410,871)</u>	<u>(441,871)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	(20,802)	(658,534)	(679,336)
<b>FUND BALANCES, JANUARY 1</b>	<u>176,660</u>	<u>1,093,158</u>	<u>1,269,818</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 155,858</u>	<u>\$ 434,624</u>	<u>\$ 590,482</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2013

	Library	Cable Public Television	Fire Department Operations	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ 36,420	\$ 104,443	\$ 5,405	\$ 146,268
Receivables				
Accrued interest	-	5	-	5
Accounts	10	13,324	-	13,334
Prepaid items	1,068	-	14,790	15,858
	<u>1,068</u>	<u>-</u>	<u>14,790</u>	<u>15,858</u>
<b>TOTAL ASSETS</b>	<u>\$ 37,498</u>	<u>\$ 117,772</u>	<u>\$ 20,195</u>	<u>\$ 175,465</u>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 4,045	\$ 903	\$ 8,452	\$ 13,400
Accrued salaries payable	6,181	26	-	6,207
	<u>6,181</u>	<u>26</u>	<u>-</u>	<u>6,207</u>
<b>TOTAL LIABILITIES</b>	<u>10,226</u>	<u>929</u>	<u>8,452</u>	<u>19,607</u>
<b>FUND BALANCES</b>				
Nonspendable	1,068	-	14,790	15,858
Restricted	-	116,843	-	116,843
Assigned	26,204	-	-	26,204
Unassigned	-	-	(3,047)	(3,047)
	<u>-</u>	<u>-</u>	<u>(3,047)</u>	<u>(3,047)</u>
<b>TOTAL FUND BALANCES</b>	<u>27,272</u>	<u>116,843</u>	<u>11,743</u>	<u>155,858</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 37,498</u>	<u>\$ 117,772</u>	<u>\$ 20,195</u>	<u>\$ 175,465</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Library</u>	<u>Cable Public Television</u>	<u>Fire Department Operations</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 280,839	\$ -	\$ 90,594	\$ 371,433
Franchise taxes	-	49,240	-	49,240
Intergovernmental				
State	-	-	48,216	48,216
County	104,779	-	-	104,779
Charges for services	1,085	42	79,729	80,856
Fines and forfeitures	5,197	-	-	5,197
Interest on investments	-	31	-	31
Miscellaneous				
Contributions and donations	550	-	17,737	18,287
Other	-	-	6,244	6,244
	<u>392,450</u>	<u>49,313</u>	<u>242,520</u>	<u>684,283</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	216,059	216,059
Culture and recreation	365,249	11,181	-	376,430
Capital outlay				
Public safety	-	-	10,034	10,034
Culture and recreation	71,562	-	-	71,562
	<u>436,811</u>	<u>11,181</u>	<u>226,093</u>	<u>674,085</u>
<b>TOTAL EXPENDITURES</b>				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(44,361)	38,132	16,427	10,198
<b>OTHER FINANCING USES</b>				
Transfers out	-	(31,000)	-	(31,000)
NET CHANGE IN FUND BALANCES	(44,361)	7,132	16,427	(20,802)
FUND BALANCES, JANUARY 1	<u>71,633</u>	<u>109,711</u>	<u>(4,684)</u>	<u>176,660</u>
FUND BALANCES, DECEMBER 31	<u>\$ 27,272</u>	<u>\$ 116,843</u>	<u>\$ 11,743</u>	<u>\$ 155,858</u>

CITY OF CANNON FALLS, MINNESOTA  
LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 280,839	\$ 280,839	\$ 280,839	\$ -	\$ 222,851
Intergovernmental					
State	-	-	-	-	53,668
County	105,216	105,216	104,779	(437)	105,216
Charges for services	850	850	1,085	235	627
Fines and forfeitures	9,100	9,100	5,197	(3,903)	3,626
Miscellaneous					
Contributions and donations	1,000	1,000	550	(450)	1,838
Other	-	-	-	-	86
<b>TOTAL REVENUES</b>	<b>397,005</b>	<b>397,005</b>	<b>392,450</b>	<b>(4,555)</b>	<b>387,912</b>
<b>EXPENDITURES</b>					
Current					
Culture and recreation					
Personnel services	301,700	301,700	291,981	9,719	280,264
Supplies	7,300	7,300	6,950	350	4,802
Other services and charges	57,705	57,705	66,318	(8,613)	49,419
Capital outlay					
Culture and recreation	30,300	30,300	71,562	(41,262)	14,913
<b>TOTAL EXPENDITURES</b>	<b>397,005</b>	<b>397,005</b>	<b>436,811</b>	<b>(39,806)</b>	<b>349,398</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(44,361)</b>	<b>(44,361)</b>	<b>38,514</b>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	-	-	-	115
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(44,361)</b>	<b>(44,361)</b>	<b>38,629</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>71,633</b>	<b>71,633</b>	<b>71,633</b>	<b>-</b>	<b>33,004</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 71,633</b>	<b>\$ 71,633</b>	<b>\$ 27,272</b>	<b>\$ (44,361)</b>	<b>\$ 71,633</b>



CITY OF CANNON FALLS, MINNESOTA  
CABLE PUBLIC TELEVISION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013			2012	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Franchise taxes	\$ 37,000	\$ 37,000	\$ 49,240	\$ 12,240	\$ 44,845
Charges for services	300	300	42	(258)	604
Interest on investments	-	-	31	31	-
<b>TOTAL REVENUE</b>	<b>37,300</b>	<b>37,300</b>	<b>49,313</b>	<b>12,013</b>	<b>45,449</b>
EXPENDITURES					
Current					
Culture and recreation					
Personnel services	3,800	3,800	1,137	2,663	931
Supplies	900	900	3,201	(2,301)	750
Other services and charges	12,550	12,550	6,843	5,707	12,843
<b>TOTAL EXPENDITURES</b>	<b>17,250</b>	<b>17,250</b>	<b>11,181</b>	<b>6,069</b>	<b>14,524</b>
EXCESS OF REVENUES OVER EXPENDITURES	20,050	20,050	38,132	18,082	30,925
OTHER FINANCING USES					
Transfers out	(31,000)	(31,000)	(31,000)	-	(30,000)
NET CHANGE IN FUND BALANCES	(10,950)	(10,950)	7,132	18,082	925
FUND BALANCES, JANUARY 1	109,711	109,711	109,711	-	108,786
FUND BALANCES, DECEMBER 31	<u>\$ 98,761</u>	<u>\$ 98,761</u>	<u>\$ 116,843</u>	<u>\$ 18,082</u>	<u>\$ 109,711</u>

