

Annual Financial Report

City of Cannon Falls
Cannon Falls, Minnesota

For the Year Ended
December 31, 2014

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CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF CANNON FALLS, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

ELECTED

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------|----------------|---------------------|
| Lyman (Robby) Robinson | Mayor | 12/31/18 |
| 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 | 12/31/18 |
| Rodney Holst | Council Member | 12/31/18 |

APPOINTED

| <u>Name</u> | <u>Title</u> |
|-------------------------|--------------------------------|
| Ron Johnson | 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 |
| Mike Guthrie | Interim Ambulance Director |
| John Miller | Fire Chief |

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FINANCIAL SECTION
CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Cannon Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cannon Falls, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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, 2014, 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 accordance 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

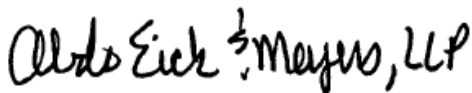
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2015, 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
April 9, 2015

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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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$30,226,067 (net position). Of this amount, \$6,464,233 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$383,615. This increase is due to business-type activities, which increased \$550,337, which was mostly due to all business-type activities revenues exceeding expenses.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,020,475, a decrease of \$806,529 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$1,932,615 or 64 percent of budgeted 2015 General fund expenditures.
- The City's total bonded debt decreased \$1,901,141 during the current fiscal year due to regularly scheduled debt service principal payments.

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 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**

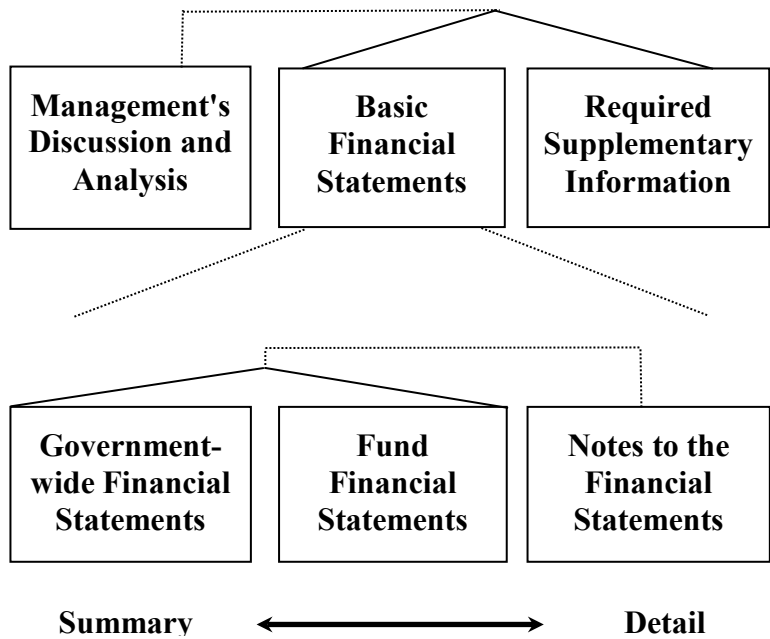


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

| | Fund Financial Statements | | |
|--|--|--|---|
| | Government-wide Statements | Governmental Funds | Proprietary Funds |
| 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"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows |
| 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, six 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 and Debt Service funds, 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 39 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 45 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 72 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 \$30,226,067 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 | | |
|-----------------------------------|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2014 | 2013 | Increase (Decrease) | 2014 | 2013 | Increase (Decrease) |
| Assets | | | | | | |
| Current and other assets | \$ 7,106,025 | \$ 8,193,746 | \$ (1,087,721) | \$ 4,613,283 | \$ 4,379,098 | \$ 234,185 |
| Capital assets | 15,076,479 | 15,095,885 | (19,406) | 22,855,037 | 23,653,265 | (798,228) |
| Total assets | 22,182,504 | 23,289,631 | (1,107,127) | 27,468,320 | 28,032,363 | (564,043) |
| Liabilities | | | | | | |
| Long-term liabilities outstanding | 7,932,358 | 8,740,710 | (808,352) | 10,939,284 | 12,016,415 | (1,077,131) |
| Other liabilities | 369,993 | 502,046 | (132,053) | 183,122 | 220,371 | (37,249) |
| Total liabilities | 8,302,351 | 9,242,756 | (940,405) | 11,122,406 | 12,236,786 | (1,114,380) |
| Net position | | | | | | |
| Net investment in capital assets | 8,737,898 | 8,119,545 | 618,353 | 12,310,534 | 12,054,156 | 256,378 |
| Restricted | 2,713,402 | 3,380,541 | (667,139) | - | - | - |
| Unrestricted | 2,428,853 | 2,546,789 | (117,936) | 4,035,380 | 3,741,421 | 293,959 |
| Total net position | \$13,880,153 | \$14,046,875 | \$ (166,722) | \$16,345,914 | \$15,795,577 | \$ 550,337 |

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

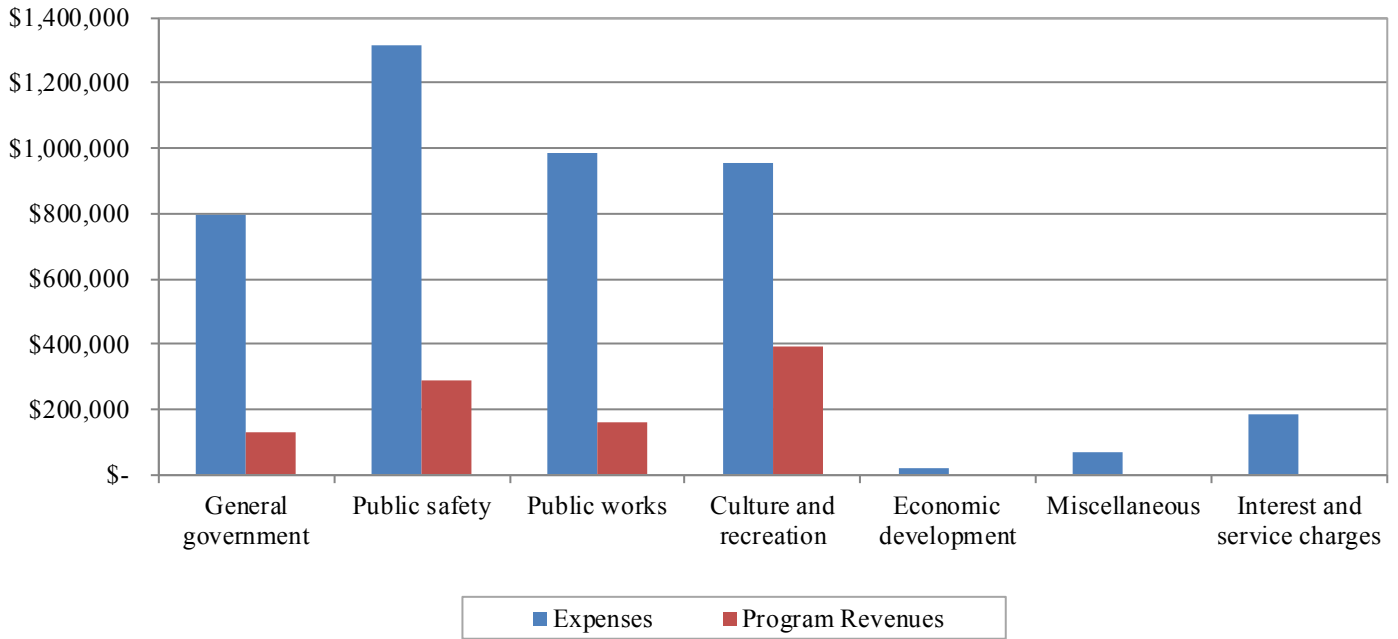
| | Governmental Activities | | | Business-type Activities | | |
|--|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2014 | 2013 | Increase (Decrease) | 2014 | 2013 | Increase (Decrease) |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 486,254 | \$ 487,136 | \$ (882) | \$ 3,077,605 | \$ 2,816,159 | \$ 261,446 |
| Operating grants and contributions | 247,761 | 597,246 | (349,485) | 7,715 | 6,171 | 1,544 |
| Capital grants and contributions | 237,332 | 1,024,022 | (786,690) | 123,206 | 156,114 | (32,908) |
| General revenues | | | | | | |
| Taxes | 2,576,479 | 3,157,135 | (580,656) | - | - | - |
| Grants and contributions not restricted to specific programs | 637,051 | 476,948 | 160,103 | - | - | - |
| Investment earnings | 28,377 | (8,907) | 37,284 | 10,075 | 14,045 | (3,970) |
| Gain on sale of capital assets | 6,169 | 227,035 | (220,866) | - | - | - |
| Total revenues | 4,219,423 | 5,960,615 | (1,741,192) | 3,218,601 | 2,992,489 | 226,112 |
| Expenses | | | | | | |
| General government | 793,310 | 775,983 | 17,327 | - | - | - |
| Public safety | 1,314,873 | 1,286,329 | 28,544 | - | - | - |
| Public works | 982,408 | 2,583,764 | (1,601,356) | - | - | - |
| Culture and recreation | 957,183 | 808,463 | 148,720 | - | - | - |
| Economic development | 17,594 | 29,038 | (11,444) | - | - | - |
| Miscellaneous | 71,455 | 50,789 | 20,666 | - | - | - |
| Interest and service charges | 185,584 | 190,943 | (5,359) | - | - | - |
| Water utility | - | - | - | 764,225 | 795,142 | (30,917) |
| Disposal | - | - | - | 1,216,431 | 1,260,904 | (44,473) |
| Storm water | - | - | - | 48,338 | 50,099 | (1,761) |
| Recycling | - | - | - | 70,762 | 65,370 | 5,392 |
| Ambulance | - | - | - | 521,999 | 493,293 | 28,706 |
| Deputy registrar | - | - | - | 110,247 | 104,675 | 5,572 |
| Total expenses | 4,322,407 | 5,725,309 | (1,402,902) | 2,732,002 | 2,769,483 | (37,481) |
| Change in net position before transfers | (102,984) | 235,306 | (338,290) | 486,599 | 223,006 | 263,593 |
| Capital transfers by other funds | - | (119,208) | 119,208 | - | 119,208 | (119,208) |
| Transfers | (63,738) | 206,703 | (270,441) | 63,738 | (206,703) | 270,441 |
| Change in net position | (166,722) | 322,801 | (489,523) | 550,337 | 135,511 | 414,826 |
| Net position, January 1 | 14,046,875 | 13,586,982 | 459,893 | 15,795,577 | 15,660,066 | 135,511 |
| Prior period adjustment | - | 137,092 | (137,092) | - | - | - |
| Net position, December 31 | <u>\$13,880,153</u> | <u>\$14,046,875</u> | <u>\$ (166,722)</u> | <u>\$16,345,914</u> | <u>\$15,795,577</u> | <u>\$ 550,337</u> |

The decrease in grants was due to more grants received in 2013 for library construction and federal disaster aid. The decrease in public works expenditures was due to payments in 2013 to MN DOT for the Hwy 52 interchange and pedestrian bridge.

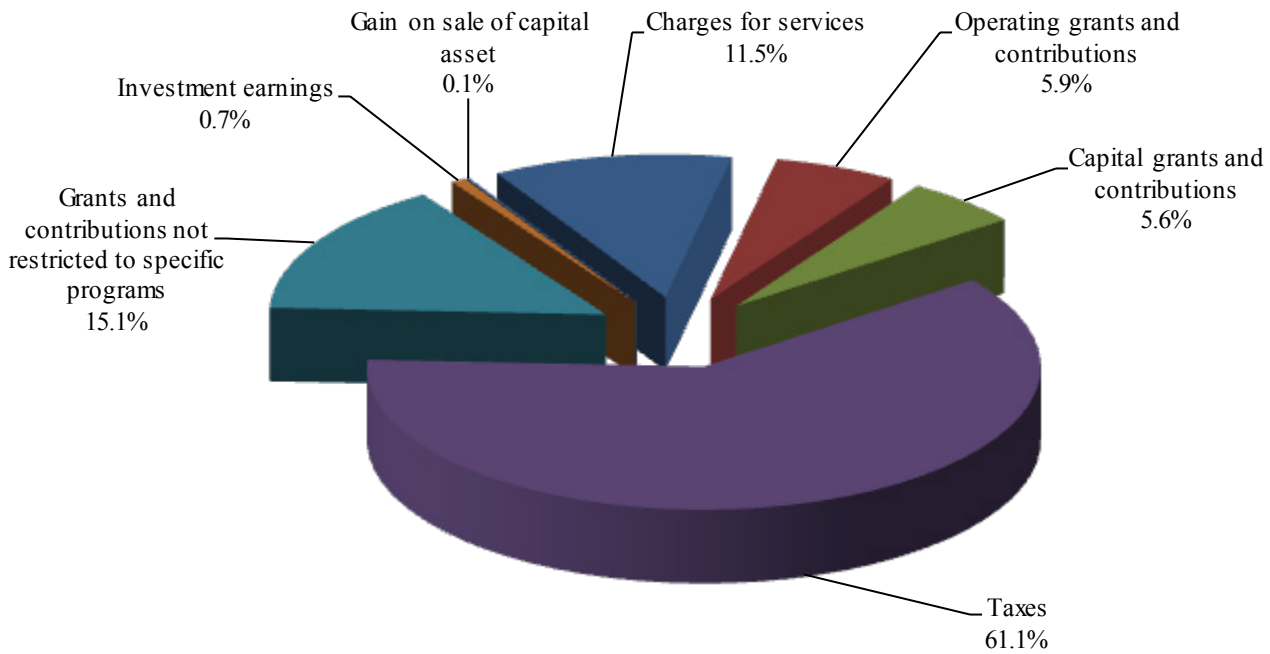
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Governmental activities. Net position in the governmental activities decreased \$166,722.

