

# Annual Financial Report

City of Cannon Falls  
Cannon Falls, Minnesota

For the Year Ended  
December 31, 2015

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CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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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, 2015**

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CITY OF CANNON FALLS, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**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
Rodney Holst	Council Member	12/31/18
Cathy Gallups	Council Member	12/31/16
Lynne Berg	Council Member	12/31/16

**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
Tim Malchow	Ambulance Director
Todd Anderson	Fire Chief

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

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2015**

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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, 2015, 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, 2015, 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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### ***Change in Accounting Standards***

As described in Note 9 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### **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 13 and the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedules of Employer's Contributions starting on page 80 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***

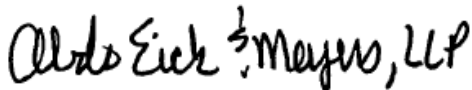
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 20, 2016, 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 20, 2016

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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, 2015.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$28,650,637 (net position). Of this amount, \$4,644,148 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The beginning unrestricted net position was decreased by \$2,076,222 to recognize the effects of GASB Statement No. 68 implementation.
- The City's total net position increased \$500,792. This increase is due to governmental activities and business-type activities, which increased \$298,298 and \$202,494, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,790,198, a decrease of \$1,230,277 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$2,167,014 or 71 percent of budgeted 2016 General fund expenditures.
- The City's total bonded debt decreased \$1,280,696 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**

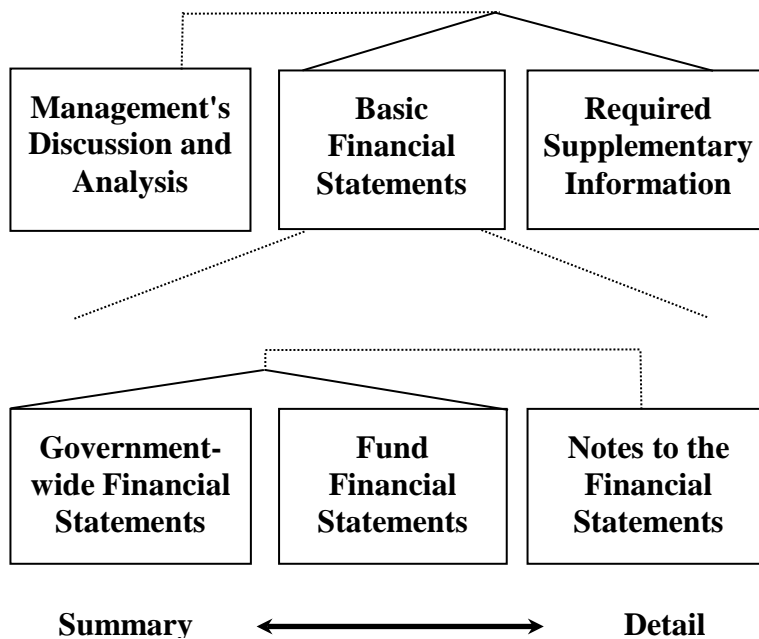


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the them 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 25 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 40 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 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 84 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 \$28,650,637 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 5,819,561	\$ 7,106,025	\$ (1,286,464)	\$ 4,583,882	\$ 4,613,283	\$ (29,401)
Capital assets	14,514,457	15,076,479	(562,022)	22,053,343	22,855,037	(801,694)
Total assets	<u>20,334,018</u>	<u>22,182,504</u>	<u>(1,848,486)</u>	<u>26,637,225</u>	<u>27,468,320</u>	<u>(831,095)</u>
Deferred Outflows of Resources	<u>344,860</u>	<u>-</u>	<u>344,860</u>	<u>33,974</u>	<u>-</u>	<u>33,974</u>
<b>Liabilities</b>						
Long-term liabilities outstanding	7,490,443	7,932,358	(441,915)	10,108,998	10,939,284	(830,286)
Other liabilities	320,413	369,993	(49,580)	247,509	183,122	64,387
Total liabilities	<u>7,810,856</u>	<u>8,302,351</u>	<u>(491,495)</u>	<u>10,356,507</u>	<u>11,122,406</u>	<u>(765,899)</u>
Deferred Inflows of Resources	<u>470,502</u>	<u>-</u>	<u>470,502</u>	<u>61,575</u>	<u>-</u>	<u>61,575</u>
<b>Net position</b>						
Net investment in capital assets	8,891,947	8,737,898	154,049	12,638,156	12,310,534	327,622
Restricted	2,476,386	2,713,402	(237,016)	-	-	-
Unrestricted	<u>1,029,187</u>	<u>2,428,853</u>	<u>(1,399,666)</u>	<u>3,614,961</u>	<u>4,035,380</u>	<u>(420,419)</u>
Total net position	<u>\$12,397,520</u>	<u>\$13,880,153</u>	<u>\$ (1,482,633)</u>	<u>\$16,253,117</u>	<u>\$16,345,914</u>	<u>\$ (92,797)</u>