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CITY OF CANNON FALLS, MINNESOTA  
FIRE DEPARTMENT OPERATIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 90,594	\$ 90,594	\$ 90,594	\$ -	\$ 70,639
Intergovernmental revenue					
State	32,000	32,000	48,216	16,216	35,570
Charges for services	96,000	96,000	79,729	(16,271)	97,480
Miscellaneous					
Contributions and donations	-	-	17,737	17,737	250
Other	-	-	6,244	6,244	1,514
<b>TOTAL REVENUES</b>	<b>218,594</b>	<b>218,594</b>	<b>242,520</b>	<b>23,926</b>	<b>205,453</b>
EXPENDITURES					
Current					
Public safety					
Personnel services	57,475	57,475	50,630	6,845	50,131
Supplies	23,100	23,100	22,822	278	20,115
Other services and charges	127,769	127,769	142,607	(14,838)	102,354
Capital outlay					
Public safety	10,250	10,250	10,034	216	4,791
<b>TOTAL EXPENDITURES</b>	<b>218,594</b>	<b>218,594</b>	<b>226,093</b>	<b>(7,499)</b>	<b>177,391</b>
NET CHANGE IN FUND BALANCES	-	-	16,427	16,427	28,062
FUND BALANCES, JANUARY 1	(4,684)	(4,684)	(4,684)	-	(32,746)
FUND BALANCES, DECEMBER 31	\$ (4,684)	\$ (4,684)	\$ 11,743	\$ 16,427	\$ (4,684)

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2013

	Public Improvement <u>Revolving</u>	<u>Street Capital</u>	Public Works <u>Capital</u>	<u>Police Capital</u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 157,239	\$ 5,940	\$ 188,363	\$ (3,836)
Receivables				
Accrued interest	14	-	33	-
Taxes	-	-	-	-
Special assessments	85,088	-	-	-
Prepaid items	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 242,341</u></u>	<u><u>\$ 5,940</u></u>	<u><u>\$ 188,396</u></u>	<u><u>\$ (3,836)</u></u>
<b>LIABILITIES</b>				
Accounts and contracts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,345</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	82,132	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>82,132</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	188,396	-
Assigned	160,209	5,940	-	-
Unassigned	-	-	-	(7,181)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u><u>160,209</u></u>	<u><u>5,940</u></u>	<u><u>188,396</u></u>	<u><u>(7,181)</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u><u>\$ 242,341</u></u>	<u><u>\$ 5,940</u></u>	<u><u>\$ 188,396</u></u>	<u><u>\$ (3,836)</u></u>

<u>Fire Capital</u>	<u>Administration Capital</u>	<u>Park Capital</u>	<u>Library Capital</u>	<u>2011 West Side Reconstruction Project</u>	<u>2012 Library Construction</u>	<u>Park Board</u>
\$ 172,799	\$ 30,189	\$ 51,486	\$ 44,788	\$ 16,723	\$ (388,154)	\$ 105,779
-	-	-	-	-	-	4
-	-	-	-	-	-	-
-	-	-	-	-	-	-
56,073	-	-	-	-	-	-
<u>\$ 228,872</u>	<u>\$ 30,189</u>	<u>\$ 51,486</u>	<u>\$ 44,788</u>	<u>\$ 16,723</u>	<u>\$ (388,154)</u>	<u>\$ 105,783</u>
<u>\$ -</u>	<u>\$ 1,141</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,463</u>	<u>\$ -</u>	<u>\$ 33,126</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
56,073	-	-	-	-	-	-
-	-	-	-	-	-	-
172,799	29,048	51,486	-	-	-	72,657
-	-	-	44,788	-	-	-
-	-	-	-	(38,740)	(388,154)	-
<u>228,872</u>	<u>29,048</u>	<u>51,486</u>	<u>44,788</u>	<u>(38,740)</u>	<u>(388,154)</u>	<u>72,657</u>
<u>\$ 228,872</u>	<u>\$ 30,189</u>	<u>\$ 51,486</u>	<u>\$ 44,788</u>	<u>\$ 16,723</u>	<u>\$ (388,154)</u>	<u>\$ 105,783</u>

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CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2013

	Tax Increment Financing District No. 2-1	Tax Increment Financing District No. 2-2	HWY 20 Clinic Access Road	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ 223,210	\$ -	\$ (137,187)	\$ 467,339
Receivables				
Accrued interest	24	-	-	75
Taxes	1,487	-	-	1,487
Special assessments	-	-	-	85,088
Prepaid items	-	-	-	56,073
	<u>224,721</u>	<u>-</u>	<u>(137,187)</u>	<u>610,062</u>
<b>TOTAL ASSETS</b>	<u>\$ 224,721</u>	<u>\$ -</u>	<u>\$ (137,187)</u>	<u>\$ 610,062</u>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 93,075
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	231	-	-	231
Unavailable revenue - special assessments	-	-	-	82,132
	<u>231</u>	<u>-</u>	<u>-</u>	<u>82,363</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>231</u>	<u>-</u>	<u>-</u>	<u>82,363</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	56,073
Restricted	224,490	-	-	224,490
Committed	-	-	-	514,386
Assigned	-	-	-	210,937
Unassigned	-	-	(137,187)	(571,262)
	<u>224,490</u>	<u>-</u>	<u>(137,187)</u>	<u>434,624</u>
<b>TOTAL FUND BALANCES</b>	<u>224,490</u>	<u>-</u>	<u>(137,187)</u>	<u>434,624</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 224,721</u>	<u>\$ -</u>	<u>\$ (137,187)</u>	<u>\$ 610,062</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Public Improvement <u>Revolving</u>	<u>Street Capital</u>	Public Works <u>Capital</u>	<u>Police Capital</u>
REVENUES				
Tax increments	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Special assessments	4,511	-	-	-
Interest on investments	79	-	33	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>4,590</u>	<u>-</u>	<u>33</u>	<u>-</u>
EXPENDITURES				
Current				
Economic development	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	52,365
Public works	-	-	2,295	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>2,295</u>	<u>52,365</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,590</u>	<u>-</u>	<u>(2,262)</u>	<u>(52,365)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,583	20,900	57,648
Transfers out	<u>(16,120)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(16,120)</u>	<u>1,583</u>	<u>20,900</u>	<u>57,648</u>
NET CHANGE IN FUND BALANCES	(11,530)	1,583	18,638	5,283
FUND BALANCES, JANUARY 1	<u>171,739</u>	<u>4,357</u>	<u>169,758</u>	<u>(12,464)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 160,209</u>	<u>\$ 5,940</u>	<u>\$ 188,396</u>	<u>\$ (7,181)</u>