Expenses and Program Revenues - Governmental Activities

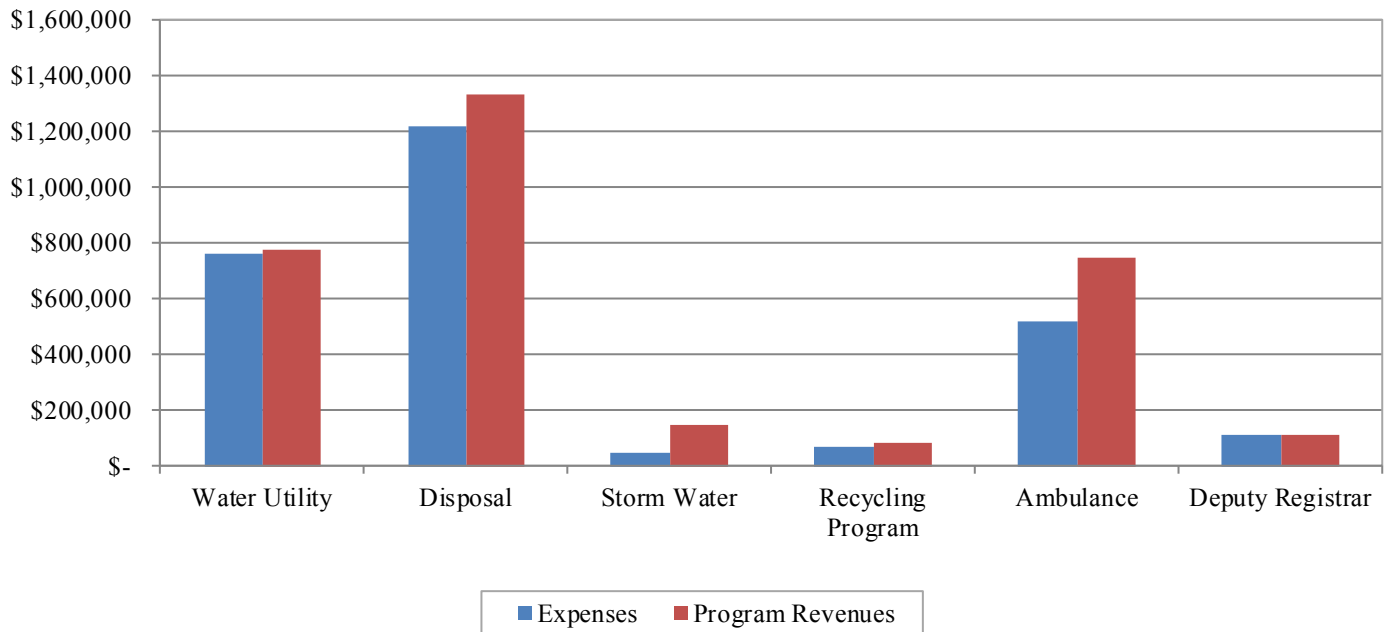


Revenues by Source - Governmental Activities

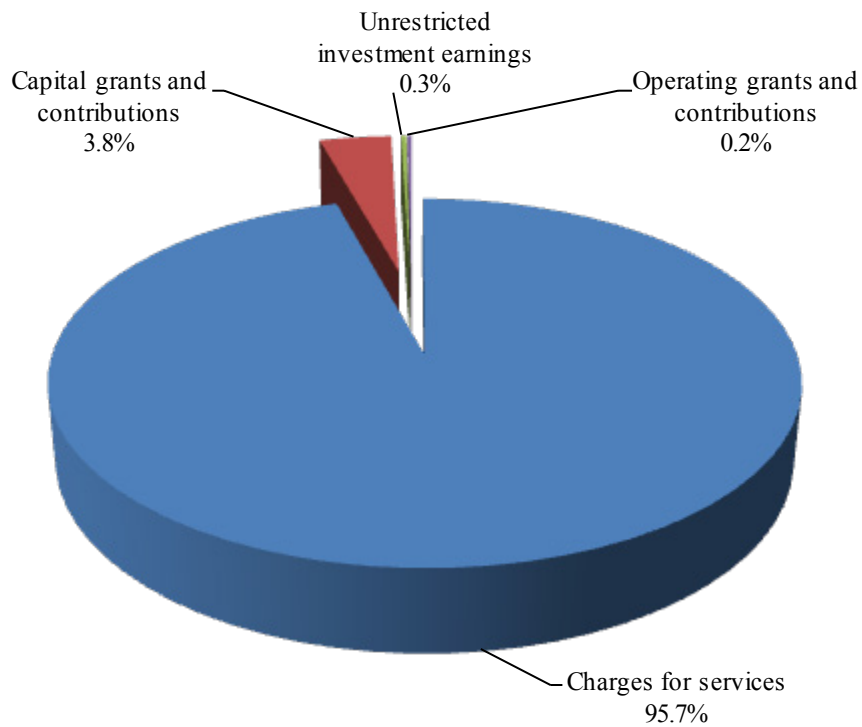


Business-type activities. Net position in business-type activities increased by \$550,337.

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,020,475, a decrease of \$806,529 in comparison with the prior year. Approximately 39.7 percent of this total amount (\$1,719,407) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$3,301,068) is not available for new spending because it is either 1) nonspendable (\$34,030) 2) restricted (\$2,677,129), 3) committed (\$315,973), or 4) assigned (\$273,936). For further classification refer to Note 3H on page 65 of this report.

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

| <u>Major Funds</u> | <u>Fund Balance December 31,</u> | | <u>Increase (Decrease)</u> |
|---|----------------------------------|--------------|--------------------------------|
| | <u>2014</u> | <u>2013</u> | |
| General | \$ 1,932,615 | \$ 2,232,959 | \$ (300,344) |
| Fund balance decreased due to transfers out roughly \$388,000 to the 2012 Library Construction fund to assist with project costs. | | | |
| Debt Service | \$ 2,505,268 | \$ 2,813,635 | \$ (308,367) |
| The Debt Service funds decreased due to regularly scheduled debt service principal payments. | | | |

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,035,380. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during 2014. Compared to the final budget, revenues were over budget by \$48,154 and expenditures were over budget by \$11,375.

- The largest revenue variance was from intergovernmental revenue, which was \$36,702 over budget due to unanticipated grants revenues received.
- The largest variances in expenditures included current general government, current public works, and current culture and recreation. Current general government expenditures were under budget by \$55,843 due to administrative expenditures under budget. Current public works expenditures were over budget by \$53,150 due to unbudgeted blacktopping projects incurred. Current culture and recreation expenditures were over budget by \$34,060 due to unbudgeted repairs to the pool heater.

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, 2014, amounts to \$37,931,516 (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 3D starting on page 57 of this report.

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

| | Governmental Activities | | | Business-type Activities | | |
|------------------------------------|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2014 | 2013 | Increase (Decrease) | 2014 | 2013 | Increase (Decrease) |
| Land | \$ 908,474 | \$ 908,474 | \$ - | \$ 87,816 | \$ 87,816 | \$ - |
| Construction in progress | 1,354,542 | 1,277,996 | 76,546 | 1,227,692 | 1,187,588 | 40,104 |
| Buildings and improvements | 3,623,602 | 3,741,762 | (118,160) | 7,000 | 7,534 | (534) |
| System improvements/infrastructure | 7,379,057 | 7,472,094 | (93,037) | 21,028,544 | 21,772,908 | (744,364) |
| Machinery and equipment | 790,479 | 860,834 | (70,355) | 332,147 | 384,201 | (52,054) |
| Vehicles | 1,020,325 | 834,725 | 185,600 | 171,838 | 213,218 | (41,380) |
| Total | \$15,076,479 | \$15,095,885 | \$ (19,406) | \$22,855,037 | \$23,653,265 | \$ (798,228) |

Long-term debt. At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$18,649,318. 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 | | |
|--|-------------------------|---------------------|------------------------|--------------------------|---------------------|------------------------|
| | 2014 | 2013 | Increase (Decrease) | 2014 | 2013 | Increase (Decrease) |
| Capital lease payable | \$ 54,581 | \$ 79,029 | \$ (24,448) | \$ 53,828 | \$ 68,521 | \$ (14,693) |
| Compensated absences payable | 178,777 | 159,681 | 19,096 | 43,547 | 46,985 | (3,438) |
| General obligation special assessment bonds | 1,505,000 | 1,735,000 | (230,000) | - | - | - |
| General obligation revenue bonds | 6,194,000 | 6,767,000 | (573,000) | 10,841,909 | 11,900,909 | (1,059,000) |
| Total | \$ 7,932,358 | \$ 8,740,710 | \$ (808,352) | \$10,939,284 | \$12,016,415 | \$ (1,077,131) |

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 3G starting on page 60 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 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 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, 2014

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CITY OF CANNON FALLS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Economic Development Authority |
| ASSETS | | | | |
| Cash and temporary investments | \$ 3,413,721 | \$ 2,379,364 | \$ 5,793,085 | \$ 259,733 |
| Cash held with fiscal agent | 1,371,776 | - | 1,371,776 | - |
| Receivables | | | | |
| Accrued interest | 895 | 154 | 1,049 | 156 |
| Taxes | 129,847 | - | 129,847 | - |
| Accounts, net of allowance | 203,746 | 468,279 | 672,025 | - |
| Special assessments | 1,813,757 | 1,748,311 | 3,562,068 | - |
| Loans | - | - | - | 191,180 |
| Contract for deed | 20,205 | - | 20,205 | 213,604 |
| Due from other governments | 118,048 | - | 118,048 | - |
| Inventories, at cost | - | 5,016 | 5,016 | - |
| Prepaid items | 34,030 | 12,159 | 46,189 | 122 |
| Capital assets | | | | |
| Land and construction in progress | 2,263,016 | 1,315,508 | 3,578,524 | 734,124 |
| Depreciable buildings, property, and equipment, net | 12,813,463 | 21,539,529 | 34,352,992 | - |
| TOTAL ASSETS | 22,182,504 | 27,468,320 | 49,650,824 | 1,398,919 |
| LIABILITIES | | | | |
| Accounts and contracts payable | 154,470 | 44,678 | 199,148 | 208 |
| Accrued interest payable | 75,465 | 121,734 | 197,199 | - |
| Due to other governments | - | 2,002 | 2,002 | - |
| Accrued salaries payable | 50,464 | 14,708 | 65,172 | 3,131 |
| Deposits payable | 89,594 | - | 89,594 | - |
| Noncurrent liabilities | | | | |
| Due within one year | 2,175,765 | 1,140,204 | 3,315,969 | 3,449 |
| Due in more than one year | 5,756,593 | 9,799,080 | 15,555,673 | 10,348 |
| TOTAL LIABILITIES | 8,302,351 | 11,122,406 | 19,424,757 | 17,136 |
| NET POSITION | | | | |
| Net investment in capital assets | 8,737,898 | 12,310,534 | 21,048,432 | 734,124 |
| Restricted for | | | | |
| Debt service | 2,541,310 | - | 2,541,310 | - |
| Cable television | 104,828 | - | 104,828 | - |
| Park improvements | 46,670 | - | 46,670 | - |
| Economic development | 20,594 | - | 20,594 | - |
| Unrestricted | 2,428,853 | 4,035,380 | 6,464,233 | 647,659 |
| TOTAL NET POSITION | \$ 13,880,153 | \$ 16,345,914 | \$ 30,226,067 | \$ 1,381,783 |

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, 2014

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|-------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| General government | \$ 793,310 | \$ 131,829 | \$ 1,000 | \$ - |
| Public safety | 1,314,873 | 155,128 | 131,387 | 1,097 |
| Public works | 982,408 | - | - | 161,235 |
| Culture and recreation | 957,183 | 199,297 | 115,374 | 75,000 |
| Economic development | 17,594 | - | - | - |
| Miscellaneous | 71,455 | - | - | - |
| Interest on long-term debt | 185,584 | - | - | - |
| Total governmental activities | <u>4,322,407</u> | <u>486,254</u> | <u>247,761</u> | <u>237,332</u> |
| Business-type activities | | | | |
| Water Utility | 764,225 | 707,799 | - | 68,263 |
| Disposal | 1,216,431 | 1,279,346 | - | 54,943 |
| Storm Water | 48,338 | 147,072 | - | - |
| Recycling Program | 70,762 | 86,438 | - | - |
| Ambulance | 521,999 | 742,120 | 7,715 | - |
| Deputy Registrar | 110,247 | 114,830 | - | - |
| Total business-type activities | <u>2,732,002</u> | <u>3,077,605</u> | <u>7,715</u> | <u>123,206</u> |
| Total | <u>7,054,409</u> | <u>3,563,859</u> | <u>255,476</u> | <u>360,538</u> |
| Component unit | | | | |
| Economic Development Authority | <u>\$ 142,076</u> | <u>\$ 15,317</u> | <u>\$ 5,000</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

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - internal activities

Total general revenues and transfers

Change in net position

Net position, January 1

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 |
| \$ (660,481) | \$ - | \$ (660,481) | \$ - |
| (1,027,261) | - | (1,027,261) | - |
| (821,173) | - | (821,173) | - |
| (567,512) | - | (567,512) | - |
| (17,594) | - | (17,594) | - |
| (71,455) | - | (71,455) | - |
| (185,584) | - | (185,584) | - |
| <u>(3,351,060)</u> | <u>-</u> | <u>(3,351,060)</u> | <u>-</u> |
| - | 11,837 | 11,837 | - |
| - | 117,858 | 117,858 | - |
| - | 98,734 | 98,734 | - |
| - | 15,676 | 15,676 | - |
| - | 227,836 | 227,836 | - |
| - | 4,583 | 4,583 | - |
| <u>-</u> | <u>476,524</u> | <u>476,524</u> | <u>-</u> |
| <u>(3,351,060)</u> | <u>476,524</u> | <u>(2,874,536)</u> | <u>-</u> |
| | | | <u>(121,759)</u> |
| 1,255,952 | - | 1,255,952 | - |
| 399,900 | - | 399,900 | - |
| - | - | - | 159,450 |
| 290,432 | - | 290,432 | - |
| 82,350 | - | 82,350 | - |
| 517,805 | - | 517,805 | - |
| 30,040 | - | 30,040 | - |
| 637,051 | - | 637,051 | - |
| 28,377 | 10,075 | 38,452 | 839 |
| 6,169 | - | 6,169 | - |
| (63,738) | 63,738 | - | - |
| <u>3,184,338</u> | <u>73,813</u> | <u>3,258,151</u> | <u>160,289</u> |
| (166,722) | 550,337 | 383,615 | 38,530 |
| <u>14,046,875</u> | <u>15,795,577</u> | <u>29,842,452</u> | <u>1,343,253</u> |
| <u>\$ 13,880,153</u> | <u>\$ 16,345,914</u> | <u>\$ 30,226,067</u> | <u>\$ 1,381,783</u> |

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FUND FINANCIAL STATEMENTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF CANNON FALLS , MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

| | General | Debt Service | Other Governmental | Total Governmental |
|---|----------------------------|----------------------------|--------------------------|----------------------------|
| ASSETS | | | | |
| Cash and temporary investments | \$ 1,827,059 | \$ 944,579 | \$ 642,083 | \$ 3,413,721 |
| Cash held with fiscal agent | - | 1,371,776 | - | 1,371,776 |
| Receivables | | | | |
| Accrued interest | 587 | 96 | 212 | 895 |
| Taxes | 129,616 | - | 231 | 129,847 |
| Accounts | 117,856 | 75,000 | 10,890 | 203,746 |
| Special assessments | 144,237 | 1,640,324 | 29,196 | 1,813,757 |
| Contract for deed | 20,205 | - | - | 20,205 |
| Due from other governments | 118,048 | - | - | 118,048 |
| Prepaid items | 28,887 | - | 5,143 | 34,030 |
| TOTAL ASSETS | <u>\$ 2,386,495</u> | <u>\$ 4,031,775</u> | <u>\$ 687,755</u> | <u>\$ 7,106,025</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 84,285 | \$ - | \$ 70,185 | \$ 154,470 |
| Accrued salaries payable | 43,149 | - | 7,315 | 50,464 |
| Deposits payable | 89,594 | - | - | 89,594 |
| TOTAL LIABILITIES | <u>217,028</u> | <u>-</u> | <u>77,500</u> | <u>294,528</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 93,212 | - | 231 | 93,443 |
| Unavailable revenue - special assessments | 123,435 | 1,526,507 | 27,432 | 1,677,374 |
| Unavailable revenue - contracts for deed | 20,205 | - | - | 20,205 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>236,852</u> | <u>1,526,507</u> | <u>27,663</u> | <u>1,791,022</u> |
| FUND BALANCES | | | | |
| Nonspendable | 28,887 | - | 5,143 | 34,030 |
| Restricted | - | 2,505,268 | 171,861 | 2,677,129 |
| Committed | - | - | 315,973 | 315,973 |
| Assigned | - | - | 273,936 | 273,936 |
| Unassigned | 1,903,728 | - | (184,321) | 1,719,407 |
| TOTAL FUND BALANCES | <u>1,932,615</u> | <u>2,505,268</u> | <u>582,592</u> | <u>5,020,475</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 2,386,495</u> | <u>\$ 4,031,775</u> | <u>\$ 687,755</u> | <u>\$ 7,106,025</u> |