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

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

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 530,691	\$ 486,254	\$ 44,437	\$ 2,997,924	\$ 3,077,605	\$ (79,681)
Operating grants and contributions	312,972	247,761	65,211	36,676	7,715	28,961
Capital grants and contributions	149,782	237,332	(87,550)	119,275	123,206	(3,931)
General revenues						
Taxes	2,710,466	2,576,479	133,987	-	-	-
Grants and contributions not restricted to specific programs	641,926	637,051	4,875	-	-	-
Investment earnings	9,939	28,377	(18,438)	9,756	10,075	(319)
Gain on sale of capital assets	9,364	6,169	3,195	-	-	-
Total revenues	<u>4,365,140</u>	<u>4,219,423</u>	<u>145,717</u>	<u>3,163,631</u>	<u>3,218,601</u>	<u>(54,970)</u>
Expenses						
General government	754,681	793,310	(38,629)	-	-	-
Public safety	1,359,534	1,314,873	44,661	-	-	-
Public works	953,062	982,408	(29,346)	-	-	-
Culture and recreation	983,717	957,183	26,534	-	-	-
Economic development	4,490	17,594	(13,104)	-	-	-
Miscellaneous	86,700	71,455	15,245	-	-	-
Interest and service charges	121,181	185,584	(64,403)	-	-	-
Water utility	-	-	-	747,008	764,225	(17,217)
Disposal	-	-	-	1,175,978	1,216,431	(40,453)
Storm water	-	-	-	54,378	48,338	6,040
Recycling	-	-	-	65,395	70,762	(5,367)
Ambulance	-	-	-	649,602	521,999	127,603
Deputy registrar	-	-	-	122,253	110,247	12,006
Total expenses	<u>4,263,365</u>	<u>4,322,407</u>	<u>(59,042)</u>	<u>2,814,614</u>	<u>2,732,002</u>	<u>82,612</u>
Change in net position before transfers	101,775	(102,984)	204,759	349,017	486,599	(137,582)
Capital transfers by other funds	-	-	-	-	-	-
Transfers	146,523	(63,738)	210,261	(146,523)	63,738	(210,261)
Change in net position	298,298	(166,722)	465,020	202,494	550,337	(347,843)
Net position, January 1 as restated (Note 4)	12,099,222	14,046,875	(1,947,653)	16,050,623	15,795,577	255,046
Net position, December 31	<u>\$12,397,520</u>	<u>\$13,880,153</u>	<u>\$ (1,482,633)</u>	<u>\$16,253,117</u>	<u>\$16,345,914</u>	<u>\$ (92,797)</u>

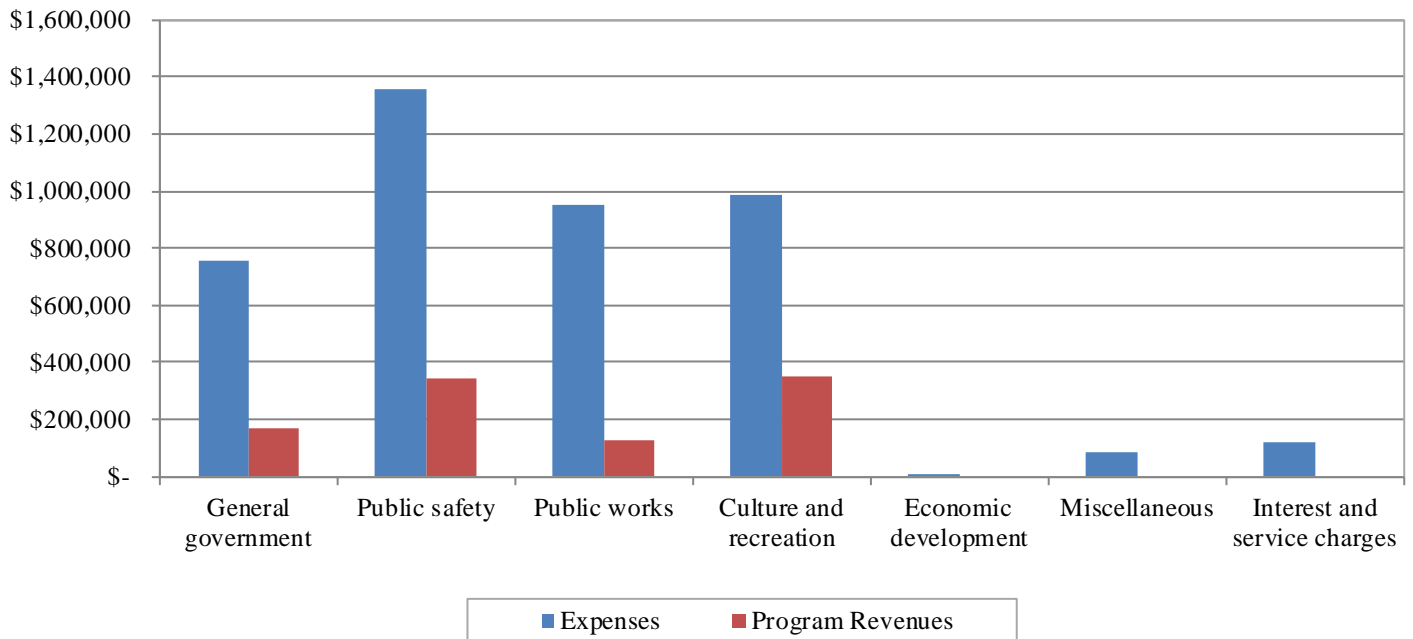
\* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a restatement of beginning governmental and business -type activity net position. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See Note 9.