<u>Fire Capital</u>	<u>Administration Capital</u>	<u>Park Capital</u>	<u>Library Capital</u>	<u>2011 West Side Reconstruction Project</u>	<u>2012 Library Construction</u>	<u>Park Board</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
203,020	-	-	-	-	-	-
-	-	-	-	-	-	-
123	-	-	-	-	-	30
5,600	-	-	-	-	-	-
<u>208,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30</u>
-	-	-	-	-	-	-
-	28,912	-	-	-	-	-
245,768	-	-	-	-	-	-
-	-	-	-	46,263	-	-
-	-	-	496	-	242,335	106,219
-	-	-	-	-	-	-
<u>245,768</u>	<u>28,912</u>	<u>-</u>	<u>496</u>	<u>46,263</u>	<u>242,335</u>	<u>106,219</u>
<u>(37,025)</u>	<u>(28,912)</u>	<u>-</u>	<u>(496)</u>	<u>(46,263)</u>	<u>(242,335)</u>	<u>(106,189)</u>
6,738	1,588	5,768	300	-	-	-
-	-	-	-	-	-	-
<u>6,738</u>	<u>1,588</u>	<u>5,768</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>
(30,287)	(27,324)	5,768	(196)	(46,263)	(242,335)	(106,189)
<u>259,159</u>	<u>56,372</u>	<u>45,718</u>	<u>44,984</u>	<u>7,523</u>	<u>(145,819)</u>	<u>178,846</u>
<u>\$ 228,872</u>	<u>\$ 29,048</u>	<u>\$ 51,486</u>	<u>\$ 44,788</u>	<u>\$ (38,740)</u>	<u>\$ (388,154)</u>	<u>\$ 72,657</u>

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CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Tax Increment Financing District No. 2-1	Tax Increment Financing District No. 2-2	HWY 20 Clinic Access Road	Total
<b>REVENUES</b>				
Tax increments	\$ 129,029	\$ 300,700	\$ -	\$ 429,729
Intergovernmental	-	-	-	203,020
Special assessments	-	-	-	4,511
Interest on investments	90	-	-	355
Miscellaneous	-	-	-	5,600
<b>TOTAL REVENUES</b>	<b>129,119</b>	<b>300,700</b>	<b>-</b>	<b>643,215</b>
<b>EXPENDITURES</b>				
Current				
Economic development	-	1,519	-	1,519
Capital outlay				
General government	-	-	-	28,912
Public safety	-	-	-	298,133
Public works	-	-	137,187	185,745
Culture and recreation	-	-	-	349,050
Economic development	27,519	-	-	27,519
<b>TOTAL EXPENDITURES</b>	<b>27,519</b>	<b>1,519</b>	<b>137,187</b>	<b>890,878</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>101,600</b>	<b>299,181</b>	<b>(137,187)</b>	<b>(247,663)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	94,525
Transfers out	(41,705)	(447,571)	-	(505,396)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(41,705)</b>	<b>(447,571)</b>	<b>-</b>	<b>(410,871)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>59,895</b>	<b>(148,390)</b>	<b>(137,187)</b>	<b>(658,534)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>164,595</b>	<b>148,390</b>	<b>-</b>	<b>1,093,158</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 224,490</b>	<b>\$ -</b>	<b>\$ (137,187)</b>	<b>\$ 434,624</b>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF NET POSITION  
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Storm Water		Deputy Registrar	
	2013	2012	2013	2012
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 2,812	\$ 96,525	\$ 1,770	\$ 2,638
Receivables				
Accrued interest	21	47	-	-
Accounts	14,766	13,706	206	622
Special assessments	8,489	10,074	-	-
Prepaid items	-	-	83	89
<b>TOTAL CURRENT ASSETS</b>	<b>26,088</b>	<b>120,352</b>	<b>2,059</b>	<b>3,349</b>
<b>NONCURRENT ASSETS</b>				
Capital assets				
Land and construction in progress	318,643	11,261	-	-
Depreciable buildings, property, and equipment	705,338	705,338	-	-
Accumulated depreciation	(48,900)	(24,278)	-	-
<b>TOTAL NONCURRENT ASSETS</b>	<b>975,081</b>	<b>692,321</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,001,169</b>	<b>812,673</b>	<b>2,059</b>	<b>3,349</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	833	207	68	100
Accrued interest payable	7,827	6,501	-	-
Accrued salaries payable	-	-	1,851	1,036
Compensated absences payable - current	-	-	730	559
Capital lease payable - current	9,211	8,815	-	-
Bonds payable - current	14,083	11,065	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>31,954</b>	<b>26,588</b>	<b>2,649</b>	<b>1,695</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences payable	-	-	2,191	1,677
Capital lease payable	48,124	57,339	-	-
Bonds payable	442,817	324,900	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>490,941</b>	<b>382,239</b>	<b>2,191</b>	<b>1,677</b>
<b>TOTAL LIABILITIES</b>	<b>522,895</b>	<b>408,827</b>	<b>4,840</b>	<b>3,372</b>
<b>NET POSITION</b>				
Net investment in capital assets	460,846	290,202	-	-
Unrestricted	17,428	113,644	(2,781)	(23)
<b>TOTAL NET POSITION</b>	<b>\$ 478,274</b>	<b>\$ 403,846</b>	<b>\$ (2,781)</b>	<b>\$ (23)</b>

Business-type Activities - Enterprise Funds

Recycling Program		Totals	
2013	2012	2013	2012
\$ 44,680	\$ 27,377	\$ 49,262	\$ 126,540
-	-	21	47
8,254	8,705	23,226	23,033
4,473	3,848	12,962	13,922
-	-	83	89
<u>57,407</u>	<u>39,930</u>	<u>85,554</u>	<u>163,631</u>
-	-	318,643	11,261
-	-	705,338	705,338
-	-	(48,900)	(24,278)
-	-	<u>975,081</u>	<u>692,321</u>
<u>57,407</u>	<u>39,930</u>	<u>1,060,635</u>	<u>855,952</u>
5,447	7,718	6,348	8,025
-	-	7,827	6,501
-	-	1,851	1,036
-	-	730	559
-	-	9,211	8,815
-	-	14,083	11,065
<u>5,447</u>	<u>7,718</u>	<u>40,050</u>	<u>36,001</u>
-	-	2,191	1,677
-	-	48,124	57,339
-	-	<u>442,817</u>	<u>324,900</u>
-	-	<u>493,132</u>	<u>383,916</u>
<u>5,447</u>	<u>7,718</u>	<u>533,182</u>	<u>419,917</u>
-	-	460,846	290,202
<u>51,960</u>	<u>32,212</u>	<u>66,607</u>	<u>145,833</u>
<u>\$ 51,960</u>	<u>\$ 32,212</u>	<u>\$ 527,453</u>	<u>\$ 436,035</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Storm Water		Deputy Registrar	
	2013	2012	2013	2012
OPERATING REVENUES				
Charges for services	\$ 144,148	\$ 129,714	\$ 104,492	\$ 102,857
OPERATING EXPENSES				
Personnel services	387	-	82,285	75,754
Supplies	1,747	1,177	545	470
Repairs and maintenance	-	-	364	265
Depreciation	24,622	12,305	-	-
Rent	-	-	16,950	16,950
Other	7,880	9,114	4,531	4,861
TOTAL OPERATING EXPENSES	34,636	22,596	104,675	98,300
OPERATING INCOME (LOSS)	109,512	107,118	(183)	4,557
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	379	261	-	-
Other income	-	-	-	-
Bond issuance costs	(1,625)	-	-	-
Interest expense	(13,838)	(12,832)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(15,084)	(12,571)	-	-
INCOME (LOSS) BEFORE TRANSFERS	94,428	94,547	(183)	4,557
TRANSFERS OUT	(20,000)	(20,000)	(2,575)	(2,500)
CHANGE IN NET POSITION	74,428	74,547	(2,758)	2,057
NET POSITION, JANUARY 1	403,846	329,299	(23)	(2,080)
NET POSITION, DECEMBER 31	\$ 478,274	\$ 403,846	\$ (2,781)	\$ (23)