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, 2014

Amounts reported for governmental activities in the statement
of net position are different because

| | |
|---|---------------|
| Total fund balances - governmental funds | \$ 5,020,475 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund. | |
| Cost of capital assets | 21,793,277 |
| Less: accumulated depreciation | (6,716,798) |
| 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 | (7,699,000) |
| Capital lease payable | (54,581) |
| Compensated absences payable | (178,777) |
| 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 | 93,443 |
| Special assessments receivable | 1,677,374 |
| Contract for deed | 20,205 |
| Governmental funds do not report a liability for accrued interest until due and payable. | (75,465) |
| Total net position - governmental activities | \$ 13,880,153 |

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, 2014

| | General | Debt Service | Other Governmental | Total Governmental |
|--|---------------------|---------------------|-----------------------|-----------------------|
| REVENUES | | | | |
| Taxes | \$ 1,800,086 | \$ 399,900 | \$ 402,822 | \$ 2,602,808 |
| Licenses and permits | 56,111 | - | - | 56,111 |
| Intergovernmental | 699,899 | - | 156,713 | 856,612 |
| Charges for services | 55,950 | - | 89,654 | 145,604 |
| Fines and forfeitures | 31,044 | - | 7,273 | 38,317 |
| Special assessments | 10,706 | 268,149 | 9,755 | 288,610 |
| Interest on investments | 23,919 | 4,069 | 643 | 28,631 |
| Miscellaneous | 242,839 | 75,000 | 32,006 | 349,845 |
| TOTAL REVENUES | 2,920,554 | 747,118 | 698,866 | 4,366,538 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 706,782 | - | - | 706,782 |
| Public safety | 868,011 | - | 217,808 | 1,085,819 |
| Public works | 696,150 | - | - | 696,150 |
| Culture and recreation | 443,055 | - | 380,438 | 823,493 |
| Economic development | - | - | 15,349 | 15,349 |
| Miscellaneous | 71,455 | - | - | 71,455 |
| Capital outlay | | | | |
| General government | 1,750 | - | 13,752 | 15,502 |
| Public safety | 5,910 | - | 158,284 | 164,194 |
| Public works | 10,000 | - | 489,987 | 499,987 |
| Culture and recreation | - | - | 52,726 | 52,726 |
| Debt service | | | | |
| Principal | 24,448 | 803,000 | - | 827,448 |
| Interest and service charges | 3,719 | 188,255 | - | 191,974 |
| TOTAL EXPENDITURES | 2,831,280 | 991,255 | 1,328,344 | 5,150,879 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 89,274 | (244,137) | (629,478) | (784,341) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 92,100 | 137,920 | 730,092 | 960,112 |
| Sale of capital assets | 11,550 | - | 30,000 | 41,550 |
| Transfers out | (493,268) | (202,150) | (328,432) | (1,023,850) |
| TOTAL OTHER FINANCING SOURCES (USES) | (389,618) | (64,230) | 431,660 | (22,188) |
| NET CHANGE IN FUND BALANCES | (300,344) | (308,367) | (197,818) | (806,529) |
| FUND BALANCES, JANUARY 1 | 2,232,959 | 2,813,635 | 780,410 | 5,827,004 |
| FUND BALANCES, DECEMBER 31 | \$ 1,932,615 | \$ 2,505,268 | \$ 582,592 | \$ 5,020,475 |

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, 2014

Amounts reported for governmental activities in the statement
of activities are different because

| | |
|--|----------------------------|
| Net change in fund balances - governmental funds | \$ (806,529) |
| <p>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.</p> | |
| Capital outlays | 705,678 |
| Depreciation expense | (689,703) |
| Book value disposal of capital assets | (35,381) |
| <p>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.</p> | |
| Principal payments | 803,000 |
| Capital lease principal payments | 24,448 |
| <p>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.</p> | |
| | 6,390 |
| <p>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.</p> | |
| Property taxes | (26,329) |
| Special assessments | (126,955) |
| Contract for deed | (2,245) |
| <p>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.</p> | |
| Compensated absences | <u>(19,096)</u> |
| Change in net position - governmental activities | <u><u>\$ (166,722)</u></u> |

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 -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 1,823,303 | \$ 1,823,303 | \$ 1,800,086 | \$ (23,217) |
| Licenses and permits | 54,500 | 54,500 | 56,111 | 1,611 |
| Intergovernmental | 663,197 | 663,197 | 699,899 | 36,702 |
| Charges for services | 52,600 | 52,600 | 55,950 | 3,350 |
| Fines and forfeitures | 23,500 | 23,500 | 31,044 | 7,544 |
| Special assessments | 11,700 | 11,700 | 10,706 | (994) |
| Interest on investments | 7,500 | 7,500 | 23,919 | 16,419 |
| Miscellaneous | 236,100 | 236,100 | 242,839 | 6,739 |
| TOTAL REVENUES | 2,872,400 | 2,872,400 | 2,920,554 | 48,154 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 762,625 | 762,625 | 706,782 | 55,843 |
| Public safety | 871,185 | 871,185 | 868,011 | 3,174 |
| Public works | 643,000 | 643,000 | 696,150 | (53,150) |
| Culture and recreation | 408,995 | 408,995 | 443,055 | (34,060) |
| Miscellaneous | 90,200 | 90,200 | 71,455 | 18,745 |
| Capital outlay | 13,650 | 13,650 | 17,660 | (4,010) |
| Debt service | | | | |
| Capital lease | | | | |
| Principal | 27,100 | 27,100 | 24,448 | 2,652 |
| Interest | 3,150 | 3,150 | 3,719 | (569) |
| TOTAL EXPENDITURES | 2,819,905 | 2,819,905 | 2,831,280 | (11,375) |
| EXCESS OF REVENUES OVER EXPENDITURES | 52,495 | 52,495 | 89,274 | 36,779 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 47,900 | 47,900 | 92,100 | 44,200 |
| Sale of capital assets | 4,490 | 4,490 | 11,550 | 7,060 |
| Transfers out | (104,885) | (104,885) | (493,268) | (388,383) |
| TOTAL OTHER FINANCING SOURCES (USES) | (52,495) | (52,495) | (389,618) | (337,123) |
| NET CHANGE IN FUND BALANCES | - | - | (300,344) | (300,344) |
| FUND BALANCES, JANUARY 1 | 2,232,959 | 2,232,959 | 2,232,959 | - |
| FUND BALANCES, DECEMBER 31 | \$ 2,232,959 | \$ 2,232,959 | \$ 1,932,615 | \$ (300,344) |

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

CITY OF CANNON FALLS, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | | Totals |
|--|---|---------------------|-------------------|------------------------------|----------------------|
| | Water Utility | Disposal | Ambulance | Nonmajor Enterprise funds | |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and temporary investments | \$ 1,164,672 | \$ 721,854 | \$ 307,517 | \$ 185,321 | \$ 2,379,364 |
| Receivables | | | | | |
| Accrued interest | 129 | 25 | - | - | 154 |
| Accounts, net of allowance | 71,807 | 134,571 | 239,483 | 22,418 | 468,279 |
| Special assessments | 137,252 | 146,162 | - | 12,445 | 295,859 |
| Inventories, at cost | 2,508 | 2,508 | - | - | 5,016 |
| Prepaid items | 2,048 | 4,044 | 5,969 | 98 | 12,159 |
| TOTAL CURRENT ASSETS | 1,378,416 | 1,009,164 | 552,969 | 220,282 | 3,160,831 |
| NONCURRENT ASSETS | | | | | |
| Special assessments receivable | 791,880 | 660,572 | - | - | 1,452,452 |
| Capital assets | | | | | |
| Land and construction in progress | 534,240 | 441,608 | - | 339,660 | 1,315,508 |
| Depreciable buildings, property, and equipment | 12,801,598 | 18,838,395 | 596,738 | 707,338 | 32,944,069 |
| Accumulated depreciation | (4,760,727) | (6,192,799) | (377,476) | (73,538) | (11,404,540) |
| Total net capital assets | 8,575,111 | 13,087,204 | 219,262 | 973,460 | 22,855,037 |
| TOTAL NONCURRENT ASSETS | 9,366,991 | 13,747,776 | 219,262 | 973,460 | 24,307,489 |
| TOTAL ASSETS | 10,745,407 | 14,756,940 | 772,231 | 1,193,742 | 27,468,320 |
| LIABILITIES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts and contracts payable | 2,646 | 24,493 | 11,443 | 6,096 | 44,678 |
| Accrued interest payable | 38,756 | 75,584 | - | 7,394 | 121,734 |
| Due to other governments | 2,002 | - | - | - | 2,002 |
| Accrued salaries payable | 2,084 | 3,138 | 7,515 | 1,971 | 14,708 |
| Compensated absences payable - current | 2,500 | 2,828 | 4,718 | 841 | 10,887 |
| Capital lease payable - current | 2,853 | 2,853 | - | 9,611 | 15,317 |
| Bonds payable - current | 360,114 | 736,203 | - | 17,683 | 1,114,000 |
| TOTAL CURRENT LIABILITIES | 410,955 | 845,099 | 23,676 | 43,596 | 1,323,326 |
| NONCURRENT LIABILITIES | | | | | |
| Compensated absences payable | 7,499 | 8,485 | 14,153 | 2,523 | 32,660 |
| Capital lease payable | - | - | - | 38,511 | 38,511 |
| Bonds payable | 3,012,870 | 6,289,904 | - | 425,135 | 9,727,909 |
| TOTAL NONCURRENT LIABILITIES | 3,020,369 | 6,298,389 | 14,153 | 466,169 | 9,799,080 |
| TOTAL LIABILITIES | 3,431,324 | 7,143,488 | 37,829 | 509,765 | 11,122,406 |
| NET POSITION | | | | | |
| Net investment in capital assets | 5,237,832 | 6,370,920 | 219,262 | 482,520 | 12,310,534 |
| Unrestricted | 2,076,251 | 1,242,532 | 515,140 | 201,457 | 4,035,380 |
| TOTAL NET POSITION | \$ 7,314,083 | \$ 7,613,452 | \$ 734,402 | \$ 683,977 | \$ 16,345,914 |

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, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | | Totals |
|--|---|---------------------|-------------------|------------------------------|----------------------|
| | Water Utility | Disposal | Ambulance | Nonmajor Enterprise funds | |
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 707,799 | \$ 1,279,346 | \$ 742,120 | \$ 346,659 | \$ 3,075,924 |
| OPERATING EXPENSES | | | | | |
| Personnel services | 142,319 | 156,653 | 341,163 | 90,126 | 730,261 |
| Supplies | 31,092 | 33,632 | 43,894 | 3,199 | 111,817 |
| Repairs and maintenance | 30,992 | 41,141 | 23,670 | 337 | 96,140 |
| Depreciation | 348,828 | 503,718 | 48,995 | 24,638 | 926,179 |
| Rent | - | - | - | 16,950 | 16,950 |
| Insurance | 2,352 | 9,954 | 2,358 | - | 14,664 |
| Utilities | 67,336 | 149,197 | 15,956 | - | 232,489 |
| Other services and charges | 45,791 | 102,381 | 45,963 | 78,469 | 272,604 |
| TOTAL OPERATING EXPENSES | 668,710 | 996,676 | 521,999 | 213,719 | 2,401,104 |
| OPERATING INCOME | 39,089 | 282,670 | 220,121 | 132,940 | 674,820 |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Interest on investments | 5,573 | 4,248 | 73 | 181 | 10,075 |
| Other income | - | - | 7,715 | 1,681 | 9,396 |
| Interest expense | (95,515) | (219,755) | - | (15,628) | (330,898) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (89,942) | (215,507) | 7,788 | (13,766) | (311,427) |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | (50,853) | 67,163 | 227,909 | 119,174 | 363,393 |
| CAPITAL CONTRIBUTIONS | 68,263 | 54,943 | - | - | 123,206 |
| TRANSFERS IN | 101,264 | 74,233 | 5,941 | 40,000 | 221,438 |
| TRANSFERS OUT | (116,850) | (35,550) | (2,650) | (2,650) | (157,700) |
| CHANGE IN NET POSITION | 1,824 | 160,789 | 231,200 | 156,524 | 550,337 |
| NET POSITION, JANUARY 1 | 7,312,259 | 7,452,663 | 503,202 | 527,453 | 15,795,577 |
| NET POSITION, DECEMBER 31 | <u>\$ 7,314,083</u> | <u>\$ 7,613,452</u> | <u>\$ 734,402</u> | <u>\$ 683,977</u> | <u>\$ 16,345,914</u> |

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

CITY OF CANNON FALLS, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | | Totals |
|--|---|-------------------|-------------------|------------------------------|---------------------|
| | Water Utility | Disposal | Ambulance | Nonmajor Enterprise Funds | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 736,829 | \$ 1,260,696 | \$ 565,047 | \$ 349,665 | \$ 2,912,237 |
| Payments to suppliers | (186,694) | (352,910) | (135,460) | (99,222) | (774,286) |
| Payments to employees | (139,425) | (152,332) | (351,016) | (89,563) | (732,336) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 410,710 | 755,454 | 78,571 | 160,880 | 1,405,615 |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Transfers in | 101,264 | 74,233 | 5,941 | 40,000 | 221,438 |
| Transfers out | (116,850) | (35,550) | (2,650) | (2,650) | (157,700) |
| NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES | (15,586) | 38,683 | 3,291 | 37,350 | 63,738 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Permits and connection fees received | 7,272 | 4,611 | - | - | 11,883 |
| Special assessments received | 215,583 | 174,140 | - | - | 389,723 |
| Acquisition of capital assets | (80,720) | (24,214) | - | (23,017) | (127,951) |
| Principal paid on capital leases | (2,740) | (2,740) | - | (9,213) | (14,693) |
| Principal paid on bonds | (346,715) | (698,203) | - | (14,082) | (1,059,000) |
| Interest paid on bonds and capital leases | (97,701) | (227,065) | - | (16,061) | (340,827) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (305,021) | (773,471) | - | (62,373) | (1,140,865) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest received from investments | 5,576 | 4,238 | 76 | 202 | 10,092 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 95,679 | 24,904 | 81,938 | 136,059 | 338,580 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 1,068,993 | 696,950 | 225,579 | 49,262 | 2,040,784 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$ 1,164,672 | \$ 721,854 | \$ 307,517 | \$ 185,321 | \$ 2,379,364 |

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

CITY OF CANNON FALLS, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | | Totals |
|---|---|-----------------------|----------------------|------------------------------|-------------------------|
| | Water Utility | Disposal | Ambulance | Nonmajor Enterprise Funds | |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | | | |
| Operating income | \$ 39,089 | \$ 282,670 | \$ 220,121 | \$ 132,940 | \$ 674,820 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | | |
| Other income | - | - | 7,715 | 1,681 | 9,396 |
| Depreciation | 348,828 | 503,718 | 48,995 | 24,638 | 926,179 |
| (Increase) decrease in assets | | | | | |
| Accounts receivable | 29,030 | (18,650) | (184,788) | 808 | (173,600) |
| Special assessments receivable | - | - | - | 517 | 517 |
| Inventory | (289) | (289) | - | - | (578) |
| Prepaid items | 1,685 | 128 | (2,159) | (15) | (361) |
| Increase (decrease) in liabilities | | | | | |
| Accounts and contracts payable | (10,651) | (16,444) | (1,460) | (252) | (28,807) |
| Due to other governments | 124 | - | - | - | 124 |
| Accrued salaries payable | (280) | 228 | 1,295 | 120 | 1,363 |
| Compensated absences payable | 3,174 | 4,093 | (11,148) | 443 | (3,438) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 410,710</u> | <u>\$ 755,454</u> | <u>\$ 78,571</u> | <u>\$ 160,880</u> | <u>\$ 1,405,615</u> |

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

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CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 102.