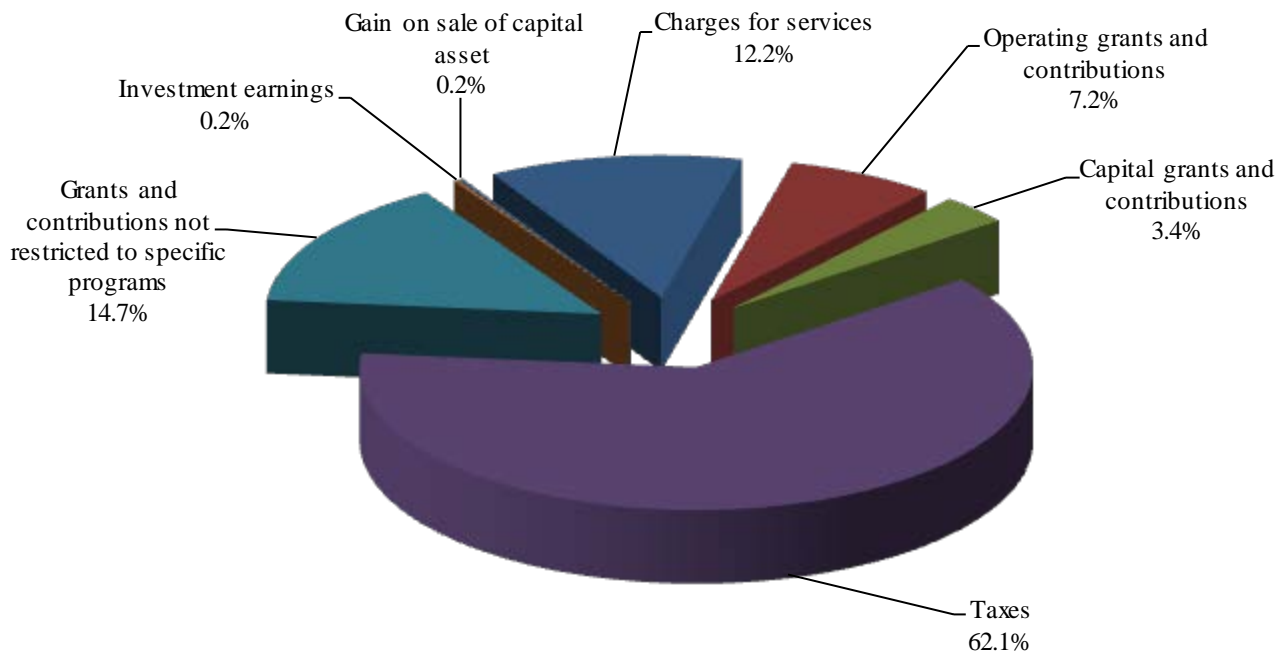
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