Business-type Activities - Enterprise Funds

Recycling Program		Totals	
2013	2012	2013	2012
\$ 84,471	\$ 83,976	\$ 333,111	\$ 316,547
-	1,211	82,672	76,965
-	-	2,292	1,647
-	-	364	265
-	-	24,622	12,305
-	-	16,950	16,950
65,370	73,587	77,781	87,562
65,370	74,798	204,681	195,694
19,101	9,178	128,430	120,853
5	3	384	264
642	4,326	642	4,326
-	-	(1,625)	-
-	-	(13,838)	(12,832)
647	4,329	(14,437)	(8,242)
19,748	13,507	113,993	112,611
-	-	(22,575)	(22,500)
19,748	13,507	91,418	90,111
32,212	18,705	436,035	345,924
\$ 51,960	\$ 32,212	\$ 527,453	\$ 436,035

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Storm Water		Deputy Registrar	
	2013	2012	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 144,673	\$ 125,469	\$ 104,908	\$ 103,241
Payments to suppliers	(14,513)	(10,976)	(22,416)	(22,465)
Payments to employees	(387)	-	(80,785)	(75,677)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>129,773</u>	<u>114,493</u>	<u>1,707</u>	<u>5,099</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(2,575)</u>	<u>(2,500)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(301,870)	(296,066)	-	-
Proceeds from bonds issued	132,000	-	-	-
Bond issuance costs paid	(1,625)	-	-	-
Principal paid on capital lease	(8,819)	(8,443)	-	-
Principal paid on long-term debt	(11,065)	-	-	-
Interest paid on long-term debt	<u>(12,512)</u>	<u>(11,483)</u>	<u>-</u>	<u>-</u>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(203,891)</u>	<u>(315,992)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received from investments	<u>405</u>	<u>225</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(93,713)	(221,274)	(868)	2,599
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>96,525</u>	<u>317,799</u>	<u>2,638</u>	<u>39</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 2,812</u></u>	<u><u>\$ 96,525</u></u>	<u><u>\$ 1,770</u></u>	<u><u>\$ 2,638</u></u>



Business-type Activities - Enterprise Funds

Recycling Program		Totals	
2013	2012	2013	2012
\$ 84,939	\$ 88,500	\$ 334,520	\$ 317,210
(67,641)	(71,429)	(104,570)	(104,870)
-	(1,211)	(81,172)	(76,888)
<u>17,298</u>	<u>15,860</u>	<u>148,778</u>	<u>135,452</u>
-	-	(22,575)	(22,500)
-	-	(301,870)	(296,066)
-	-	132,000	-
-	-	(1,625)	-
-	-	(8,819)	(8,443)
-	-	(11,065)	-
-	-	(12,512)	(11,483)
-	-	(203,891)	(315,992)
<u>5</u>	<u>3</u>	<u>410</u>	<u>228</u>
17,303	15,863	(77,278)	(202,812)
<u>27,377</u>	<u>11,514</u>	<u>126,540</u>	<u>329,352</u>
<u>\$ 44,680</u>	<u>\$ 27,377</u>	<u>\$ 49,262</u>	<u>\$ 126,540</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	Storm Water		Deputy Registrar	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 109,512	\$ 107,118	\$ (183)	\$ 4,557
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	-	-
Depreciation	24,622	12,305	-	-
(Increase) decrease in assets				
Accounts receivable	(1,060)	(1,662)	416	384
Special assessments receivable	1,585	(2,583)	-	-
Prepaid items	-	-	6	(3)
Increase (decrease) in liabilities				
Accounts and contracts payable	(4,886)	(685)	(32)	84
Accrued salaries payable	-	-	815	177
Compensated absences payable	-	-	685	(100)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 129,773</u>	 <u>\$ 114,493</u>	 <u>\$ 1,707</u>	 <u>\$ 5,099</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets purchased on account	<u>\$ 5,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Business-type Activities - Enterprise Funds

Recycling Program		Totals	
2013	2012	2013	2012
\$ 19,101	\$ 9,178	\$ 128,430	\$ 120,853
642	4,326	642	4,326
-	-	24,622	12,305
451	1	(193)	(1,277)
(625)	197	960	(2,386)
-	-	6	(3)
(2,271)	2,158	(7,189)	1,557
-	-	815	177
-	-	685	(100)
<u>\$ 17,298</u>	<u>\$ 15,860</u>	<u>\$ 148,778</u>	<u>\$ 135,452</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,512</u>	<u>\$ -</u>

CITY OF CANNON FALLS, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013			2012
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
REVENUES				
Property taxes	\$ 1,852,792	\$ 1,852,792	\$ 1,846,845	\$ 1,930,515
Licenses and permits				
Business	23,500	23,500	21,175	22,800
Nonbusiness	25,800	25,800	50,087	48,464
Total	49,300	49,300	71,262	71,264
Intergovernmental				
Federal				
Disaster aid	-	-	103,048	-
State				
Local government aid	469,740	469,740	469,740	416,072
Property tax credits	-	-	119	11
Police and police training	47,500	47,500	44,616	46,347
PERA aid	4,456	4,456	4,456	4,456
Disaster aid	-	-	-	3,510
Other	-	-	-	7,225
County				
Police grant	-	-	2,633	1,780
Total	521,696	521,696	624,612	479,401
Charges for services				
General government	5,100	5,100	11,556	9,558
Public safety	1,000	1,000	1,635	1,260
Public works	7,800	7,800	6,187	6,542
Culture and recreation	35,000	35,000	37,749	39,179
Total	48,900	48,900	57,127	56,539
Fines and forfeitures	26,000	26,000	25,584	29,967
Special assessments	-	-	11,790	1,000
Interest on investments	10,500	10,500	(13,283)	5,247
Miscellaneous				
Rents	64,000	64,000	71,600	66,710
Contributions and donations	-	-	250	1,470
Reimbursements	151,300	151,300	126,285	135,672
Other	18,500	18,500	37,895	45,441
Total	233,800	233,800	236,030	249,293
TOTAL REVENUES	2,742,988	2,742,988	2,859,967	2,823,226