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, 2014

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.

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 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, 2014

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

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 acknowledge 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 regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and 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, 2014

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 2014. 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 \$79,828 as of December 31, 2014.

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

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

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF CANNON FALLS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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 |

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 \$222,324 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 \$13,797.

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 three sources: property taxes, special assessments and contract for deed receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2014

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”.

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 30th, 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 2014.

CITY OF CANNON FALLS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following funds:

| Fund | Final Budgeted Amounts | Actual Amounts | Excess of Expenditures Over Appropriations |
|---------------------------------|------------------------------|-------------------|---|
| Major | | | |
| General | \$2,819,905 | \$2,831,280 | \$ 11,375 |
| Nonmajor | | | |
| Fire Department Operations fund | 203,469 | 227,041 | 23,572 |
| Component unit | | | |
| Industrial Revolving Loan fund | - | 180,080 | 180,080 |

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, 2014:

| Fund | Amount |
|---------------------------------------|-----------|
| Capital project | |
| 2011 West Side Reconstruction Project | \$ 39,098 |
| HWY 20 Clinic Access Road | 137,187 |
| 318th St Construction Project | 8,036 |
| Enterprise fund | |
| Deputy Registrar | 848 |

The deficits will be eliminated with future revenue, transfers, donations, and tax levies.

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 \$3,484,951 and the bank balance was \$3,460,399. The bank balance was covered by federal depository insurance totaling \$1,020,526, with the remainder 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, 2014

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 investments | | | |
| Negotiable CDs | N/A | Less than 6 months | \$ 196,044 |
| Negotiable CDs | N/A | 6 months to 1 year | 200,320 |
| Negotiable CDs | N/A | 1 to 3 years | 201,898 |
| Negotiable CDs | N/A | More than 3 years | 296,052 |
| U.S. Government Agencies | AAA | 1 to 3 years | 98,036 |
| U.S. Government Agencies | AAA | More than 3 years | 149,805 |
| | | | |
| U.S. Treasury Securities | AAA | Less than 6 months | 1,371,776 |
| Pooled investments | | | |
| 4M Fund | N/A | Less than 6 months | <u>1,425,157</u> |
| | | | |
| Total investments | | | <u><u>\$ 3,939,088</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
DECEMBER 31, 2014

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 | \$ 3,484,951 |
| Investments | 3,939,088 |
| Cash on hand | <u>555</u> |
| Total | <u><u>\$ 7,424,594</u></u> |
| | |
| As reported in the financial statements | |
| Statement of net position | |
| Primary government | |
| Governmental activities | |
| Cash and temporary investments | \$ 3,413,721 |
| Cash held with fiscal agent | 1,371,776 |
| Business-type activities | |
| Cash and temporary investments | 2,379,364 |
| Component unit | |
| Economic Development Authority | |
| Cash and temporary investments | <u>259,733</u> |
| Total | <u><u>\$ 7,424,594</u></u> |

B. 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, 2014 was \$58,910.

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, 2014 was \$132,270.

The total loan receivable balance as of December 31, 2014 was \$191,180.

C. Contract for deeds

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 were due beginning September 1, 2012. The outstanding balance as of December 31, 2014 was \$20,205.

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 were due beginning July 15, 2013. The outstanding balance as of December 31, 2014 was \$213,604.

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Capital assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Primary government

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

Governmental activities

| | |
|--|-------------------|
| General government | \$ 50,440 |
| Public safety | 191,878 |
| Public works | 357,806 |
| Culture and recreation | <u>89,579</u> |
| Total depreciation expense - governmental activities | <u>\$ 689,703</u> |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------------|-------------|----------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 87,816 | \$ - | \$ - | \$ 87,816 |
| Construction in progress | 1,187,588 | 40,104 | - | 1,227,692 |
| | | | | |
| Total capital assets not being depreciated | 1,275,404 | 40,104 | - | 1,315,508 |
| | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 15,980 | - | - | 15,980 |
| System improvements/infrastructure | 31,466,403 | 79,847 | - | 31,546,250 |
| Machinery and equipment | 867,598 | 8,000 | - | 875,598 |
| Vehicles | 506,241 | - | - | 506,241 |
| | | | | |
| Total capital assets being depreciated | 32,856,222 | 87,847 | - | 32,944,069 |
| | | | | |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (8,446) | (534) | - | (8,980) |
| System improvements/infrastructure | (9,693,495) | (824,211) | - | (10,517,706) |
| Machinery and equipment | (483,397) | (60,054) | - | (543,451) |
| Vehicles | (293,023) | (41,380) | - | (334,403) |
| | | | | |
| Total accumulated depreciation | (10,478,361) | (926,179) | - | (11,404,540) |
| | | | | |
| Total capital assets being depreciated, net | 22,377,861 | (838,332) | - | 21,539,529 |
| | | | | |
| Business-type activities capital assets, net | <u>\$ 23,653,265</u> | <u>\$ (798,228)</u> | <u>\$ -</u> | <u>\$ 22,855,037</u> |

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

| | |
|---|-------------------|
| Business-type activities | |
| Water Utility | \$ 348,828 |
| Disposal | 503,718 |
| Ambulance | 48,995 |
| Storm Water | 24,638 |
| | |
| Total depreciation expense - business-type activities | <u>\$ 926,179</u> |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component units

Activity for the Economic Development Authority for the year ended December 31, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------------------|----------------------|------------|-----------|-------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 562,918 | \$ 171,206 | \$ - | \$ 734,124 |

E. Construction commitments

The City has active construction projects as of December 31, 2014. At year end, the City's commitments with the contractors are as follows:

| Project | Spent to date | Remaining Commitment |
|-----------------------------------|------------------|-------------------------|
| 2013 Eastside Improvement Project | \$1,957,466 | \$ 43,300 |
| 3rd and Cannon Street Improvement | 56,552 | 2,344 |
| Total | \$2,014,018 | \$ 45,644 |

F. Transfers

Interfund transfers

The composition of interfund transfers as of December 31, 2014, is as follows:

| Fund | Transfers in | | | | | | | Total |
|-----------------------|-----------------|-------------------------|-----------------------------------|------------------|----------|-------------------|---------------------------------|-------------|
| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Water Utility | Disposal | Ambulance Fund | Nonmajor Enterprise Funds | |
| Transfer out | | | | | | | | |
| General | \$ - | \$ - | \$ 487,327 | \$ - | \$ - | \$ 5,941 | \$ - | \$ 493,268 |
| Debt Service | - | - | - | 93,264 | 68,886 | - | 40,000 | 202,150 |
| Nonmajor governmental | 76,200 | 16,120 | 222,765 | 8,000 | 5,347 | - | - | 328,432 |
| Water Utility | 5,300 | 101,550 | 10,000 | - | - | - | - | 116,850 |
| Disposal | 5,300 | 20,250 | 10,000 | - | - | - | - | 35,550 |
| Ambulance | 2,650 | - | - | - | - | - | - | 2,650 |
| Nonmajor enterprise | 2,650 | - | - | - | - | - | - | 2,650 |
| Total | \$92,100 | \$ 137,920 | \$ 730,092 | \$101,264 | \$74,233 | \$ 5,941 | \$ 40,000 | \$1,181,550 |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Transfers were made for the following purposes:

- Other governmental funds transferred \$44,200 to the General fund for the 3rd Street/Cannon Improvement project.
- The Water Utility, Disposal, Ambulance, and other nonmajor governmental and business type funds transferred a total of \$47,900 to the general fund for reimbursement of IT Costs.
- Other governmental funds transferred \$16,120 to debt service for 2013 bond payments.
- The Water Utility and Disposal funds each transferred \$20,250 to debt service for 2006B bond payments.
- The Water Utility fund transferred \$81,300 to debt service for 2012B bond payments.
- The Debt Service fund transferred \$93,264, \$68,886, and \$40,000 to the Water Utility, Disposal and other business type funds to reimburse for doubling up on recording their portion of debt expenses on the 2011A and 2013A bond payments in 2012 and 2013.
- Other governmental funds transferred \$8,000 to the Water fund for 2nd St SW Watermain project.
- Other governmental funds transferred \$5,347 to the Disposal fund for River Road feasibility report.
- The General fund transferred \$5,941 to the Ambulance fund to help fund future capital purchases.
- The General fund transferred \$98,944 to other governmental funds for future capital purchases.
- The General fund transferred \$388,383 to other governmental funds for the Library project..
- Other governmental funds (TIF 2-1) transferred \$131,366 to the other governmental funds (318th St Construction - \$12,000, 2nd St SW - \$92,633, 2015 St Imp Westside - \$26,733) for project financing.
- Other governmental funds (2013 Eastside Imp) transferred \$91,399 to the other governmental funds (318th St Construction) for project financing.
- The Water Utility and the Disposal fund each transferred \$10,000 to other governmental funds for future capital purchases.

G. 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, 2014

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. Permanent Improvement Revolving Bonds of 2006B | \$ 3,410,000 | 3.70 - 4.05 % | 09/20/06 | 02/01/15 | \$ 1,505,000 |
| G.O. Improvement Bonds of 2011A | 3,150,000 | 2.00 - 3.40 | 10/13/11 | 02/01/32 | 2,865,000 |
| G.O. Improvement Bonds of 2012A | 932,000 | .75 - 2.5 | 05/01/12 | 02/01/22 | 639,000 |
| G.O. Refunding Permanent Bonds of 2012B | 3,085,000 | 1.00 - 1.65 | 11/28/12 | 02/01/23 | 2,760,000 |
| 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>\$ 10,344,000</u></u> |

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

| Year Ending December 31, | G.O. Improvement Bonds Governmental Activities | | | G.O. Improvement Bonds Business-type Activities | | |
|-----------------------------|--|------------------------------|--------------------------------|---|------------------------------|--------------------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 2,115,000 | \$ 141,317 | \$ 2,256,317 | \$ 100,000 | \$ 76,655 | \$ 176,655 |
| 2016 | 729,000 | 103,296 | 832,296 | 115,000 | 74,506 | 189,506 |
| 2017 | 730,000 | 93,977 | 823,977 | 115,000 | 72,205 | 187,205 |
| 2018 | 557,000 | 85,278 | 642,278 | 115,000 | 69,904 | 184,904 |
| 2019 | 558,000 | 77,218 | 635,218 | 120,000 | 67,555 | 187,555 |
| 2020 - 2024 | 2,095,000 | 251,625 | 2,346,625 | 655,000 | 292,950 | 947,950 |
| 2025 - 2029 | 915,000 | 69,238 | 984,238 | 755,000 | 190,268 | 945,268 |
| 2030 - 2034 | - | - | - | 670,000 | 52,245 | 722,245 |
| Total | <u><u>\$ 7,699,000</u></u> | <u><u>\$ 821,949</u></u> | <u><u>\$ 8,520,949</u></u> | <u><u>\$ 2,645,000</u></u> | <u><u>\$ 896,288</u></u> | <u><u>\$ 3,541,288</u></u> |

CITY OF CANNON FALLS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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 | \$ 2,012,000 |
| G.O. MN Public Facilities Authority Bond 2001 - Wastewater | 8,021,909 | 2.86 | 11/20/01 | 08/20/22 | 3,819,909 |
| G.O. Water Revenue Refunding Bonds - Series 2010A | 3,560,000 | 1.00 - 3.50 | 12/09/10 | 08/01/21 | <u>2,365,000</u> |
| Total G.O. Revenue Bonds | | | | | <u><u>\$ 8,196,909</u></u> |

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

| Year Ending December 31, | G.O. Revenue Bonds Business-type Activities | | |
|-----------------------------|---|----------------------------|----------------------------|
| | Principal | Interest | Total |
| 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 | 1,124,000 | 120,619 | 1,244,619 |
| 2020 - 2022 | <u>2,862,909</u> | <u>153,960</u> | <u>3,016,869</u> |
| Total | <u><u>\$ 8,196,909</u></u> | <u><u>\$ 1,050,796</u></u> | <u><u>\$ 9,247,705</u></u> |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 | \$ 90,537 |
| New Holland Snowblower | 100,000 | 4.65 | 01/15/10 | 01/15/15 | 17,872 |
| | | | | | |
| Total Capital Leases | | | | | <u>\$ 108,409</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 |
| 2015 | \$ 16,071 | \$ 3,026 | \$ 19,097 | \$ 15,317 | \$ 2,992 | \$ 18,309 |
| 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 | 8,025 | 1,321 | 9,346 | 8,025 | 1,321 | 9,346 |
| 2020-2021 | 8,379 | 969 | 9,348 | 8,380 | 969 | 9,349 |
| | | | | | | |
| Total | <u>\$ 54,581</u> | <u>\$ 11,249</u> | <u>\$ 65,830</u> | <u>\$ 53,828</u> | <u>\$ 11,215</u> | <u>\$ 65,043</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>(57,632)</u> | <u>(37,161)</u> |
| | | |
| Total | <u>\$ 133,564</u> | <u>\$ 95,383</u> |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

During the year ended December 31, 2014, 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> |
|---|------------------------------|------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| Bonds payable | | | | | |
| General obligation special assessment bonds | \$ 8,502,000 | \$ - | \$ (803,000) | \$ 7,699,000 | \$ 2,115,000 |
| Capital leases payable | 79,029 | - | (24,448) | 54,581 | 16,071 |
| Compensated absences payable | <u>159,681</u> | <u>59,017</u> | <u>(39,921)</u> | <u>178,777</u> | <u>44,694</u> |
| Governmental activity long-term liabilities | <u>\$ 8,740,710</u> | <u>\$ 59,017</u> | <u>\$ (867,369)</u> | <u>\$ 7,932,358</u> | <u>\$ 2,175,765</u> |
| Business-type activities | | | | | |
| Bonds payable | | | | | |
| General obligation revenue bonds | \$ 9,185,909 | \$ - | \$ (989,000) | \$ 8,196,909 | \$ 1,014,000 |
| General obligation improvement bonds | 2,715,000 | - | (70,000) | 2,645,000 | 100,000 |
| Capital leases payable | 68,521 | - | (14,693) | 53,828 | 15,317 |
| Compensated absences payable | <u>46,985</u> | <u>8,308</u> | <u>(11,746)</u> | <u>43,547</u> | <u>10,887</u> |
| Business-type activity long-term liabilities | <u>\$ 12,016,415</u> | <u>\$ 8,308</u> | <u>\$ (1,085,439)</u> | <u>\$ 10,939,284</u> | <u>\$ 1,140,204</u> |
| Component unit - EDA | | | | | |
| Compensated absences payable | <u>\$ 13,901</u> | <u>\$ 3,371</u> | <u>\$ (3,475)</u> | <u>\$ 13,797</u> | <u>\$ 3,449</u> |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

H. Fund balance

At December 31, 2014, 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 | Other Governmental Funds | Total |
|-------------------------|-------------|---------------------|--------------------------------|---------------------|
| Nonspendable for | | | | |
| Prepaid items | \$ 28,887 | \$ - | \$ 5,143 | \$ 34,030 |
| Restricted for | | | | |
| Debt service | \$ - | \$ 2,505,268 | \$ - | \$ 2,505,268 |
| Cable television | - | - | 104,828 | 104,828 |
| Tax increment financing | - | - | 20,363 | 20,363 |
| Park capital | - | - | 46,670 | 46,670 |
| Total restricted | <u>\$ -</u> | <u>\$ 2,505,268</u> | <u>\$ 171,861</u> | <u>\$ 2,677,129</u> |
| Committed for | | | | |
| Fire operations | \$ - | \$ - | \$ 13,138 | \$ 13,138 |
| Street capital | - | - | 10,997 | 10,997 |
| Public works capital | - | - | 9,682 | 9,682 |
| Police capital | - | - | 4,768 | 4,768 |
| Fire capital | - | - | 150,766 | 150,766 |
| Administration capital | - | - | 27,232 | 27,232 |
| Park capital | - | - | 57,427 | 57,427 |
| Library capital | - | - | 41,963 | 41,963 |
| Total committed | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 315,973</u> | <u>\$ 315,973</u> |
| Assigned | | | | |
| Library operations | \$ - | \$ - | \$ 49,518 | 49,518 |
| Eastside Improvement | - | - | 70,449 | 70,449 |
| Public improvements | - | - | 153,969 | 153,969 |
| Total assigned | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 273,936</u> | <u>\$ 273,936</u> |

CITY OF CANNON FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City 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 five 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.