**Governmental activities.** Net position in the governmental activities increased \$298,298.

### Expenses and Program Revenues - Governmental Activities

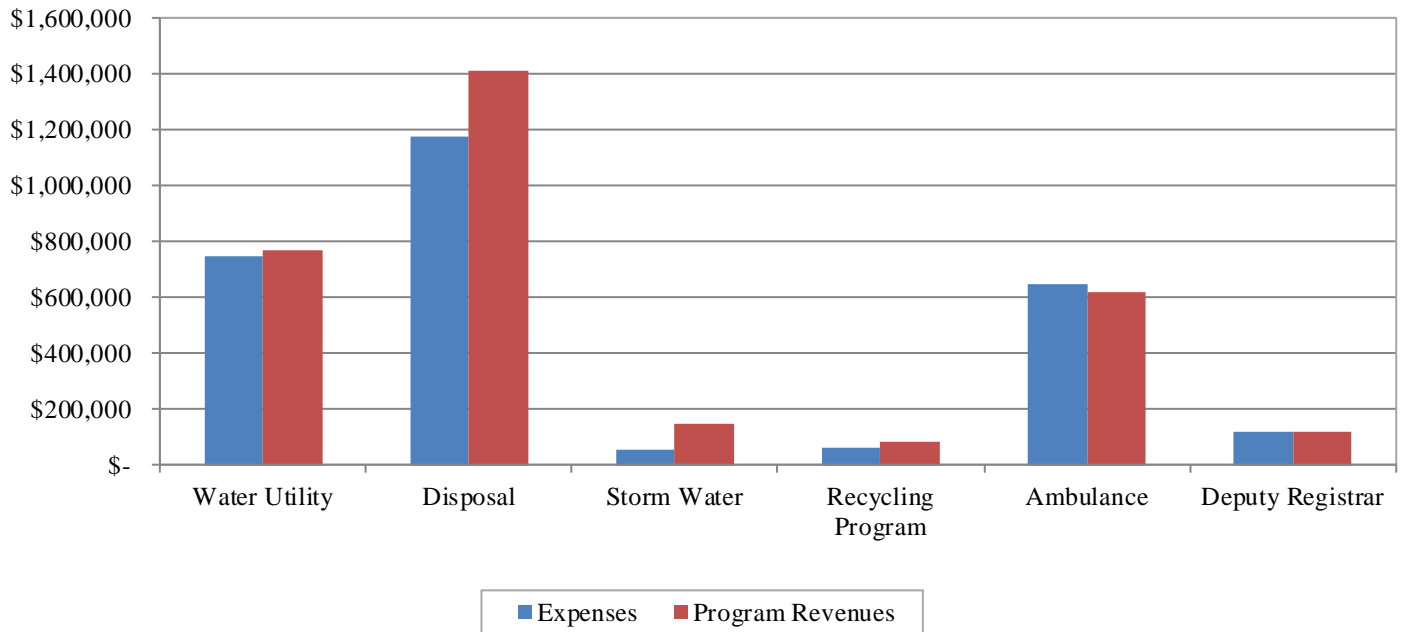


### Revenues by Source - Governmental Activities

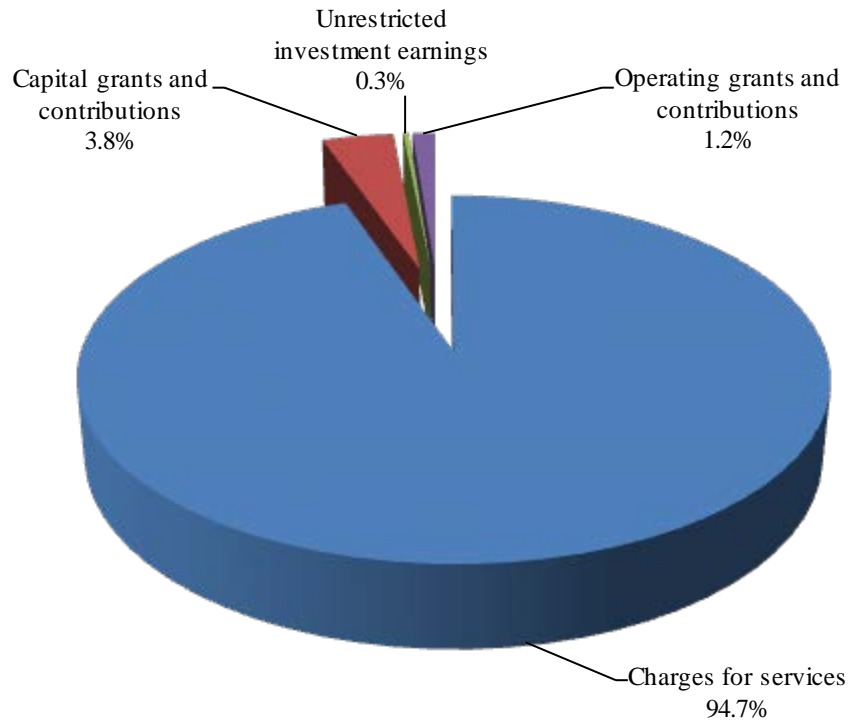


**Business-type activities.** Net position in business-type activities increased by \$202,494.

### 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 \$3,790,198, a decrease of \$1,230,277 in comparison with the prior year. Approximately 45.0 percent of this total amount (\$1,706,824) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$2,083,374) is not available for new spending because it is either 1) nonspendable (\$37,035) 2) restricted (\$1,154,368), 3) committed (\$400,349), or 4) assigned (\$491,622). For further classification refer to Note 3G on page 66 of this report.

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

<u>Major Funds</u>	Fund Balance December 31,		Increase (Decrease)
	2015	2014	
<b>General</b>	\$ 2,167,014	\$ 1,932,615	\$ 234,399
Fund balance increased \$234,399. The fund transferred out \$108,000 to other funds for future capital purchases.			
<b>Debt Service</b>	\$ 1,011,320	\$ 2,505,268	\$ (1,493,948)
The Debt Service funds decreased due to the refunding of debt.			

**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 \$3,614,961. 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 2015. Compared to the final budget, revenues were over budget by \$125,943 and expenditures were under budget by \$107,289.

- The largest revenue variance was from intergovernmental revenue, which was \$68,593 over budget due to unanticipated grants revenues received related to Small cities assistance program monies from the State.
- The largest variances in expenditures included current general government and current public safety. Current general government expenditures were under budget by \$36,665 due to administrative expenditures and legal expenditures being under budget. Current public safety expenditures were under budget by \$67,094 due to police protection personnel service being under budget and building inspection being under budget.

## 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, 2015, amounts to \$36,567,800 (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 59 of this report.

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

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 908,474	\$ 908,474	\$ -	\$ 87,816	\$ 87,816	\$ -
Construction in progress	33,117	1,354,542	(1,321,425)	-	1,227,692	(1,227,692)
Buildings and improvements	3,531,157	3,623,602	(92,445)	6,466	7,000	(534)
System improvements/infrastructure	8,400,234	7,379,057	1,021,177	21,420,496	21,028,544	391,952
Machinery and equipment	766,304	790,479	(24,175)	372,055	332,147	39,908
Vehicles	875,171	1,020,325	(145,154)	166,510	171,838	(5,328)
<b>Total</b>	<b>\$14,514,457</b>	<b>\$15,076,479</b>	<b>\$ (562,022)</b>	<b>\$22,053,343</b>	<b>\$22,855,037</b>	<b>\$ (801,694)</b>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$15,388,931. 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Capital lease payable	\$ 38,510	\$ 54,581	\$ (16,071)	\$ 38,511	\$ 53,828	\$ (15,317)
Compensated absences payable	180,599	178,777	1,822	50,220	43,547	6,673
Net pension liability	1,687,334	-	1,687,334	292,357	-	292,357
General obligation special assessment bonds	-	1,505,000	(1,505,000)	-	-	-
General obligation revenue bonds	5,584,000	6,194,000	(610,000)	9,727,910	10,841,909	(1,113,999)
<b>Total</b>	<b>\$ 7,490,443</b>	<b>\$ 7,932,358</b>	<b>\$ (441,915)</b>	<b>\$10,108,998</b>	<b>\$10,939,284</b>	<b>\$ (830,286)</b>

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

Additional information on the City's long-term debt can be found in Note 3F starting on page 62 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.
- The City will continue to investigate grant opportunities or seek legislative funding for capital projects to minimize the financial impact on City budgets and utility rates.