CITY OF CANNON FALLS, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and Council					
Personnel services	\$ 19,925	\$ 19,925	\$ 19,355	\$ 570	\$ 19,223
Supplies	1,000	1,000	1,227	(227)	329
Other services and charges	9,100	9,100	13,130	(4,030)	6,563
Total	<u>30,025</u>	<u>30,025</u>	<u>33,712</u>	<u>(3,687)</u>	<u>26,115</u>
Elections					
Personnel services	50	50	288	(238)	11,636
Supplies	-	-	-	-	24
Other services and charges	400	400	825	(425)	1,269
Total	<u>450</u>	<u>450</u>	<u>1,113</u>	<u>(663)</u>	<u>12,929</u>
Administrative					
Personnel services	380,050	380,050	406,016	(25,966)	359,863
Supplies	2,600	2,600	2,559	41	2,094
Other services and charges	66,300	66,300	55,554	10,746	53,248
Total	<u>448,950</u>	<u>448,950</u>	<u>464,129</u>	<u>(15,179)</u>	<u>415,205</u>
Audit and consulting fees					
Other services and charges	23,300	23,300	22,475	825	20,170
Planning and zoning					
Other services and charges	2,250	2,250	1,293	957	1,666
Legal					
Other services and charges	77,000	77,000	56,789	20,211	70,567
Information and Technology					
Personnel services	62,800	62,800	64,296	(1,496)	62,214
Supplies	250	250	60	190	-
Other services and charges	3,600	3,600	2,641	959	632
Total	<u>66,650</u>	<u>66,650</u>	<u>66,997</u>	<u>(347)</u>	<u>62,846</u>
General government building					
Personnel services	34,500	34,500	36,116	(1,616)	34,874
Supplies	3,650	3,650	3,767	(117)	2,468
Other services and charges	38,100	38,100	33,389	4,711	34,858
Total	<u>76,250</u>	<u>76,250</u>	<u>73,272</u>	<u>2,978</u>	<u>72,200</u>
Total general government	<u>724,875</u>	<u>724,875</u>	<u>719,780</u>	<u>5,095</u>	<u>681,698</u>

CITY OF CANNON FALLS, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013			Variance with Final Budget	2012
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public safety					
Police protection					
Personnel services	\$ 688,200	\$ 688,200	\$ 697,785	\$ (9,585)	\$ 664,761
Supplies	50,800	50,800	36,995	13,805	33,040
Other services and charges	68,850	68,850	58,369	10,481	53,208
Total	<u>807,850</u>	<u>807,850</u>	<u>793,149</u>	<u>14,701</u>	<u>751,009</u>
Building inspection					
Personnel services	4,325	4,325	2,368	1,957	3,815
Supplies	50	50	-	50	-
Other services and charges	23,000	23,000	42,575	(19,575)	40,625
Total	<u>27,375</u>	<u>27,375</u>	<u>44,943</u>	<u>(17,568)</u>	<u>44,440</u>
Animal control					
Other services and charges	500	500	500	-	500
Total public safety	<u>835,725</u>	<u>835,725</u>	<u>838,592</u>	<u>(2,867)</u>	<u>795,949</u>
Public works					
Public works administration					
Personnel services	175,125	175,125	185,803	(10,678)	180,009
Supplies	32,200	32,200	38,266	(6,066)	32,074
Other services and charges	23,400	23,400	23,441	(41)	30,626
Total	<u>230,725</u>	<u>230,725</u>	<u>247,510</u>	<u>(16,785)</u>	<u>242,709</u>
Streets and highways					
Personnel services	59,950	59,950	51,130	8,820	56,959
Supplies	29,700	29,700	26,455	3,245	34,882
Other services and charges	54,000	54,000	61,148	(7,148)	22,659
Total	<u>143,650</u>	<u>143,650</u>	<u>138,733</u>	<u>4,917</u>	<u>114,500</u>
Snow and ice removal					
Personnel services	32,600	32,600	48,633	(16,033)	14,991
Supplies	20,000	20,000	32,351	(12,351)	15,264
Other services and charges	4,500	4,500	3,152	1,348	2,548
Total	<u>57,100</u>	<u>57,100</u>	<u>84,136</u>	<u>(27,036)</u>	<u>32,803</u>

CITY OF CANNON FALLS, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Public works - continued					
Road equipment and garage					
Personnel services	\$ 27,050	\$ 27,050	\$ 25,165	\$ 1,885	\$ 21,391
Supplies	12,200	12,200	12,818	(618)	12,387
Other services and charges	25,500	25,500	17,613	7,887	21,251
Total	<u>64,750</u>	<u>64,750</u>	<u>55,596</u>	<u>9,154</u>	<u>55,029</u>
Garage building					
Personnel services	13,300	13,300	9,708	3,592	18,881
Supplies	3,400	3,400	7,235	(3,835)	3,945
Other services and charges	15,200	15,200	12,802	2,398	10,762
Total	<u>31,900</u>	<u>31,900</u>	<u>29,745</u>	<u>2,155</u>	<u>33,588</u>
Street lighting					
Supplies	5,000	5,000	367	4,633	4,157
Other services and charges	61,000	61,000	63,694	(2,694)	60,164
Total	<u>66,000</u>	<u>66,000</u>	<u>64,061</u>	<u>1,939</u>	<u>64,321</u>
Engineering					
Other services and charges	27,000	27,000	41,079	(14,079)	15,647
Total public works	<u>621,125</u>	<u>621,125</u>	<u>660,860</u>	<u>(39,735)</u>	<u>558,597</u>
Culture and recreation					
Tree maintenance					
Personnel services	20,075	20,075	17,353	2,722	17,971
Supplies	-	-	28	(28)	104
Other services and charges	6,600	6,600	11,435	(4,835)	10,578
Total	<u>26,675</u>	<u>26,675</u>	<u>28,816</u>	<u>(2,141)</u>	<u>28,653</u>
Parks					
Personnel services	59,100	59,100	42,670	16,430	57,816
Supplies	14,900	14,900	13,294	1,606	15,934
Other services and charges	13,700	13,700	24,745	(11,045)	18,825
Total	<u>87,700</u>	<u>87,700</u>	<u>80,709</u>	<u>6,991</u>	<u>92,575</u>