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, by writing to PERA at 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, 2014

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. GERP 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 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent of Coordinated Plan members and 15.30 percent for PEPFF members. The City of Cannon Falls contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$119,821, \$116,985, and \$109,680, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013 and 2012 were \$69,039, \$65,846, and \$62,135, respectively. The City of Cannon Falls' contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

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 \$108,409 applied against the limit of \$8,520,471 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 2014 was \$616,525. This accounted for 21 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, 2014

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 of \$204,566 was recorded to reclassify the deferred inflow of resources previously presented in the EDA as unavailable revenue. The loans receivable are now offset with a committed fund balance.

Note 9: VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION

A. Plan description

All members of the Cannon Falls Fire Department (the Department) are covered by a defined benefit plan administered by the Cannon Falls Firefighter's Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Cannon Falls Firefighter's Relief Association, 137 4th Street North, Cannon Falls, Minnesota 55009.

CITY OF CANNON FALLS, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 9: VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION - CONTINUED

B. Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service and 10 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

| | |
|-------------------------------|---------------------|
| Annual pension cost | \$ 48,792 |
| Contributions made | |
| State aid | 48,792 |
| Actuarial valuation date | 12/31/14 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar closed |
| Remaining amortization period | |
| Normal cost | 20 years |
| Prior service cost | 5 years |
| Asset valuation method | Market |
| Actuarial assumptions | |
| Investment rate of return | 5% |
| Projected salary increases | N/A |
| Inflation rate | N/A |
| Cost of living adjustments | None |

| Year Ending | Three Year Trend Information | | | Net Pension Obligation | |
|--------------------------------|---------------------------------|-------------------------------------|--|---------------------------|--|
| | Annual Pension Cost (APC) | Percentage of APC Contributed | | | |
| 12/31/14 | \$ 48,792 | 100 % | \$ - | | |
| 12/31/13 | 49,216 | 100 | - | | |
| 12/31/12 | 34,435 | 100 | - | | |
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Assets in Excess of (Unfunded) Accrued Liability | Funded Rate | Pension Benefit Per Year of Service |
| 12/31/14 | \$ - * | \$ - * | \$ - * | - % * | \$ 2,000 |
| 12/31/13 | 710,198 | 674,105 | 36,093 | 105.4 | 1,900 |
| 12/31/12 | 609,321 | 616,281 | (6,960) | 98.9 | 1,700 |

* Information unavailable at time of audit.

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

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF CANNON FALLS , MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

| | Special Revenue | Capital Projects | Total Nonmajor Funds |
|---|--------------------|---------------------|----------------------------|
| ASSETS | | | |
| Cash and temporary investments | \$ 175,452 | \$ 466,631 | \$ 642,083 |
| Receivables | | | |
| Accrued interest | 46 | 166 | 212 |
| Taxes | - | 231 | 231 |
| Accounts | 10,890 | - | 10,890 |
| Special assessments | - | 29,196 | 29,196 |
| Prepaid items | 5,143 | - | 5,143 |
| TOTAL ASSETS | \$ 191,531 | \$ 496,224 | \$ 687,755 |
| LIABILITIES | | | |
| Accounts and contracts payable | \$ 11,589 | \$ 58,596 | \$ 70,185 |
| Accrued salaries payable | 7,315 | - | 7,315 |
| TOTAL LIABILITIES | 18,904 | 58,596 | 77,500 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - property taxes | - | 231 | 231 |
| Unavailable revenue - special assessments | - | 27,432 | 27,432 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | 27,663 | 27,663 |
| FUND BALANCES | | | |
| Nonspendable | 5,143 | - | 5,143 |
| Restricted | 104,828 | 67,033 | 171,861 |
| Committed | 13,138 | 302,835 | 315,973 |
| Assigned | 49,518 | 224,418 | 273,936 |
| Unassigned | - | (184,321) | (184,321) |
| TOTAL FUND BALANCES | 172,627 | 409,965 | 582,592 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 191,531 | \$ 496,224 | \$ 687,755 |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Special Revenue | Capital Projects | Total Nonmajor Funds |
|--|--------------------|---------------------|----------------------------|
| REVENUES | | | |
| Taxes | | | |
| Property | \$ 372,782 | \$ - | \$ 372,782 |
| Franchise taxes | 30,040 | - | 30,040 |
| Intergovernmental | 155,616 | 1,097 | 156,713 |
| Charges for services | 89,654 | - | 89,654 |
| Fines and forfeitures | 7,273 | - | 7,273 |
| Special assessments | - | 9,755 | 9,755 |
| Interest on investments | 54 | 589 | 643 |
| Miscellaneous | 17,506 | 14,500 | 32,006 |
| | <u>672,925</u> | <u>25,941</u> | <u>698,866</u> |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Current | | | |
| Public safety | 217,808 | - | 217,808 |
| Culture and recreation | 380,438 | - | 380,438 |
| Economic development | - | 15,349 | 15,349 |
| Capital outlay | | | |
| General government | - | 13,752 | 13,752 |
| Public safety | 9,233 | 149,051 | 158,284 |
| Public works | - | 489,987 | 489,987 |
| Culture and recreation | 21,677 | 31,049 | 52,726 |
| | <u>629,156</u> | <u>699,188</u> | <u>1,328,344</u> |
| TOTAL EXPENDITURES | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | | |
| | <u>43,769</u> | <u>(673,247)</u> | <u>(629,478)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 730,092 | 730,092 |
| Sale of capital assets | 5,000 | 25,000 | 30,000 |
| Transfers out | (32,000) | (296,432) | (328,432) |
| | <u>(27,000)</u> | <u>458,660</u> | <u>431,660</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | |
| NET CHANGE IN FUND BALANCES | 16,769 | (214,587) | (197,818) |
| FUND BALANCES, JANUARY 1 | <u>155,858</u> | <u>624,552</u> | <u>780,410</u> |
| FUND BALANCES, DECEMBER 31 | <u>\$ 172,627</u> | <u>\$ 409,965</u> | <u>\$ 582,592</u> |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

| | 211 | 220 | 232 | |
|--|-------------------------|----------------------------|----------------------------------|--------------------------|
| | Library | Cable Public Television | Fire Department Operations | Total |
| ASSETS | | | | |
| Cash and temporary investments | \$ 61,710 | \$ 96,900 | \$ 16,842 | \$ 175,452 |
| Receivables | | | | |
| Accrued interest | - | 46 | - | 46 |
| Accounts | 815 | 8,465 | 1,610 | 10,890 |
| Prepaid items | 1,133 | - | 4,010 | 5,143 |
| | <u>1,133</u> | <u>-</u> | <u>4,010</u> | <u>5,143</u> |
| TOTAL ASSETS | <u><u>\$ 63,658</u></u> | <u><u>\$ 105,411</u></u> | <u><u>\$ 22,462</u></u> | <u><u>\$ 191,531</u></u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 5,692 | \$ 583 | \$ 5,314 | \$ 11,589 |
| Accrued salaries payable | 7,315 | - | - | 7,315 |
| | <u>7,315</u> | <u>-</u> | <u>-</u> | <u>7,315</u> |
| TOTAL LIABILITIES | <u>13,007</u> | <u>583</u> | <u>5,314</u> | <u>18,904</u> |
| FUND BALANCES | | | | |
| Nonspendable | 1,133 | - | 4,010 | 5,143 |
| Restricted | - | 104,828 | - | 104,828 |
| Committed | - | - | 13,138 | 13,138 |
| Assigned | 49,518 | - | - | 49,518 |
| | <u>49,518</u> | <u>-</u> | <u>-</u> | <u>49,518</u> |
| TOTAL FUND BALANCES | <u>50,651</u> | <u>104,828</u> | <u>17,148</u> | <u>172,627</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u><u>\$ 63,658</u></u> | <u><u>\$ 105,411</u></u> | <u><u>\$ 22,462</u></u> | <u><u>\$ 191,531</u></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, 2014

| | 211 | 220 | 232 | |
|---|------------------|----------------------------|----------------------------------|-------------------|
| | Library | Cable Public Television | Fire Department Operations | Total |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 290,432 | \$ - | \$ 82,350 | \$ 372,782 |
| Franchise taxes | - | 30,040 | - | 30,040 |
| Intergovernmental | | | | |
| State | - | - | 51,942 | 51,942 |
| County | 103,674 | - | - | 103,674 |
| Charges for services | 1,533 | - | 88,121 | 89,654 |
| Fines and forfeitures | 7,273 | - | - | 7,273 |
| Interest on investments | - | 52 | 2 | 54 |
| Miscellaneous | | | | |
| Contributions and donations | 11,700 | - | 2,022 | 13,722 |
| Other | 775 | - | 3,009 | 3,784 |
| | <u>415,387</u> | <u>30,092</u> | <u>227,446</u> | <u>672,925</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | - | - | 217,808 | 217,808 |
| Culture and recreation | 370,331 | 10,107 | - | 380,438 |
| Capital outlay | | | | |
| Public safety | - | - | 9,233 | 9,233 |
| Culture and recreation | 21,677 | - | - | 21,677 |
| | <u>392,008</u> | <u>10,107</u> | <u>227,041</u> | <u>629,156</u> |
| TOTAL EXPENDITURES | | | | |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>23,379</u> | <u>19,985</u> | <u>405</u> | <u>43,769</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of capital assets | - | - | 5,000 | 5,000 |
| Transfers out | - | (32,000) | - | (32,000) |
| | <u>-</u> | <u>(32,000)</u> | <u>5,000</u> | <u>(27,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | |
| NET CHANGE IN FUND BALANCES | 23,379 | (12,015) | 5,405 | 16,769 |
| FUND BALANCES, JANUARY 1 | <u>27,272</u> | <u>116,843</u> | <u>11,743</u> | <u>155,858</u> |
| FUND BALANCES, DECEMBER 31 | <u>\$ 50,651</u> | <u>\$ 104,828</u> | <u>\$ 17,148</u> | <u>\$ 172,627</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| REVENUES | | | | | |
| Property taxes | \$ 290,432 | \$ 290,432 | \$ 290,432 | \$ - | \$ 280,839 |
| Intergovernmental | | | | | |
| County | 103,673 | 103,673 | 103,674 | 1 | 104,779 |
| Charges for services | 800 | 800 | 1,533 | 733 | 1,085 |
| Fines and forfeitures | 8,000 | 8,000 | 7,273 | (727) | 5,197 |
| Miscellaneous | | | | | |
| Contributions and donations | 1,000 | 1,000 | 11,700 | 10,700 | 550 |
| Other | - | - | 775 | 775 | - |
| TOTAL REVENUES | 403,905 | 403,905 | 415,387 | 11,482 | 392,450 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Culture and recreation | | | | | |
| Personnel services | 306,950 | 306,950 | 301,482 | 5,468 | 291,981 |
| Supplies | 6,300 | 6,300 | 6,264 | 36 | 6,950 |
| Other services and charges | 62,655 | 62,655 | 62,585 | 70 | 66,318 |
| Capital outlay | | | | | |
| Culture and recreation | 28,000 | 28,000 | 21,677 | 6,323 | 71,562 |
| TOTAL EXPENDITURES | 403,905 | 403,905 | 392,008 | 11,897 | 436,811 |
| NET CHANGE IN FUND BALANCES | - | - | 23,379 | 23,379 | (44,361) |
| FUND BALANCES, JANUARY 1 | 27,272 | 27,272 | 27,272 | - | 71,633 |
| FUND BALANCES, DECEMBER 31 | <u>\$ 27,272</u> | <u>\$ 27,272</u> | <u>\$ 50,651</u> | <u>\$ 23,379</u> | <u>\$ 27,272</u> |