### **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 Assistant 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, 2015

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CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>ASSETS</b>				
Cash and temporary investments	\$ 3,653,714	\$ 2,601,851	\$ 6,255,565	\$ 298,909
Receivables				
Accrued interest	611	706	1,317	95
Taxes	127,118	-	127,118	-
Accounts, net of allowance	109,564	356,766	466,330	-
Special assessments	1,653,312	1,604,031	3,257,343	-
Loans	-	-	-	178,127
Contract for deed	15,715	-	15,715	201,438
Due from other governments	103,048	-	103,048	-
Inventories, at cost	-	6,906	6,906	-
Prepaid items	37,035	13,622	50,657	155
Net pension asset	119,444	-	119,444	-
Capital assets				
Land and construction in progress	941,591	87,816	1,029,407	734,124
Depreciable buildings, property, and equipment, net	13,572,866	21,965,527	35,538,393	-
<b>TOTAL ASSETS</b>	<b>20,334,018</b>	<b>26,637,225</b>	<b>46,971,243</b>	<b>1,412,848</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	344,860	33,974	378,834	5,566
<b>LIABILITIES</b>				
Accounts and contracts payable	146,681	115,115	261,796	22,138
Accrued interest payable	46,954	110,815	157,769	-
Due to other governments	-	1,927	1,927	-
Accrued salaries payable	52,284	19,652	71,936	2,905
Deposits payable	74,494	-	74,494	-
Noncurrent liabilities				
Due within one year	781,205	1,173,609	1,954,814	3,958
Due in more than one year	6,709,238	8,935,389	15,644,627	59,775
<b>TOTAL LIABILITIES</b>	<b>7,810,856</b>	<b>10,356,507</b>	<b>18,167,363</b>	<b>88,776</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	470,502	61,575	532,077	10,089
<b>NET POSITION</b>				
Net investment in capital assets	8,891,947	12,638,156	21,530,103	734,124
Restricted for				
Debt service	2,333,338	-	2,333,338	-
Cable television	112,492	-	112,492	-
Park improvements	30,556	-	30,556	-
Unrestricted	1,029,187	3,614,961	4,644,148	585,425
<b>TOTAL NET POSITION</b>	<b>\$ 12,397,520</b>	<b>\$ 16,253,117</b>	<b>\$ 28,650,637</b>	<b>\$ 1,319,549</b>

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

CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 754,681	\$ 163,598	\$ 8,365	\$ -
Public safety	1,359,534	161,420	184,615	-
Public works	953,062	-	-	127,782
Culture and recreation	983,717	205,673	119,992	22,000
Economic development	4,490	-	-	-
Miscellaneous	86,700	-	-	-
Interest on long-term debt	121,181	-	-	-
Total governmental activities	<u>4,263,365</u>	<u>530,691</u>	<u>312,972</u>	<u>149,782</u>
Business-type activities				
Water Utility	747,008	716,743	-	52,016
Disposal	1,175,978	1,347,223	-	67,259
Storm Water	54,378	146,702	-	-
Recycling Program	65,395	84,852	-	-
Ambulance	649,602	585,257	36,676	-
Deputy Registrar	122,253	117,147	-	-
Total business-type activities	<u>2,814,614</u>	<u>2,997,924</u>	<u>36,676</u>	<u>119,275</u>
Total primary government	<u><u>7,077,979</u></u>	<u><u>3,528,615</u></u>	<u><u>349,648</u></u>	<u><u>269,057</u></u>
Component unit				
Economic Development Authority	<u>\$ 165,650</u>	<u>\$ 14,135</u>	<u>\$ 11,942</u>	<u>\$ -</u>

General revenues, contributions and transfers

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

Capital assets contributed by developers and others

Transfers - internal activities

Total general revenues, contributions and transfers

Change in net position

Net position, January 1 as restated (Note 9)