CITY OF CANNON FALLS, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation - continued					
Swimming pool					
Personnel services	\$ 65,900	\$ 65,900	\$ 65,795	\$ 105	\$ 62,727
Supplies	8,300	8,300	7,833	467	12,098
Other services and charges	12,985	12,985	14,899	(1,914)	13,272
Total	<u>87,185</u>	<u>87,185</u>	<u>88,527</u>	<u>(1,342)</u>	<u>88,097</u>
Athletic fields					
Personnel services	10,125	10,125	10,408	(283)	7,984
Supplies	3,700	3,700	5,219	(1,519)	4,974
Other services and charges	16,000	16,000	15,257	743	14,199
Total	<u>29,825</u>	<u>29,825</u>	<u>30,884</u>	<u>(1,059)</u>	<u>27,157</u>
Skating					
Personnel services	2,700	2,700	4,445	(1,745)	1,126
Supplies	400	400	147	253	11
Other services and charges	2,150	2,150	1,161	989	514
Total	<u>5,250</u>	<u>5,250</u>	<u>5,753</u>	<u>(503)</u>	<u>1,651</u>
Cannon Valley Trail					
Personnel services	149,500	149,500	126,222	23,278	133,734
Other services and charges	13,440	13,440	12,921	519	12,882
Total	<u>162,940</u>	<u>162,940</u>	<u>139,143</u>	<u>23,797</u>	<u>146,616</u>
Total culture and recreation	<u>399,575</u>	<u>399,575</u>	<u>373,832</u>	<u>25,743</u>	<u>384,749</u>
Miscellaneous					
Unallocated					
Personnel services	3,300	3,300	779	2,521	454
Other services and charges	44,950	44,950	47,456	(2,506)	42,940
Total miscellaneous	<u>48,250</u>	<u>48,250</u>	<u>48,235</u>	<u>15</u>	<u>43,394</u>
Total current expenditures	<u>2,629,550</u>	<u>2,629,550</u>	<u>2,641,299</u>	<u>(11,749)</u>	<u>2,464,387</u>



CITY OF CANNON FALLS, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Capital outlay					
General government	\$ 1,250	\$ 1,250	\$ 4,248	\$ (2,998)	\$ 1,040
Public safety	14,445	14,445	5,200	9,245	25,557
Public works	53,700	53,700	1,522,570	(1,468,870)	82,409
Culture and recreation	1,000	1,000	-	1,000	-
Miscellaneous	1,000	1,000	123,192	(122,192)	360
Total capital outlay	<u>71,395</u>	<u>71,395</u>	<u>1,655,210</u>	<u>(1,583,815)</u>	<u>109,366</u>
Debt service					
Capital lease					
Principal	23,400	23,400	25,622	(2,222)	24,987
Interest	3,800	3,800	4,388	(588)	5,023
Total debt service	<u>27,200</u>	<u>27,200</u>	<u>30,010</u>	<u>(2,810)</u>	<u>30,010</u>
TOTAL EXPENDITURES	<u>2,728,145</u>	<u>2,728,145</u>	<u>4,326,519</u>	<u>(1,598,374)</u>	<u>2,603,763</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,843</u>	<u>14,843</u>	<u>(1,466,552)</u>	<u>(1,481,395)</u>	<u>219,463</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	46,450	46,450	535,726	489,276	45,000
Sale of capital assets	-	-	276,735	276,735	54,433
Transfers out	(61,293)	(61,293)	(105,293)	(44,000)	(103,311)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(14,843)</u>	<u>(14,843)</u>	<u>707,168</u>	<u>722,011</u>	<u>(3,878)</u>
NET CHANGE IN FUND BALANCES	-	-	(759,384)	(759,384)	215,585
FUND BALANCES, JANUARY 1	2,855,251	2,855,251	2,855,251	-	2,639,666
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>137,092</u>	<u>137,092</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,855,251</u>	<u>\$ 2,855,251</u>	<u>\$ 2,232,959</u>	<u>\$ (622,292)</u>	<u>\$ 2,855,251</u>

CITY OF CANNON FALLS, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2013

	1997/2003 Improvement Bonds	2006A G.O. PIR Refunding Bonds	2006B G.O. PIR Bonds	2011A G.O. Bonds
<b>ASSETS</b>				
Cash and temporary investments	\$ 90,445	\$ -	\$ 209,346	\$ 565,213
Cash held with fiscal agent	-	-	-	-
Receivables				
Accounts	-	-	-	-
Accrued interest	-	-	-	50
Special assessments	170,524	-	722,520	328,177
	<u>170,524</u>	<u>-</u>	<u>722,520</u>	<u>328,177</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 260,969</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 931,866</u></u>	<u><u>\$ 893,440</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	\$ 170,307	\$ -	\$ 645,221	\$ 309,849
<b>FUND BALANCES</b>				
Restricted for debt service	<u>90,662</u>	<u>-</u>	<u>286,645</u>	<u>583,591</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 260,969</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 931,866</u></u>	<u><u>\$ 893,440</u></u>

2012A G.O. Improvement Bond	2012B G.O. Refunding Bond	2013A G.O. Improvement Bond	Total
\$ 399	\$ 62,743	\$ 123,091	\$ 1,051,237
-	1,385,310	-	1,385,310
250,000	-	-	250,000
-	-	-	50
-	-	628,014	1,849,235
<u>\$ 250,399</u>	<u>\$ 1,448,053</u>	<u>\$ 751,105</u>	<u>\$ 4,535,832</u>
\$ -	\$ -	\$ 596,820	\$ 1,722,197
<u>250,399</u>	<u>1,448,053</u>	<u>154,285</u>	<u>2,813,635</u>
<u>\$ 250,399</u>	<u>\$ 1,448,053</u>	<u>\$ 751,105</u>	<u>\$ 4,535,832</u>

CITY OF CANNON FALLS, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	1997/2003 Improvement Bonds	2006A G.O. PIR Refunding Bonds	2006B G.O. PIR Bonds	2011A G.O. Bonds
<b>REVENUES</b>				
Taxes	\$ 166,009	\$ 208,000	\$ -	\$ 89,447
Special assessments	239	-	138,218	48,743
Interest on investments	2	1	-	50
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<u>166,250</u>	<u>208,001</u>	<u>138,218</u>	<u>138,240</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	110,000	1,945,000	375,000	70,000
Interest and service charges	5,336	41,321	71,393	35,207
Bond issuance costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>115,336</u>	<u>1,986,321</u>	<u>446,393</u>	<u>105,207</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>50,914</u>	<u>(1,778,320)</u>	<u>(308,175)</u>	<u>33,033</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,655,000	156,172	100,273
Bond proceeds	-	-	-	-
Transfers out	-	(110,724)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>1,544,276</u>	<u>156,172</u>	<u>100,273</u>
<b>NET CHANGE IN FUND BALANCES</b>	50,914	(234,044)	(152,003)	133,306
<b>FUND BALANCES, JANUARY 1</b>	<u>39,748</u>	<u>234,044</u>	<u>438,648</u>	<u>450,285</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 90,662</u>	<u>\$ -</u>	<u>\$ 286,645</u>	<u>\$ 583,591</u>