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|---|------------------|------------------|-------------------|------------------|-------------------|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| REVENUES | | | | | |
| Franchise taxes | \$ 36,000 | \$ 36,000 | \$ 30,040 | \$ (5,960) | \$ 49,240 |
| Charges for services | - | - | - | - | 42 |
| Interest on investments | - | - | 52 | 52 | 31 |
| TOTAL REVENUE | 36,000 | 36,000 | 30,092 | (5,908) | 49,313 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Culture and recreation | | | | | |
| Personnel services | 2,250 | 2,250 | 1,749 | 501 | 1,137 |
| Supplies | 1,850 | 1,850 | 2,288 | (438) | 3,201 |
| Other services and charges | 22,100 | 22,100 | 6,070 | 16,030 | 6,843 |
| TOTAL EXPENDITURES | 26,200 | 26,200 | 10,107 | 16,093 | 11,181 |
| EXCESS OF REVENUES OVER EXPENDITURES | 9,800 | 9,800 | 19,985 | 10,185 | 38,132 |
| OTHER FINANCING USES | | | | | |
| Transfers out | (32,000) | (32,000) | (32,000) | - | (31,000) |
| NET CHANGE IN FUND BALANCES | (22,200) | (22,200) | (12,015) | 10,185 | 7,132 |
| FUND BALANCES, JANUARY 1 | 116,843 | 116,843 | 116,843 | - | 109,711 |
| FUND BALANCES, DECEMBER 31 | <u>\$ 94,643</u> | <u>\$ 94,643</u> | <u>\$ 104,828</u> | <u>\$ 10,185</u> | <u>\$ 116,843</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|---|------------------|----------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| REVENUES | | | | | |
| Property taxes | \$ 82,349 | \$ 82,349 | \$ 82,350 | \$ 1 | \$ 90,594 |
| Intergovernmental revenue | | | | | |
| State | 33,000 | 33,000 | 51,942 | 18,942 | 48,216 |
| Charges for services | 88,120 | 88,120 | 88,121 | 1 | 79,729 |
| Interest on investments | - | - | 2 | 2 | - |
| Miscellaneous | | | | | |
| Contributions and donations | - | - | 2,022 | 2,022 | 17,737 |
| Other | - | - | 3,009 | 3,009 | 6,244 |
| TOTAL REVENUES | 203,469 | 203,469 | 227,446 | 23,977 | 242,520 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Public safety | | | | | |
| Personnel services | 59,475 | 59,475 | 49,026 | 10,449 | 50,630 |
| Supplies | 22,350 | 22,350 | 16,787 | 5,563 | 22,822 |
| Other services and charges | 111,494 | 111,494 | 151,995 | (40,501) | 142,607 |
| Capital outlay | | | | | |
| Public safety | 10,150 | 10,150 | 9,233 | 917 | 10,034 |
| TOTAL EXPENDITURES | 203,469 | 203,469 | 227,041 | (23,572) | 226,093 |
| EXCESS OF REVENUES OVER EXPENDITURES | - | - | 405 | 405 | 16,427 |
| OTHER FINANCING SOURCES | | | | | |
| Sale of capital assets | - | - | 5,000 | 5,000 | - |
| NET CHANGE IN FUND BALANCES | - | - | 5,405 | 5,405 | 16,427 |
| FUND BALANCES, JANUARY 1 | 11,743 | 11,743 | 11,743 | - | (4,684) |
| FUND BALANCES, DECEMBER 31 | \$ 11,743 | \$ 11,743 | \$ 17,148 | \$ 5,405 | \$ 11,743 |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2014

| | 502 Public Improvement Revolving | 504 Street Capital | 505 Public Works Capital | 506 Police Capital | 507 Fire Capital |
|---|---|-----------------------|--------------------------------|-----------------------|---------------------|
| ASSETS | | | | | |
| Cash and temporary investments | \$ 152,171 | \$ 10,997 | \$ 9,595 | \$ 4,768 | \$ 150,766 |
| Receivables | | | | | |
| Accrued interest | 34 | - | 87 | - | - |
| Taxes | - | - | - | - | - |
| Special assessments | 29,196 | - | - | - | - |
| TOTAL ASSETS | \$ 181,401 | \$ 10,997 | \$ 9,682 | \$ 4,768 | \$ 150,766 |
| LIABILITIES | | | | | |
| Accounts and contracts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | - | - | - | - | - |
| Unavailable revenue - special assessments | 27,432 | - | - | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 27,432 | - | - | - | - |
| FUND BALANCES | | | | | |
| Restricted | - | - | - | - | - |
| Committed | - | 10,997 | 9,682 | 4,768 | 150,766 |
| Assigned | 153,969 | - | - | - | - |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | 153,969 | 10,997 | 9,682 | 4,768 | 150,766 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 181,401 | \$ 10,997 | \$ 9,682 | \$ 4,768 | \$ 150,766 |

| 509 | 510 | 511 | 523 | 525 | 527 | 225 | 244 |
|---------------------------|------------------|--------------------|---|---------------------------------|---|------------------|--|
| Administration Capital | Park Capital | Library Capital | 2011 West Side Reconstruction Project | 2012 Library Construction | 2013 Eastside Improvement Project | Park Board | Tax Increment Financing District No. 2-1 |
| \$ 27,232 | \$ 57,427 | \$ 41,963 | \$ (39,098) | \$ - | \$ 120,504 | \$ 46,870 | \$ 20,363 |
| - | - | - | - | - | 45 | - | - |
| - | - | - | - | - | - | - | 231 |
| - | - | - | - | - | - | - | - |
| <u>\$ 27,232</u> | <u>\$ 57,427</u> | <u>\$ 41,963</u> | <u>\$ (39,098)</u> | <u>\$ -</u> | <u>\$ 120,549</u> | <u>\$ 46,870</u> | <u>\$ 20,594</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 50,100 | \$ 200 | \$ - |
| - | - | - | - | - | - | - | 231 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 231 |
| - | - | - | - | - | - | 46,670 | 20,363 |
| 27,232 | 57,427 | 41,963 | - | - | - | - | - |
| - | - | - | - | - | 70,449 | - | - |
| - | - | - | (39,098) | - | - | - | - |
| <u>27,232</u> | <u>57,427</u> | <u>41,963</u> | <u>(39,098)</u> | <u>-</u> | <u>70,449</u> | <u>46,670</u> | <u>20,363</u> |
| <u>\$ 27,232</u> | <u>\$ 57,427</u> | <u>\$ 41,963</u> | <u>\$ (39,098)</u> | <u>\$ -</u> | <u>\$ 120,549</u> | <u>\$ 46,870</u> | <u>\$ 20,594</u> |

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CITY OF CANNON FALLS, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2014

| | 401 HWY 20 Clinic Access Road | 402 318th St Construction Project | 403 2nd St SW Street Project | 404 2015 Street Improvement Westside Phase II | Total |
|---|---|---|--|---|-------------------|
| ASSETS | | | | | |
| Cash and temporary investments | \$ (137,187) | \$ - | \$ 260 | \$ - | \$ 466,631 |
| Receivables | | | | | |
| Accrued interest | - | - | - | - | 166 |
| Taxes | - | - | - | - | 231 |
| Special assessments | - | - | - | - | 29,196 |
| TOTAL ASSETS | \$ (137,187) | \$ - | \$ 260 | \$ - | \$ 496,224 |
| LIABILITIES | | | | | |
| Accounts and contracts payable | \$ - | \$ 8,036 | \$ 260 | \$ - | \$ 58,596 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | - | - | - | - | 231 |
| Unavailable revenue - special assessments | - | - | - | - | 27,432 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | - | - | - | 27,663 |
| FUND BALANCES | | | | | |
| Restricted | - | - | - | - | 67,033 |
| Committed | - | - | - | - | 302,835 |
| Assigned | - | - | - | - | 224,418 |
| Unassigned | (137,187) | (8,036) | - | - | (184,321) |
| TOTAL FUND BALANCES | (137,187) | (8,036) | - | - | 409,965 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ (137,187) | \$ - | \$ 260 | \$ - | \$ 496,224 |

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, 2014

| | 502 Public Improvement Revolving | 504 Street Capital | 505 Public Works Capital | 506 Police Capital | 507 Fire Capital |
|--|---|-----------------------|--------------------------------|-----------------------|---------------------|
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ 1,097 |
| Special assessments | 9,755 | - | - | - | - |
| Interest on investments | 125 | 57 | 162 | 57 | - |
| Miscellaneous | - | - | - | - | 14,500 |
| TOTAL REVENUES | 9,880 | 57 | 162 | 57 | 15,597 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Economic development | - | - | - | - | - |
| Capital outlay | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | 13,108 | 135,943 |
| Public works | - | - | 230,703 | - | - |
| Culture and recreation | - | - | - | - | - |
| TOTAL EXPENDITURES | - | - | 230,703 | 13,108 | 135,943 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 9,880 | 57 | (230,541) | (13,051) | (120,346) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 5,000 | 51,827 | 25,000 | 17,240 |
| Sale of capital assets | - | - | - | - | 25,000 |
| Transfers out | (16,120) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (16,120) | 5,000 | 51,827 | 25,000 | 42,240 |
| NET CHANGE IN FUND BALANCES | (6,240) | 5,057 | (178,714) | 11,949 | (78,106) |
| FUND BALANCES, JANUARY 1 | 160,209 | 5,940 | 188,396 | (7,181) | 228,872 |
| FUND BALANCES, DECEMBER 31 | \$ 153,969 | \$ 10,997 | \$ 9,682 | \$ 4,768 | \$ 150,766 |

| 509 | 510 | 511 | 523 | 525 | 527 | 225 | 244 |
|---------------------------|------------------|--------------------|---|---------------------------------|---|------------------|--|
| Administration Capital | Park Capital | Library Capital | 2011 West Side Reconstruction Project | 2012 Library Construction | 2013 Eastside Improvement Project | Park Board | Tax Increment Financing District No. 2-1 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 45 | 8 | 135 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 45 | 8 | 135 |
| - | - | - | - | - | - | - | 15,349 |
| 13,752 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 358 | - | 28,125 | - | - |
| - | - | 4,825 | - | 229 | - | 25,995 | - |
| 13,752 | - | 4,825 | 358 | 229 | 28,125 | 25,995 | 15,349 |
| (13,752) | - | (4,825) | (358) | (229) | (28,080) | (25,987) | (15,214) |
| 11,936 | 5,941 | 2,000 | - | 388,383 | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | (91,399) | - | (188,913) |
| 11,936 | 5,941 | 2,000 | - | 388,383 | (91,399) | - | (188,913) |
| (1,816) | 5,941 | (2,825) | (358) | 388,154 | (119,479) | (25,987) | (204,127) |
| 29,048 | 51,486 | 44,788 | (38,740) | (388,154) | 189,928 | 72,657 | 224,490 |
| <u>\$ 27,232</u> | <u>\$ 57,427</u> | <u>\$ 41,963</u> | <u>\$ (39,098)</u> | <u>\$ -</u> | <u>\$ 70,449</u> | <u>\$ 46,670</u> | <u>\$ 20,363</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, 2014

| | 401 HWY 20 Clinic Access Road | 402 318th St Construction Project | 403 2nd St SW Street Project | 404 2015 Street Improvement Westside Phase II | Total |
|--|---|---|--|---|-------------------|
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ 1,097 |
| Special assessments | - | - | - | - | 9,755 |
| Interest on investments | - | - | - | - | 589 |
| Miscellaneous | - | - | - | - | 14,500 |
| TOTAL REVENUES | - | - | - | - | 25,941 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Economic development | - | - | - | - | 15,349 |
| Capital outlay | | | | | |
| General government | - | - | - | - | 13,752 |
| Public safety | - | - | - | - | 149,051 |
| Public works | - | 111,435 | 92,633 | 26,733 | 489,987 |
| Culture and recreation | - | - | - | - | 31,049 |
| TOTAL EXPENDITURES | - | 111,435 | 92,633 | 26,733 | 699,188 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | - | (111,435) | (92,633) | (26,733) | (673,247) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 103,399 | 92,633 | 26,733 | 730,092 |
| Sale of capital assets | - | - | - | - | 25,000 |
| Transfers out | - | - | - | - | (296,432) |
| TOTAL OTHER FINANCING SOURCES (USES) | - | 103,399 | 92,633 | 26,733 | 458,660 |
| NET CHANGE IN FUND BALANCES | - | (8,036) | - | - | (214,587) |
| FUND BALANCES, JANUARY 1 | (137,187) | - | - | - | 624,552 |
| FUND BALANCES, DECEMBER 31 | \$ (137,187) | \$ (8,036) | \$ - | \$ - | \$ 409,965 |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | Totals |
|--|---|------------------|-------------------|-------------------|
| | Storm Water | Deputy Registrar | Recycling Program | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and temporary investments | \$ 120,178 | \$ 4,389 | \$ 60,754 | \$ 185,321 |
| Receivables | | | | |
| Accounts | 13,819 | - | 8,599 | 22,418 |
| Special assessments | 8,703 | - | 3,742 | 12,445 |
| Prepaid items | - | 98 | - | 98 |
| TOTAL CURRENT ASSETS | 142,700 | 4,487 | 73,095 | 220,282 |
| NONCURRENT ASSETS | | | | |
| Capital assets | | | | |
| Construction in progress | 339,660 | - | - | 339,660 |
| Depreciable buildings, property, and equipment | 707,338 | - | - | 707,338 |
| Accumulated depreciation | (73,538) | - | - | (73,538) |
| TOTAL NONCURRENT ASSETS | 973,460 | - | - | 973,460 |
| TOTAL ASSETS | 1,116,160 | 4,487 | 73,095 | 1,193,742 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | 649 | - | 5,447 | 6,096 |
| Accrued interest payable | 7,394 | - | - | 7,394 |
| Accrued salaries payable | - | 1,971 | - | 1,971 |
| Compensated absences payable - current | - | 841 | - | 841 |
| Capital lease payable - current | 9,611 | - | - | 9,611 |
| Bonds payable - current | 17,683 | - | - | 17,683 |
| TOTAL CURRENT LIABILITIES | 35,337 | 2,812 | 5,447 | 43,596 |
| NONCURRENT LIABILITIES | | | | |
| Compensated absences payable | - | 2,523 | - | 2,523 |
| Capital lease payable | 38,511 | - | - | 38,511 |
| Bonds payable | 425,135 | - | - | 425,135 |
| TOTAL NONCURRENT LIABILITIES | 463,646 | 2,523 | - | 466,169 |
| TOTAL LIABILITIES | 498,983 | 5,335 | 5,447 | 509,765 |
| NET POSITION | | | | |
| Net investment in capital assets | 482,520 | - | - | 482,520 |
| Unrestricted | 134,657 | (848) | 67,648 | 201,457 |
| TOTAL NET POSITION | \$ 617,177 | \$ (848) | \$ 67,648 | \$ 683,977 |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | Totals |
|--|---|------------------|-------------------|------------|
| | Storm Water | Deputy Registrar | Recycling Program | |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 147,072 | \$ 114,830 | \$ 84,757 | \$ 346,659 |
| OPERATING EXPENSES | | | | |
| Personnel services | 2,262 | 87,864 | - | 90,126 |
| Supplies | 2,872 | 327 | - | 3,199 |
| Repairs and maintenance | - | 337 | - | 337 |
| Depreciation | 24,638 | - | - | 24,638 |
| Rent | - | 16,950 | - | 16,950 |
| Other services and charges | 2,938 | 4,769 | 70,762 | 78,469 |
| TOTAL OPERATING EXPENSES | 32,710 | 110,247 | 70,762 | 213,719 |
| OPERATING INCOME | 114,362 | 4,583 | 13,995 | 132,940 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest on investments | 169 | - | 12 | 181 |
| Other income | - | - | 1,681 | 1,681 |
| Interest expense | (15,628) | - | - | (15,628) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | (15,459) | - | 1,693 | (13,766) |
| INCOME BEFORE TRANSFERS | 98,903 | 4,583 | 15,688 | 119,174 |
| TRANSFERS IN | 40,000 | - | - | 40,000 |
| TRANSFERS OUT | - | (2,650) | - | (2,650) |
| CHANGE IN NET POSITION | 138,903 | 1,933 | 15,688 | 156,524 |
| NET POSITION, JANUARY 1 | 478,274 | (2,781) | 51,960 | 527,453 |
| NET POSITION, DECEMBER 31 | \$ 617,177 | \$ (848) | \$ 67,648 | \$ 683,977 |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | Totals |
|--|---|------------------------|-------------------------|--------------------------|
| | Storm Water | Deputy Registrar | Recycling Program | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers and users | \$ 147,805 | \$ 115,036 | \$ 86,824 | \$ 349,665 |
| Payments to suppliers | (5,994) | (22,466) | (70,762) | (99,222) |
| Payments to employees | (2,262) | (87,301) | - | (89,563) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>139,549</u> | <u>5,269</u> | <u>16,062</u> | <u>160,880</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Transfers in | 40,000 | - | - | 40,000 |
| Transfers out | - | (2,650) | - | (2,650) |
| NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES | <u>40,000</u> | <u>(2,650)</u> | <u>-</u> | <u>37,350</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition of capital assets | (23,017) | - | - | (23,017) |
| Principal paid on capital lease | (9,213) | - | - | (9,213) |
| Principal paid on long-term debt | (14,082) | - | - | (14,082) |
| Interest paid on long-term debt | (16,061) | - | - | (16,061) |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(62,373)</u> | <u>-</u> | <u>-</u> | <u>(62,373)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received from investments | 190 | - | 12 | 202 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 117,366 | 2,619 | 16,074 | 136,059 |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | <u>2,812</u> | <u>1,770</u> | <u>44,680</u> | <u>49,262</u> |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | <u><u>\$ 120,178</u></u> | <u><u>\$ 4,389</u></u> | <u><u>\$ 60,754</u></u> | <u><u>\$ 185,321</u></u> |