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
\$ (582,718)	\$ -	\$ (582,718)	\$ -
(1,013,499)	-	(1,013,499)	-
(825,280)	-	(825,280)	-
(636,052)	-	(636,052)	-
(4,490)	-	(4,490)	-
(86,700)	-	(86,700)	-
(121,181)	-	(121,181)	-
<u>(3,269,920)</u>	<u>-</u>	<u>(3,269,920)</u>	<u>-</u>
-	21,751	21,751	-
-	238,504	238,504	-
-	92,324	92,324	-
-	19,457	19,457	-
-	(27,669)	(27,669)	-
-	(5,106)	(5,106)	-
<u>-</u>	<u>339,261</u>	<u>339,261</u>	<u>-</u>
<u>(3,269,920)</u>	<u>339,261</u>	<u>(2,930,659)</u>	<u>-</u>
			<u>(139,573)</u>
1,344,675	-	1,344,675	-
383,800	-	383,800	-
-	-	-	128,275
307,011	-	307,011	-
106,999	-	106,999	-
528,003	-	528,003	-
39,978	-	39,978	-
641,926	-	641,926	-
9,939	9,756	19,695	404
9,364	-	9,364	-
50,000	-	50,000	-
146,523	(146,523)	-	-
<u>3,568,218</u>	<u>(136,767)</u>	<u>3,431,451</u>	<u>128,679</u>
298,298	202,494	500,792	(10,894)
<u>12,099,222</u>	<u>16,050,623</u>	<u>28,149,845</u>	<u>1,330,443</u>
<u>\$ 12,397,520</u>	<u>\$ 16,253,117</u>	<u>\$ 28,650,637</u>	<u>\$ 1,319,549</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF CANNON FALLS , MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	General	Debt Service	Other Governmental	Total Governmental
<b>ASSETS</b>				
Cash and temporary investments	\$ 2,119,903	\$ 872,807	\$ 661,004	\$ 3,653,714
Receivables				
Accrued interest	478	-	133	611
Taxes	127,118	-	-	127,118
Accounts	79,194	22,000	8,370	109,564
Special assessments	139,255	1,488,485	25,572	1,653,312
Contract for deed	15,715	-	-	15,715
Due from other governments	103,048	-	-	103,048
Prepaid items	31,206	-	5,829	37,035
<b>TOTAL ASSETS</b>	<b><u>\$ 2,615,917</u></b>	<b><u>\$ 2,383,292</u></b>	<b><u>\$ 700,908</u></b>	<b><u>\$ 5,700,117</u></b>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 87,220	\$ 3,000	\$ 56,461	\$ 146,681
Accrued salaries payable	43,404	-	8,880	52,284
Deposits payable	74,494	-	-	74,494
<b>TOTAL LIABILITIES</b>	<b><u>205,118</u></b>	<b><u>3,000</u></b>	<b><u>65,341</u></b>	<b><u>273,459</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	102,220	-	-	102,220
Unavailable revenue - special assessments	125,850	1,368,972	23,703	1,518,525
Unavailable revenue - contracts for deed	15,715	-	-	15,715
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>243,785</u></b>	<b><u>1,368,972</u></b>	<b><u>23,703</u></b>	<b><u>1,636,460</u></b>
<b>FUND BALANCES</b>				
Nonspendable	31,206	-	5,829	37,035
Restricted	-	1,011,320	143,048	1,154,368
Committed	-	-	400,349	400,349
Assigned	260,000	-	231,622	491,622
Unassigned	1,875,808	-	(168,984)	1,706,824
<b>TOTAL FUND BALANCES</b>	<b><u>2,167,014</u></b>	<b><u>1,011,320</u></b>	<b><u>611,864</u></b>	<b><u>3,790,198</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 2,615,917</u></b>	<b><u>\$ 2,383,292</u></b>	<b><u>\$ 700,908</u></b>	<b><u>\$ 5,700,117</u></b>

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

CITY OF CANNON FALLS, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

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

Total fund balances - governmental funds	\$ 3,790,198
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	21,882,553
Less: accumulated depreciation	(7,368,096)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	
	119,444
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	(5,584,000)
Capital lease payable	(38,510)
Compensated absences payable	(180,599)
Pension liability	(1,687,334)
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	102,220
Special assessments receivable	1,518,525
Contract for deed receivable	15,715
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	344,860
Deferred inflows of pension resources	(470,502)
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(46,954)</u>
Total net position - governmental activities	<u><u>\$ 12,397,520</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  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Debt Service	Other Governmental	Total Governmental
<b>REVENUES</b>				
Taxes	\$ 1,863,901	\$ 383,800	\$ 453,988	\$ 2,701,689
Licenses and permits	50,558	-	-	50,558
Intergovernmental	752,049	-	213,940	965,989
Charges for services	64,676	-	92,410	157,086
Fines and forfeitures	27,967	-	7,387	35,354
Special assessments	23,712	219,770	4,398	247,880
Interest on investments	7,269	2,285	385	9,939
Miscellaneous	282,011	22,000	30,190	334,201
<b>TOTAL REVENUES</b>	<b>3,072,143</b>	<b>627,855</b>	<b>802,698</b>	<b>4,502,696</b>
<b>EXPENDITURES</b>				
Current				
General government	706,510	-	-	706,510
Public safety	900,181	-	331,133	1,231,314
Public works	619,303	-	-	619,303
Culture and recreation	429,881	-	405,255	835,136
Economic development	-	-	-	-
Miscellaneous	86,700	-	-	86,700
Capital outlay				
General government	3,739	-	-	3,739
Public safety	3,041	-	6,722	9,763
Public works	11,846	-	37,554	49,400
Culture and recreation	-	-	66,232	66,232
Debt service				
Principal	16,071	610,000	-	626,071
Interest and service charges	2,889	146,803	-	149,692
<b>TOTAL EXPENDITURES</b>	<b>2,780,161</b>	<b>756,803</b>	<b>846,896</b>	<b>4,383,860</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>291,982</b>	<b>(128,948)</b>	<b>(44,198)</b>	<b>118,836</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	41,253	1,667,137	172,476	1,880,866
Principal paid by escrow agent	-	(1,505,000)	-	(1,505,000)
Sale of capital assets	9,364	-	-	9,364
Transfers out	(108,200)	(1,527,137)	(99,006)	(1,734,343)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(57,583)</b>	<b>(1,365,000)</b>	<b>73,470</b>	<b>(1,349,113)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>234,399</b>	<b>(1,493,948)</b>	<b>29,272</b>	<b>(1,230,277)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,932,615</b>	<b>2,505,268</b>	<b>582,592</b>	<b>5,020,475</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,167,014</b>	<b>\$ 1,011,320</b>	<b>\$ 611,864</b>	<b>\$ 3,790,198</b>