2012A G.O. Improvement Bond	2012B G.O. Refunding Bond	2013A G.O. Improvement Bond	Interfund Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ 463,456
-	-	154,285	-	341,485
-	2,442	-	-	2,495
250,000	-	-	-	250,000
250,000	2,442	154,285	-	1,057,436
135,000	-	-	-	2,635,000
16,601	25,511	-	-	195,369
-	-	7,316	-	7,316
151,601	25,511	7,316	-	2,837,685
98,399	(23,069)	146,969	-	(1,780,249)
-	72,420	-	(1,765,724)	218,141
-	-	7,316	-	7,316
-	(1,655,000)	-	1,765,724	-
-	(1,582,580)	7,316	-	225,457
98,399	(1,605,649)	154,285	-	(1,554,792)
152,000	3,053,702	-	-	4,368,427
<u>\$ 250,399</u>	<u>\$ 1,448,053</u>	<u>\$ 154,285</u>	<u>\$ -</u>	<u>\$ 2,813,635</u>

CITY OF CANNON FALLS, MINNESOTA  
ECONOMIC DEVELOPMENT AUTHORITY  
(DISCRETELY PRESENTED COMPONENT UNIT)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2013

	Economic Development	Industrial Revolving Loan	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 51,994	\$ 289,351	\$ 341,345
Receivables			
Accrued interest	-	86	86
Deposits	-	25,000	25,000
Loans	-	204,566	204,566
Contract for deed	-	225,291	225,291
Prepaid items	94	-	94
 TOTAL ASSETS	 \$ 52,088	 \$ 744,294	 \$ 796,382
<b>LIABILITIES</b>			
Accrued salaries payable	2,146	-	2,146
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - loans receivable	-	204,566	204,566
Unavailable revenue - contract for deed receivable	-	225,291	225,291
 TOTAL DEFERRED INFLOWS OF RESOURCES	 -	 429,857	 429,857
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	94	-	94
Deposits	-	25,000	25,000
Committed			
Economic development	49,848	-	49,848
Revolving loan program	-	289,437	289,437
 TOTAL FUND BALANCES	 49,942	 314,437	 364,379
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 52,088	 \$ 744,294	 \$ 796,382
 Total fund balances reported above			 \$ 364,379
 Amounts reported for the Economic Development Authority in the statement of net position are different because			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets			562,918
 Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long-term liabilities at year-end consist of			
Compensated absences payable			(13,901)
 Some receivables are not available soon enough to pay for current-period expenditures and, therefore, are unavailable revenue in the funds			
Loans			204,566
Contract for deed			225,291
 Total net position - Economic Development Authority			 \$ 1,343,253

CITY OF CANNON FALLS, MINNESOTA  
ECONOMIC DEVELOPMENT AUTHORITY  
(DISCRETELY PRESENTED COMPONENT UNIT)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	Economic Development	Industrial Revolving Loan	Total
REVENUES			
Property taxes	\$ 90,400	\$ -	\$ 90,400
Interest on investments	-	11,591	11,591
Miscellaneous	26,000	26,434	52,434
TOTAL REVENUES	116,400	38,025	154,425
EXPENDITURES			
Current			
Economic development	117,707	10,000	127,707
Capital outlay			
Economic development	-	113,243	113,243
TOTAL EXPENDITURES	117,707	123,243	240,950
NET CHANGE IN FUND BALANCES	(1,307)	(85,218)	(86,525)
FUND BALANCES, JANUARY 1	51,249	399,655	450,904
FUND BALANCES, DECEMBER 31	\$ 49,942	\$ 314,437	\$ 364,379
Net changes in fund balances - Economic Development Authority			\$ (86,525)
Amounts reported for the Economic Development Authority in the statement of activities are different because			
Capital outlays are reported in governmental funds as expenditures.			
Capital outlay			113,243
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the asset's book value is included in the total gain (loss) in the statement of activities.			
			(836,500)
Governmental funds report loan disbursements as expenditures and the related loan repayments as revenues. However, in the statement of activities these transactions has no effect on net position. The amounts of the differences are			
Contract for deed			201,815
Loan repayment			(16,434)
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			(1,192)
Change in net position - Economic Development Authority			\$ (625,593)

CITY OF CANNON FALLS, MINNESOTA  
ECONOMIC DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Property taxes	\$ 90,400	\$ 90,400	\$ 90,400	\$ -	\$ 85,850
Miscellaneous					
Refunds and reimbursements	26,000	26,000	26,000	-	26,000
<b>TOTAL REVENUES</b>	<b>116,400</b>	<b>116,400</b>	<b>116,400</b>	<b>-</b>	<b>111,850</b>
EXPENDITURES					
Current					
Economic development					
Personnel services	103,950	103,950	113,357	(9,407)	101,484
Supplies	250	250	-	250	67
Other services and charges	12,200	12,200	4,350	7,850	8,625
<b>TOTAL EXPENDITURES</b>	<b>116,400</b>	<b>116,400</b>	<b>117,707</b>	<b>(1,307)</b>	<b>110,176</b>
NET CHANGE IN FUND BALANCES	-	-	(1,307)	(1,307)	1,674
FUND BALANCES, JANUARY 1	51,249	51,249	51,249	-	49,575
FUND BALANCES, DECEMBER 31	<u>\$ 51,249</u>	<u>\$ 51,249</u>	<u>\$ 49,942</u>	<u>\$ (1,307)</u>	<u>\$ 51,249</u>



CITY OF CANNON FALLS, MINNESOTA  
INDUSTRIAL REVOLVING LOAN FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Interest on investments	\$ 5,900	\$ 5,900	\$ 11,591	\$ 5,691	\$ 3,400
Miscellaneous					
Loan principal	4,200	4,200	16,434	12,234	85,226
Contributions and donations	-	-	10,000	10,000	-
TOTAL REVENUE	<u>10,100</u>	<u>10,100</u>	<u>38,025</u>	<u>27,925</u>	<u>88,626</u>
EXPENDITURES					
Current					
Economic development					
Other services and charges	-	-	10,000	(10,000)	230,384
Capital outlay					
Economic development	-	-	113,243	(113,243)	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>123,243</u>	<u>(123,243)</u>	<u>230,384</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,100	10,100	(85,218)	(95,318)	(141,758)
OTHER FINANCING SOURCES					
Sale of capital assets proceeds	-	-	-	-	64,057
NET CHANGE IN FUND BALANCES	10,100	10,100	(85,218)	(95,318)	(77,701)
FUND BALANCES, JANUARY 1	<u>399,655</u>	<u>399,655</u>	<u>399,655</u>	<u>-</u>	<u>477,356</u>
FUND BALANCES, DECEMBER 31	<u>\$ 409,755</u>	<u>\$ 409,755</u>	<u>\$ 314,437</u>	<u>\$ (95,318)</u>	<u>\$ 399,655</u>