CITY OF CANNON FALLS, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---------------------|----------------------|-----------------------|
| | Storm Water | Deputy Registrar | Recycling Program | Totals |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | |
| Operating income | \$ 114,362 | \$ 4,583 | \$ 13,995 | \$ 132,940 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | |
| Other income related to operations | - | - | 1,681 | 1,681 |
| Depreciation | 24,638 | - | - | 24,638 |
| (Increase) decrease in assets | | | | |
| Accounts receivable | 947 | 206 | (345) | 808 |
| Special assessments receivable | (214) | - | 731 | 517 |
| Prepaid items | - | (15) | - | (15) |
| Increase (decrease) in liabilities | | | | |
| Accounts and contracts payable | (184) | (68) | - | (252) |
| Accrued salaries payable | - | 120 | - | 120 |
| Compensated absences payable | - | 443 | - | 443 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 139,549</u> | <u>\$ 5,269</u> | <u>\$ 16,062</u> | <u>\$ 160,880</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|-----------------------------------|------------------|--------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| REVENUES | | | | | |
| Property taxes | \$ 1,823,303 | \$ 1,823,303 | \$ 1,800,086 | \$ (23,217) | \$ 1,846,845 |
| Licenses and permits | | | | | |
| Business | 18,700 | 18,700 | 25,077 | 6,377 | 21,175 |
| Nonbusiness | 35,800 | 35,800 | 31,034 | (4,766) | 50,087 |
| Total | 54,500 | 54,500 | 56,111 | 1,611 | 71,262 |
| Intergovernmental | | | | | |
| Federal | | | | | |
| Disaster aid | - | - | - | - | 103,048 |
| State | | | | | |
| Local government aid | 616,241 | 616,241 | 616,525 | 284 | 469,740 |
| Market value agricultural credits | - | - | 113 | 113 | 119 |
| Police and police training | 42,500 | 42,500 | 58,104 | 15,604 | 44,616 |
| PERA aid | 4,456 | 4,456 | 4,456 | - | 4,456 |
| Other | - | - | 15,957 | 15,957 | - |
| County | | | | | |
| Police grant | - | - | 4,744 | 4,744 | 2,633 |
| Total | 663,197 | 663,197 | 699,899 | 36,702 | 624,612 |
| Charges for services | | | | | |
| General government | 8,700 | 8,700 | 7,277 | (1,423) | 11,556 |
| Public safety | 1,200 | 1,200 | 2,970 | 1,770 | 1,635 |
| Public works | 6,500 | 6,500 | 9,702 | 3,202 | 6,187 |
| Culture and recreation | 36,200 | 36,200 | 36,001 | (199) | 37,749 |
| Total | 52,600 | 52,600 | 55,950 | 3,350 | 57,127 |
| Fines and forfeitures | 23,500 | 23,500 | 31,044 | 7,544 | 25,584 |
| Special assessments | 11,700 | 11,700 | 10,706 | (994) | 11,790 |
| Interest on investments | 7,500 | 7,500 | 23,919 | 16,419 | (13,283) |
| Miscellaneous | | | | | |
| Rents | 67,300 | 67,300 | 71,061 | 3,761 | 71,600 |
| Contributions and donations | - | - | 1,075 | 1,075 | 250 |
| Reimbursements | 146,600 | 146,600 | 152,594 | 5,994 | 126,285 |
| Other | 22,200 | 22,200 | 18,109 | (4,091) | 37,895 |
| Total | 236,100 | 236,100 | 242,839 | 6,739 | 236,030 |
| TOTAL REVENUES | 2,872,400 | 2,872,400 | 2,920,554 | 48,154 | 2,859,967 |

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|-----------------------------|------------------|----------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | | | | | |
| Mayor and Council | | | | | |
| Personnel services | \$ 19,925 | \$ 19,925 | \$ 19,547 | \$ 378 | \$ 19,355 |
| Supplies | 1,000 | 1,000 | 44 | 956 | 1,227 |
| Other services and charges | 8,700 | 8,700 | 5,755 | 2,945 | 13,130 |
| Total | <u>29,625</u> | <u>29,625</u> | <u>25,346</u> | <u>4,279</u> | <u>33,712</u> |
| Elections | | | | | |
| Personnel services | 12,900 | 12,900 | 16,074 | (3,174) | 288 |
| Supplies | 100 | 100 | 31 | 69 | - |
| Other services and charges | 1,600 | 1,600 | 3,488 | (1,888) | 825 |
| Total | <u>14,600</u> | <u>14,600</u> | <u>19,593</u> | <u>(4,993)</u> | <u>1,113</u> |
| Administrative | | | | | |
| Personnel services | 400,700 | 400,700 | 360,115 | 40,585 | 406,016 |
| Supplies | 2,065 | 2,065 | 2,229 | (164) | 2,559 |
| Other services and charges | 70,435 | 70,435 | 46,282 | 24,153 | 55,554 |
| Total | <u>473,200</u> | <u>473,200</u> | <u>408,626</u> | <u>64,574</u> | <u>464,129</u> |
| Audit and consulting fees | | | | | |
| Other services and charges | 21,300 | 21,300 | 20,650 | 650 | 22,475 |
| Planning and zoning | | | | | |
| Other services and charges | 2,050 | 2,050 | 1,291 | 759 | 1,293 |
| Legal | | | | | |
| Other services and charges | 71,000 | 71,000 | 63,153 | 7,847 | 56,789 |
| Information and Technology | | | | | |
| Personnel services | 65,900 | 65,900 | 70,095 | (4,195) | 64,296 |
| Supplies | 50 | 50 | 1,720 | (1,670) | 60 |
| Other services and charges | 11,150 | 11,150 | 25,810 | (14,660) | 2,641 |
| Total | <u>77,100</u> | <u>77,100</u> | <u>97,625</u> | <u>(20,525)</u> | <u>66,997</u> |
| General government building | | | | | |
| Personnel services | 34,750 | 34,750 | 34,314 | 436 | 36,116 |
| Supplies | 4,175 | 4,175 | 4,810 | (635) | 3,767 |
| Other services and charges | 34,825 | 34,825 | 31,374 | 3,451 | 33,389 |
| Total | <u>73,750</u> | <u>73,750</u> | <u>70,498</u> | <u>3,252</u> | <u>73,272</u> |
| Total general government | <u>762,625</u> | <u>762,625</u> | <u>706,782</u> | <u>55,843</u> | <u>719,780</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | Variance with Final Budget | 2013 |
|---------------------------------|------------------|----------------|----------------|-------------------------------|----------------|
| | Budgeted Amounts | | Actual | | Actual |
| | Original | Final | Amounts | | Amounts |
| EXPENDITURES - CONTINUED | | | | | |
| Current - continued | | | | | |
| Public safety | | | | | |
| Police protection | | | | | |
| Personnel services | \$ 717,250 | \$ 717,250 | \$ 718,600 | \$ (1,350) | \$ 697,785 |
| Supplies | 50,865 | 50,865 | 50,807 | 58 | 36,995 |
| Other services and charges | 67,620 | 67,620 | 69,788 | (2,168) | 58,369 |
| Total | 835,735 | 835,735 | 839,195 | (3,460) | 793,149 |
| Building inspection | | | | | |
| Personnel services | 4,450 | 4,450 | 2,556 | 1,894 | 2,368 |
| Other services and charges | 30,000 | 30,000 | 25,260 | 4,740 | 42,575 |
| Total | 34,450 | 34,450 | 27,816 | 6,634 | 44,943 |
| Animal control | | | | | |
| Other services and charges | 1,000 | 1,000 | 1,000 | - | 500 |
| Total public safety | 871,185 | 871,185 | 868,011 | 3,174 | 838,592 |
| Public works | | | | | |
| Public works administration | | | | | |
| Personnel services | 185,600 | 185,600 | 180,614 | 4,986 | 185,803 |
| Supplies | 32,900 | 32,900 | 40,296 | (7,396) | 38,266 |
| Other services and charges | 22,500 | 22,500 | 25,878 | (3,378) | 23,441 |
| Total | 241,000 | 241,000 | 246,788 | (5,788) | 247,510 |
| Streets and highways | | | | | |
| Personnel services | 61,850 | 61,850 | 52,248 | 9,602 | 51,130 |
| Supplies | 30,700 | 30,700 | 31,269 | (569) | 26,455 |
| Other services and charges | 53,000 | 53,000 | 104,255 | (51,255) | 61,148 |
| Total | 145,550 | 145,550 | 187,772 | (42,222) | 138,733 |
| Snow and ice removal | | | | | |
| Personnel services | 41,750 | 41,750 | 50,501 | (8,751) | 48,633 |
| Supplies | 18,400 | 18,400 | 17,366 | 1,034 | 32,351 |
| Other services and charges | 4,400 | 4,400 | 3,851 | 549 | 3,152 |
| Total | 64,550 | 64,550 | 71,718 | (7,168) | 84,136 |

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|---------------------------------|------------------|----------------|-------------------|-------------------------------|-------------------|
| | 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 | \$ 28,100 | \$ 28,100 | \$ 21,626 | \$ 6,474 | \$ 25,165 |
| Supplies | 12,300 | 12,300 | 8,156 | 4,144 | 12,818 |
| Other services and charges | 23,700 | 23,700 | 12,009 | 11,691 | 17,613 |
| Total | 64,100 | 64,100 | 41,791 | 22,309 | 55,596 |
| Garage building | | | | | |
| Personnel services | 13,250 | 13,250 | 11,662 | 1,588 | 9,708 |
| Supplies | 3,850 | 3,850 | 3,741 | 109 | 7,235 |
| Other services and charges | 13,300 | 13,300 | 16,797 | (3,497) | 12,802 |
| Total | 30,400 | 30,400 | 32,200 | (1,800) | 29,745 |
| Street lighting | | | | | |
| Supplies | 2,400 | 2,400 | 1,307 | 1,093 | 367 |
| Other services and charges | 59,000 | 59,000 | 57,792 | 1,208 | 63,694 |
| Total | 61,400 | 61,400 | 59,099 | 2,301 | 64,061 |
| Engineering | | | | | |
| Other services and charges | 36,000 | 36,000 | 56,782 | (20,782) | 41,079 |
| Total public works | 643,000 | 643,000 | 696,150 | (53,150) | 660,860 |
| Culture and recreation | | | | | |
| Tree maintenance | | | | | |
| Personnel services | 20,025 | 20,025 | 20,852 | (827) | 17,353 |
| Supplies | - | - | 157 | (157) | 28 |
| Other services and charges | 10,700 | 10,700 | 13,350 | (2,650) | 11,435 |
| Total | 30,725 | 30,725 | 34,359 | (3,634) | 28,816 |
| Parks | | | | | |
| Personnel services | 61,800 | 61,800 | 47,662 | 14,138 | 42,670 |
| Supplies | 13,300 | 13,300 | 12,308 | 992 | 13,294 |
| Other services and charges | 19,050 | 19,050 | 27,700 | (8,650) | 24,745 |
| Total | 94,150 | 94,150 | 87,670 | 6,480 | 80,709 |

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|------------------------------------|------------------|------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| EXPENDITURES - CONTINUED | | | | | |
| Current - continued | | | | | |
| Culture and recreation - continued | | | | | |
| Swimming pool | | | | | |
| Personnel services | \$ 66,300 | \$ 66,300 | \$ 61,586 | \$ 4,714 | \$ 65,795 |
| Supplies | 9,150 | 9,150 | 4,118 | 5,032 | 7,833 |
| Other services and charges | 13,700 | 13,700 | 50,156 | (36,456) | 14,899 |
| Total | <u>89,150</u> | <u>89,150</u> | <u>115,860</u> | <u>(26,710)</u> | <u>88,527</u> |
| Athletic fields | | | | | |
| Personnel services | 9,550 | 9,550 | 12,937 | (3,387) | 10,408 |
| Supplies | 4,850 | 4,850 | 4,992 | (142) | 5,219 |
| Other services and charges | 16,300 | 16,300 | 12,161 | 4,139 | 15,257 |
| Total | <u>30,700</u> | <u>30,700</u> | <u>30,090</u> | <u>610</u> | <u>30,884</u> |
| Skating | | | | | |
| Personnel services | 3,400 | 3,400 | 4,704 | (1,304) | 4,445 |
| Supplies | 300 | 300 | 98 | 202 | 147 |
| Other services and charges | 1,650 | 1,650 | 1,960 | (310) | 1,161 |
| Total | <u>5,350</u> | <u>5,350</u> | <u>6,762</u> | <u>(1,412)</u> | <u>5,753</u> |
| Cannon Valley Trail | | | | | |
| Personnel services | 144,800 | 144,800 | 154,429 | (9,629) | 126,222 |
| Personnel services | - | - | 12 | (12) | - |
| Other services and charges | 14,120 | 14,120 | 13,873 | 247 | 12,921 |
| Total | <u>158,920</u> | <u>158,920</u> | <u>168,314</u> | <u>(9,394)</u> | <u>139,143</u> |
| Total culture and recreation | <u>408,995</u> | <u>408,995</u> | <u>443,055</u> | <u>(34,060)</u> | <u>373,832</u> |
| Miscellaneous | | | | | |
| Unallocated | | | | | |
| Personnel services | 700 | 700 | 5,904 | (5,204) | 779 |
| Other services and charges | 89,500 | 89,500 | 65,551 | 23,949 | 47,456 |
| Total miscellaneous | <u>90,200</u> | <u>90,200</u> | <u>71,455</u> | <u>18,745</u> | <u>48,235</u> |
| Total current expenditures | <u>2,776,005</u> | <u>2,776,005</u> | <u>2,785,453</u> | <u>(9,448)</u> | <u>2,641,299</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|--|---------------------|---------------------|---------------------|-------------------------------|---------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| EXPENDITURES - CONTINUED | | | | | |
| Capital outlay | | | | | |
| General government | \$ 4,100 | \$ 4,100 | \$ 1,750 | \$ 2,350 | \$ 4,248 |
| Public safety | 3,800 | 3,800 | 5,910 | (2,110) | 5,200 |
| Public works | 5,750 | 5,750 | 10,000 | (4,250) | 1,522,570 |
| Miscellaneous | - | - | - | - | 123,192 |
| Total capital outlay | <u>13,650</u> | <u>13,650</u> | <u>17,660</u> | <u>(4,010)</u> | <u>1,655,210</u> |
| Debt service | | | | | |
| Capital lease | | | | | |
| Principal | 27,100 | 27,100 | 24,448 | 2,652 | 25,622 |
| Interest | 3,150 | 3,150 | 3,719 | (569) | 4,388 |
| Total debt service | <u>30,250</u> | <u>30,250</u> | <u>28,167</u> | <u>2,083</u> | <u>30,010</u> |
| TOTAL EXPENDITURES | <u>2,819,905</u> | <u>2,819,905</u> | <u>2,831,280</u> | <u>(11,375)</u> | <u>4,326,519</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>52,495</u> | <u>52,495</u> | <u>89,274</u> | <u>36,779</u> | <u>(1,466,552)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 47,900 | 47,900 | 92,100 | 44,200 | 535,726 |
| Sale of capital assets | 4,490 | 4,490 | 11,550 | 7,060 | 276,735 |
| Transfers out | (104,885) | (104,885) | (493,268) | (388,383) | (105,293) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(52,495)</u> | <u>(52,495)</u> | <u>(389,618)</u> | <u>(337,123)</u> | <u>707,168</u> |
| NET CHANGE IN FUND BALANCES | - | - | (300,344) | (300,344) | (759,384) |
| FUND BALANCES, JANUARY 1 | 2,232,959 | 2,232,959 | 2,232,959 | - | 2,855,251 |
| PRIOR PERIOD ADJUSTMENT | - | - | - | - | 137,092 |
| FUND BALANCES, DECEMBER 31 | <u>\$ 2,232,959</u> | <u>\$ 2,232,959</u> | <u>\$ 1,932,615</u> | <u>\$ (300,344)</u> | <u>\$ 2,232,959</u> |