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



CITY OF CANNON FALLS, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Net change in fund balances - governmental funds	\$ (1,230,277)
<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	79,687
Depreciation expense	(700,626)
Capital assets contributed from developer	50,000
<p>Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.</p>	
Disposals	58,245
Depreciation on disposals	(49,328)
<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	2,115,000
Capital lease principal payments	16,071
<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>	
	28,511
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	84,247
Direct aid contributions	3,152
<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	8,777
Special assessments	(158,849)
Contract for deed	(4,490)
<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	(1,822)
Change in net position - governmental activities	\$ 298,298

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

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CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,869,624	\$ 1,869,624	\$ 1,863,901	\$ (5,723)
Licenses and permits	71,550	71,550	50,558	(20,992)
Intergovernmental	683,456	683,456	752,049	68,593
Charges for services	56,600	56,600	64,676	8,076
Fines and forfeitures	20,500	20,500	27,967	7,467
Special assessments	-	-	23,712	23,712
Interest on investments	4,100	4,100	7,269	3,169
Miscellaneous	240,370	240,370	282,011	41,641
<b>TOTAL REVENUES</b>	<b>2,946,200</b>	<b>2,946,200</b>	<b>3,072,143</b>	<b>125,943</b>
<b>EXPENDITURES</b>				
Current				
General government	743,175	743,175	706,510	36,665
Public safety	967,275	967,275	900,181	67,094
Public works	632,110	632,110	619,303	12,807
Culture and recreation	405,930	405,930	429,881	(23,951)
Miscellaneous	93,500	93,500	86,700	6,800
Capital outlay	15,050	15,050	18,626	(3,576)
Debt service				
Capital lease				
Principal	27,960	27,960	16,071	11,889
Interest	2,450	2,450	2,889	(439)
<b>TOTAL EXPENDITURES</b>	<b>2,887,450</b>	<b>2,887,450</b>	<b>2,780,161</b>	<b>107,289</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>58,750</b>	<b>58,750</b>	<b>291,982</b>	<b>233,232</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	49,450	49,450	41,253	(8,197)
Sale of capital assets	-	-	9,364	9,364
Transfers out	(108,200)	(108,200)	(108,200)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(58,750)</b>	<b>(58,750)</b>	<b>(57,583)</b>	<b>1,167</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>234,399</b>	<b>234,399</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,932,615</b>	<b>1,932,615</b>	<b>1,932,615</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,932,615</b>	<b>\$ 1,932,615</b>	<b>\$ 2,167,014</b>	<b>\$ 234,399</b>

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, 2015

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and temporary investments	\$ 1,108,705	\$ 769,478	\$ 427,819	\$ 295,849	\$ 2,601,851
Receivables					
Accrued interest	174	333	123	76	706
Accounts, net of allowance	78,514	132,128	123,660	22,464	356,766
Special assessments	140,852	150,529	-	11,119	302,500
Inventories, at cost	3,453	3,453	-	-	6,906
Prepaid items	1,790	4,026	7,674	132	13,622
<b>TOTAL CURRENT ASSETS</b>	<b>1,333,488</b>	<b>1,059,947</b>	<b>559,276</b>	<b>329,640</b>	<b>3,282,351</b>
<b>NONCURRENT ASSETS</b>					
Special assessments receivable	701,122	600,409	-	-	1,301,531
Capital assets					
Land and construction in progress	87,816	-	-	-	87,816
Depreciable buildings, property, and equipment	13,305,142	19,296,132	662,715	1,044,998	34,308,987
Accumulated depreciation	(5,116,219)	(6,694,914)	(431,270)	(101,057)	(12,343,460)
<b>Total net capital assets</b>	<b>8,276,739</b>	<b>12,601,218</b>	<b>231,445</b>	<b>943,941</b>	<b>22,053,343</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>8,977,861</b>	<b>13,201,627</b>	<b>231,445</b>	<b>943,941</b>	<b>23,354,874</b>
<b>TOTAL ASSETS</b>	<b>10,311,349</b>	<b>14,261,574</b>	<b>790,721</b>	<b>1,273,581</b>	<b>26,637,225</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred pension resources	6,626	8,718	13,653	4,977	33,974