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CITY OF CANNON FALLS, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total		Percent Increase (Decrease)
	2013	2012	
<b>REVENUES</b>			
Taxes	\$ 3,160,703	\$ 3,216,935	(1.75) %
Special assessments	357,786	277,450	28.96
Licenses and permits	71,262	71,264	-
Intergovernmental	980,627	673,855	45.52
Charges for services	137,983	155,250	(11.12)
Fines and forfeits	30,781	33,593	(8.37)
Investment earnings	(10,163)	14,895	(168.23)
Miscellaneous	516,161	773,929	(33.31)
<b>TOTAL REVENUES</b>	<b>\$ 5,245,140</b>	<b>\$ 5,217,171</b>	<b>0.54 %</b>
Per Capita	\$ 1,282	\$ 1,278	0.34 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 719,780	\$ 681,698	5.59 %
Public safety	1,054,651	968,549	8.89
Public works	660,860	558,597	18.31
Culture and recreation	750,262	733,758	2.25
Economic development	1,519	498,803	(99.70)
Miscellaneous	48,235	119,208	(59.54)
Capital outlay			
General government	33,160	27,620	20.06
Public safety	313,367	477,994	(34.44)
Public works	2,946,094	873,913	237.12
Culture and recreation	420,612	1,418,234	(70.34)
Economic development	27,519	27,084	1.61
Miscellaneous	123,192	360	34,120.00
Debt service			
Principal	2,660,622	764,987	247.80
Interest and other charges	207,073	277,422	(25.36)
<b>TOTAL EXPENDITURES</b>	<b>\$ 9,966,946</b>	<b>\$ 7,428,227</b>	<b>34.18 %</b>
Per Capita	\$ 2,437	\$ 1,820	33.91 %
Total Long-term Indebtedness	\$ 8,581,029	\$ 9,766,651	(12.14) %
Per Capita	2,098	2,393	(12.31)
General Fund Balance - December 31	\$ 2,232,959	\$ 2,855,251	(21.79) %
Per Capita	546	699	(21.95)

The purpose of this report is to provide a summary of financial information concerning the City of Cannon Falls, Minnesota to interested citizens. The complete financial statements may be examined at City Hall, 918 River Road, Cannon Falls, Minnesota 55009. Questions about this report should be directed to Lanell Endres, Assistant City Administrator at (507) 263-9300.

CITY OF CANNON FALLS, MINNESOTA  
 FINANCIAL EXHIBITS  
 COMBINED SCHEDULE OF BOND INDEBTEDNESS  
 DECEMBER 31, 2013

	Net Interest Rate	Authorized	Issued
<b>BOND INDEBTEDNESS</b>			
General obligation improvement and refunding bonds of 2003, series A	2.47 %	\$ 2,860,000	\$ 2,860,000
General obligation refunding permanent improvement bonds of 2006, series A	4.00	3,245,000	3,245,000
General obligation permanent improvement revolving bonds of 2006, series B	3.55	3,410,000	3,410,000
General obligation water revenue refunding bonds of 2010, series A	2.11	3,560,000	3,560,000
General improvement refunding bonds 2011, series A	2.61	3,150,000	3,150,000
General obligation improvement bonds of 2012, series A	1.33	932,000	932,000
General improvement refunding bonds of 2012, series B	1.63	3,085,000	3,085,000
General improvement refunding bonds of 2013, series A	3.00	2,575,000	2,575,000
MPFA - General obligation water and wastewater loan of 2001	3.07	4,529,000	4,529,000
MPFA - General obligation wastewater loan of 2001	2.86	<u>8,021,909</u>	<u>8,021,909</u>
TOTAL		<u>\$ 35,367,909</u>	<u>\$ 35,367,909</u>

<u>Retired</u>	<u>Outstanding</u>	<u>Principal Due In 2014</u>	<u>Interest Due In 2014</u>
\$ 2,760,000	\$ 100,000	\$ 100,000	\$ 1,600
3,245,000	-	-	-
1,775,000	1,635,000	130,000	61,568
880,000	2,680,000	315,000	67,990
125,000	3,025,000	160,000	76,518
135,000	797,000	158,000	12,002
-	3,085,000	325,000	32,390
-	2,575,000	-	76,250
2,263,000	2,266,000	254,000	69,566
3,782,000	4,239,909	420,000	121,262
<u>\$ 14,965,000</u>	<u>\$ 20,402,909</u>	<u>\$ 1,862,000</u>	<u>\$ 519,146</u>

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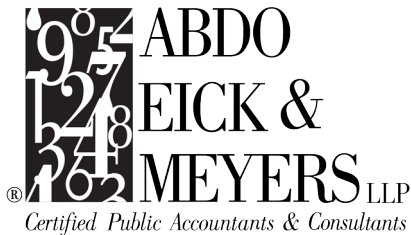
**OTHER REQUIRED REPORTS**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Cannon Falls, Minnesota

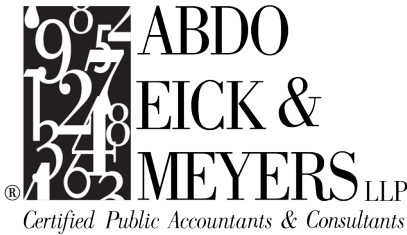
We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cannon Falls, Minnesota as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2014.

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

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

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

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 10, 2014



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

Honorable Mayor and City Council  
City of Cannon Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cannon Falls, Minnesota (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses as items 2013-001 and 2013-002, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2013-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2013-001 to be a significant deficiency.

## Compliance and Other Matters

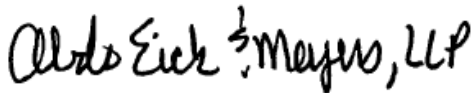
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

## The City's Response to Finding

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

## Purpose of this Report

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 10, 2014

CITY OF CANNON FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding      Description

**2013-001      Preparation of financial statements**

*Condition:*              As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

*Criteria:*                Internal controls should be in place to provide reasonable assurance over financial reporting.

*Cause:*                    From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

*Effect:*                    The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

*Recommendation:*    It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

*Management response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

CITY OF CANNON FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding      Description

**2013-002      Material audit adjustments**

*Condition:*              During our audit, an entry was required to record a prior period adjustment. The adjustment related to \$57,483 of tower lease payments received from Mediacom for 2005-2012 and to record FEMA Federal Disaster Aid received for 2012 flood reimbursement in the amount of \$79,609. An entry was also required to record water utility infrastructure not identified.

*Criteria:*                The financial statements are the responsibility of the City's management; therefore, the City must be able to prevent or detect a material misstatement in the financial statements including footnote disclosures.

*Cause:*                    The year-end trial balance did not reflect all necessary accounting entries for the presentation of the financial statement in accordance with generally accepted accounting principles.

*Effect:*                    The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

*Recommendation:*    We recommend that management review each journal entry, obtain an understanding of why the entries were necessary.

*Management response:*

Management has already taken steps to address the issue.