CITY OF CANNON FALLS, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

| | 516 1997/2003 Improvement Bonds | 522 2006B G.O. PIR Bonds | 524 2011A G.O. Bonds |
|--|---|--|--------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and temporary investments | \$ 2,846 | \$ 158,192 | \$ 362,580 |
| Cash held with fiscal agent | - | - | - |
| Receivables | | | |
| Accrued interest | - | - | 51 |
| Accounts | - | - | - |
| Special assessments | <u>170,307</u> | <u>653,035</u> | <u>310,222</u> |
| TOTAL ASSETS | <u><u>\$ 173,153</u></u> | <u><u>\$ 811,227</u></u> | <u><u>\$ 672,853</u></u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - special assessments | \$ 170,307 | \$ 586,257 | \$ 291,351 |
| FUND BALANCES | | | |
| Restricted for debt service | <u>2,846</u> | <u>224,970</u> | <u>381,502</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u><u>\$ 173,153</u></u> | <u><u>\$ 811,227</u></u> | <u><u>\$ 672,853</u></u> |

| 526 2012A G.O. Improvement Bond | 528 2012B G.O. Refunding Bond | 529 2013A G.O. Improvement Bond | Total |
|---|---|---|---------------------|
| \$ 80,397 | \$ 27,893 | \$ 312,671 | \$ 944,579 |
| - | 1,371,776 | - | 1,371,776 |
| - | - | 45 | 96 |
| 75,000 | - | - | 75,000 |
| - | - | 506,760 | 1,640,324 |
| <u>\$ 155,397</u> | <u>\$ 1,399,669</u> | <u>\$ 819,476</u> | <u>\$ 4,031,775</u> |
| \$ - | \$ - | \$ 478,592 | \$ 1,526,507 |
| <u>155,397</u> | <u>1,399,669</u> | <u>340,884</u> | <u>2,505,268</u> |
| <u>\$ 155,397</u> | <u>\$ 1,399,669</u> | <u>\$ 819,476</u> | <u>\$ 4,031,775</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, 2014

| | 516 1997/2003 Improvement Bonds | 522 2006B G.O. PIR Bonds | 524 2011A G.O. Bonds |
|--|---|--|--------------------------------------|
| REVENUES | | | |
| Taxes | \$ 14,000 | \$ - | \$ 89,000 |
| Special assessments | (217) | 92,943 | 34,232 |
| Interest on investments | 1 | - | 437 |
| Miscellaneous | - | - | - |
| TOTAL REVENUES | <u>13,784</u> | <u>92,943</u> | <u>123,669</u> |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal | 100,000 | 130,000 | 90,000 |
| Interest and service charges | 1,600 | 65,118 | 33,608 |
| TOTAL EXPENDITURES | <u>101,600</u> | <u>195,118</u> | <u>123,608</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(87,816)</u> | <u>(102,175)</u> | <u>61</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | 40,500 | - |
| Transfers out | - | - | (202,150) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>40,500</u> | <u>(202,150)</u> |
| NET CHANGE IN FUND BALANCES | (87,816) | (61,675) | (202,089) |
| FUND BALANCES, JANUARY 1 | <u>90,662</u> | <u>286,645</u> | <u>583,591</u> |
| FUND BALANCES, DECEMBER 31 | <u>\$ 2,846</u> | <u>\$ 224,970</u> | <u>\$ 381,502</u> |

| 526 2012A G.O. Improvement Bond | 528 2012B G.O. Refunding Bond | 529 2013A G.O. Improvement Bond | Total |
|---|---|---|---------------------|
| \$ - | \$ 208,000 | \$ 88,900 | \$ 399,900 |
| - | - | 141,191 | 268,149 |
| - | 3,586 | 45 | 4,069 |
| <u>75,000</u> | <u>-</u> | <u>-</u> | <u>75,000</u> |
| <u>75,000</u> | <u>211,586</u> | <u>230,136</u> | <u>747,118</u> |
| 158,000 | 325,000 | - | 803,000 |
| <u>12,002</u> | <u>32,390</u> | <u>43,537</u> | <u>188,255</u> |
| <u>170,002</u> | <u>357,390</u> | <u>43,537</u> | <u>991,255</u> |
| <u>(95,002)</u> | <u>(145,804)</u> | <u>186,599</u> | <u>(244,137)</u> |
| - | 97,420 | - | 137,920 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(202,150)</u> |
| <u>-</u> | <u>97,420</u> | <u>-</u> | <u>(64,230)</u> |
| (95,002) | (48,384) | 186,599 | (308,367) |
| <u>250,399</u> | <u>1,448,053</u> | <u>154,285</u> | <u>2,813,635</u> |
| <u>\$ 155,397</u> | <u>\$ 1,399,669</u> | <u>\$ 340,884</u> | <u>\$ 2,505,268</u> |

CITY OF CANNON FALLS, MINNESOTA
ECONOMIC DEVELOPMENT AUTHORITY
(DISCRETELY PRESENTED COMPONENT UNIT)
COMBINING BALANCE SHEET
DECEMBER 31, 2014

| | Economic Development | Industrial Revolving Loan | Total |
|---|-------------------------|---------------------------------|----------------|
| ASSETS | | | |
| Cash and temporary investments | \$ 84,303 | \$ 175,430 | \$ 259,733 |
| Receivables | | | |
| Accrued interest | - | 156 | 156 |
| Loans | - | 191,180 | 191,180 |
| Contract for deed | - | 213,604 | 213,604 |
| Prepaid items | 122 | - | 122 |
| TOTAL ASSETS | \$ 84,425 | \$ 580,370 | \$ 664,795 |
| LIABILITIES | | | |
| Accounts and contracts payable | \$ 208 | \$ - | \$ 208 |
| Accrued salaries payable | 3,131 | - | 3,131 |
| TOTAL LIABILITIES | 3,339 | - | 3,339 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue - contract for deed receivable | - | 213,604 | 213,604 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepaid items | 122 | - | 122 |
| Committed | | | |
| Economic development | 80,964 | - | 80,964 |
| Revolving loan program | - | 366,766 | 366,766 |
| TOTAL FUND BALANCES | 81,086 | 366,766 | 447,852 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 84,425 | \$ 580,370 | \$ 664,795 |

Amounts reported for the Economic Development Authority in the statement of net position are different because

| | |
|--|--------------|
| Total fund balances reported above | \$ 447,852 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| Cost of capital assets | 734,124 |
| 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 | (13,797) |
| Some receivables are not available soon enough to pay for current-period expenditures and, therefore, are unavailable revenue in the funds | |
| Contract for deed | 213,604 |
| Total net position - Economic Development Authority | \$ 1,381,783 |

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, 2014

| | Economic Development | Industrial Revolving Loan | Total |
|-----------------------------|-------------------------|---------------------------------|------------|
| REVENUES | | | |
| Property taxes | \$ 159,450 | \$ - | \$ 159,450 |
| Interest on investments | - | 839 | 839 |
| Miscellaneous | 5,000 | 27,004 | 32,004 |
| | 164,450 | 27,843 | 192,293 |
| TOTAL REVENUES | | | |
| EXPENDITURES | | | |
| Current | | | |
| Economic development | 133,306 | 8,874 | 142,180 |
| Capital outlay | | | |
| Economic development | - | 171,206 | 171,206 |
| | 133,306 | 180,080 | 313,386 |
| TOTAL EXPENDITURES | | | |
| NET CHANGE IN FUND BALANCES | 31,144 | (152,237) | (121,093) |
| FUND BALANCES, JANUARY 1 | 49,942 | 314,437 | 364,379 |
| PRIOR PERIOD ADJUSTMENT | - | 204,566 | 204,566 |
| FUND BALANCES, DECEMBER 31 | \$ 81,086 | \$ 366,766 | \$ 447,852 |

Amounts reported for the Economic Development Authority in the statement of activities are different because

| | |
|---|--------------|
| Net changes in fund balances - Economic Development Authority | \$ (121,093) |
| Capital outlays are reported in governmental funds as expenditures. | |
| Capital outlay | 171,206 |
| 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 | (11,687) |
| 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 | 104 |
| Change in net position - Economic Development Authority | \$ 38,530 |

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| REVENUES | | | | | |
| Property taxes | \$ 147,450 | \$ 147,450 | \$ 159,450 | \$ 12,000 | \$ 90,400 |
| Miscellaneous | | | | | |
| Contributions and donations | - | - | 5,000 | 5,000 | - |
| Refunds and reimbursements | - | - | - | - | 26,000 |
| TOTAL REVENUES | 147,450 | 147,450 | 164,450 | 17,000 | 116,400 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Economic development | | | | | |
| Personnel services | 116,250 | 116,250 | 116,479 | (229) | 113,357 |
| Supplies | 200 | 200 | 231 | (31) | - |
| Other services and charges | 31,000 | 31,000 | 16,596 | 14,404 | 4,350 |
| TOTAL EXPENDITURES | 147,450 | 147,450 | 133,306 | 14,144 | 117,707 |
| NET CHANGE IN FUND BALANCES | - | - | 31,144 | 31,144 | (1,307) |
| FUND BALANCES, JANUARY 1 | 49,942 | 49,942 | 49,942 | - | 51,249 |
| FUND BALANCES, DECEMBER 31 | <u>\$ 49,942</u> | <u>\$ 49,942</u> | <u>\$ 81,086</u> | <u>\$ 31,144</u> | <u>\$ 49,942</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

| | 2014 | | | | 2013 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget | Actual Amounts |
| | Original | Final | | | |
| REVENUES | | | | | |
| Interest on investments | \$ 600 | \$ 600 | \$ 839 | \$ 239 | \$ 705 |
| Miscellaneous | 18,610 | 18,610 | 27,004 | 8,394 | 37,320 |
| TOTAL REVENUE | 19,210 | 19,210 | 27,843 | 8,633 | 38,025 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Economic development | | | | | |
| Other services and charges | - | - | 8,874 | (8,874) | 10,000 |
| Capital outlay | | | | | |
| Economic development | - | - | 171,206 | (171,206) | 113,243 |
| TOTAL EXPENDITURES | - | - | 180,080 | (180,080) | 123,243 |
| NET CHANGE IN FUND BALANCES | 19,210 | 19,210 | (152,237) | (171,447) | (85,218) |
| FUND BALANCES, JANUARY 1 | 314,437 | 314,437 | 314,437 | - | 399,655 |
| PRIOR PERIOD ADJUSTMENT | - | - | 204,566 | 204,566 | - |
| FUND BALANCES, DECEMBER 31 | \$ 333,647 | \$ 333,647 | \$ 366,766 | \$ 33,119 | \$ 314,437 |

CITY OF CANNON FALLS, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

| | Total | | Percent Increase (Decrease) |
|------------------------------------|---------------------|---------------------|-----------------------------------|
| | 2014 | 2013 | |
| REVENUES | | | |
| Taxes | \$ 2,602,808 | \$ 3,160,703 | (17.65) % |
| Special assessments | 288,610 | 357,786 | (19.33) |
| Licenses and permits | 56,111 | 71,262 | (21.26) |
| Intergovernmental | 856,612 | 980,627 | (12.65) |
| Charges for services | 145,604 | 137,983 | 5.52 |
| Fines and forfeits | 38,317 | 30,781 | 24.48 |
| Investment earnings | 28,631 | (10,163) | (381.72) |
| Miscellaneous | 349,845 | 516,161 | (32.22) |
| TOTAL REVENUES | \$ 4,366,538 | \$ 5,245,140 | (16.75) % |
| Per Capita | \$ 1,065 | \$ 1,282 | (16.97) % |
| EXPENDITURES | | | |
| Current | | | |
| General government | \$ 706,782 | \$ 719,780 | (1.81) % |
| Public safety | 1,085,819 | 1,054,651 | 2.96 |
| Public works | 696,150 | 660,860 | 5.34 |
| Culture and recreation | 823,493 | 750,262 | 9.76 |
| Economic development | 15,349 | 1,519 | 910.47 |
| Miscellaneous | 71,455 | 48,235 | 48.14 |
| Capital outlay | | | |
| General government | 15,502 | 33,160 | (53.25) |
| Public safety | 164,194 | 313,367 | (47.60) |
| Public works | 499,987 | 2,946,094 | (83.03) |
| Culture and recreation | 52,726 | 420,612 | (87.46) |
| Economic development | - | 27,519 | (100.00) |
| Miscellaneous | - | 123,192 | (100.00) |
| Debt service | | | |
| Principal | 827,448 | 2,660,622 | (68.90) |
| Interest and other charges | 191,974 | 207,073 | (7.29) |
| TOTAL EXPENDITURES | \$ 5,150,879 | \$ 9,966,946 | (48.32) % |
| Per Capita | \$ 1,256 | \$ 2,437 | (48.46) % |
| Total Long-term Indebtedness | \$ 7,753,581 | \$ 8,581,029 | (9.64) % |
| Per Capita | 1,891 | 2,098 | (9.88) |
| General Fund Balance - December 31 | \$ 1,932,615 | \$ 2,232,959 | (13.45) % |
| Per Capita | 471 | 546 | (13.68) |

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.

OTHER REQUIRED REPORTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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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, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 9, 2015.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 9, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

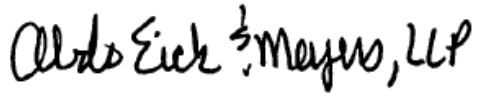
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 the Finding

The City's response to the finding identified in our audit is 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 it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
April 9, 2015

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CITY OF CANNON FALLS, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding Description

2014-001 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.