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

CITY OF CANNON FALLS, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts and contracts payable	\$ 33,127	\$ 59,873	\$ 16,493	\$ 5,622	\$ 115,115
Accrued interest payable	36,031	67,884	-	6,900	110,815
Due to other governments	1,927	-	-	-	1,927
Accrued salaries payable	2,682	4,094	10,211	2,665	19,652
Compensated absences payable	2,513	2,540	6,236	1,266	12,555
Capital lease payable	-	-	-	7,055	7,055
Bonds payable	369,314	765,204	-	19,481	1,153,999
<b>TOTAL CURRENT LIABILITIES</b>	<b>445,594</b>	<b>899,595</b>	<b>32,940</b>	<b>42,989</b>	<b>1,421,118</b>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences payable	7,538	7,621	18,708	3,798	37,665
Capital lease payable	-	-	-	31,456	31,456
Bonds payable	2,643,557	5,524,700	-	405,654	8,573,911
Pension liability	57,017	75,022	117,491	42,827	292,357
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>2,708,112</b>	<b>5,607,343</b>	<b>136,199</b>	<b>483,735</b>	<b>8,935,389</b>
<b>TOTAL LIABILITIES</b>	<b>3,153,706</b>	<b>6,506,938</b>	<b>169,139</b>	<b>526,724</b>	<b>10,356,507</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred pension resources	12,009	15,801	24,745	9,020	61,575
<b>NET POSITION</b>					
Net investment in capital assets	5,302,426	6,623,990	231,445	480,295	12,638,156
Unrestricted	1,849,834	1,123,563	379,045	262,519	3,614,961
<b>TOTAL NET POSITION</b>	<b>\$ 7,152,260</b>	<b>\$ 7,747,553</b>	<b>\$ 610,490</b>	<b>\$ 742,814</b>	<b>\$ 16,253,117</b>

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, 2015

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
OPERATING REVENUES					
Charges for services	\$ 716,743	\$ 1,347,223	\$ 585,257	\$ 348,701	\$ 2,997,924
OPERATING EXPENSES					
Personnel services	123,161	179,336	440,484	100,853	843,834
Supplies	25,965	29,147	46,769	4,631	106,512
Repairs and maintenance	37,408	37,369	32,595	389	107,761
Depreciation	355,709	502,548	53,794	27,736	939,787
Rent	-	-	-	16,950	16,950
Insurance	2,344	10,156	2,287	-	14,787
Utilities	57,726	115,676	16,656	-	190,058
Other services and charges	54,959	102,965	57,017	74,834	289,775
TOTAL OPERATING EXPENSES	<u>657,272</u>	<u>977,197</u>	<u>649,602</u>	<u>225,393</u>	<u>2,509,464</u>
OPERATING INCOME (LOSS)	<u>59,471</u>	<u>370,026</u>	<u>(64,345)</u>	<u>123,308</u>	<u>488,460</u>
NONOPERATING REVENUES (EXPENSES)					
Interest on investments	5,133	4,150	370	103	9,756
Intergovernmental	-	-	27,635	-	27,635
Other income	-	-	9,041	-	9,041
Loss on disposal of assets	-	-	-	(1,783)	(1,783)
Interest expense	(89,736)	(198,781)	-	(14,850)	(303,367)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(84,603)</u>	<u>(194,631)</u>	<u>37,046</u>	<u>(16,530)</u>	<u>(258,718)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(25,132)	175,395	(27,299)	106,778	229,742
CAPITAL CONTRIBUTIONS	52,016	67,259	-	-	119,275
TRANSFERS IN	-	8,802	6,125	-	14,927
TRANSFERS OUT	(115,475)	(40,475)	(2,750)	(2,750)	(161,450)
CHANGE IN NET POSITION	(88,591)	210,981	(23,924)	104,028	202,494
NET POSITION, JANUARY 1 AS RESTATED (NOTE 9)	<u>7,240,851</u>	<u>7,536,572</u>	<u>634,414</u>	<u>638,786</u>	<u>16,050,623</u>
NET POSITION, DECEMBER 31	<u>\$ 7,152,260</u>	<u>\$ 7,747,553</u>	<u>\$ 610,490</u>	<u>\$ 742,814</u>	<u>\$ 16,253,117</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, 2015

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 710,036	\$ 1,349,666	\$ 710,121	\$ 349,981	\$ 3,119,804
Payments to suppliers	(167,318)	(285,379)	(190,377)	(102,289)	(745,363)
Payments to employees	(114,708)	(149,788)	(364,722)	(91,803)	(721,021)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>428,010</b>	<b>914,499</b>	<b>155,022</b>	<b>155,889</b>	<b>1,653,420</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Transfers in	-	8,802	6,125	-	14,927
Transfers out	(115,475)	(40,475)	(2,750)	(2,750)	(161,450)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(115,475)</b>	<b>(31,673)</b>	<b>3,375</b>	<b>(2,750)</b>	<b>(146,523)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Permits and connection fees received	2,573	26,351	-	-	28,924
Intergovernmental	-	-	27,635	-	27,635
Special assessments received	136,601	96,704	-	-	233,305
Acquisition of capital assets	(57,337)	(16,562)	(65,977)	-	(139,876)
Principal paid on capital leases	(2,853)	(2,853)	-	(9,611)	(15,317)
Principal paid on bonds	(360,113)	(736,203)	-	(17,683)	(1,113,999)
Interest paid on bonds and capital leases	(92,461)	(206,481)	-	(15,344)	(314,286)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(373,590)</b>	<b>(839,044)</b>	<b>(38,342)</b>	<b>(42,638)</b>	<b>(1,293,614)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received from investments	5,088	3,842	247	27	9,204
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(55,967)</b>	<b>47,624</b>	<b>120,302</b>	<b>110,528</b>	<b>222,487</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>1,164,672</b>	<b>721,854</b>	<b>307,517</b>	<b>185,321</b>	<b>2,379,364</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 1,108,705</b>	<b>\$ 769,478</b>	<b>\$ 427,819</b>	<b>\$ 295,849</b>	<b>\$ 2,601,851</b>

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, 2015

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 59,471	\$ 370,026	\$ (64,345)	\$ 123,308	\$ 488,460
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income	-	-	9,041	-	9,041
Depreciation	355,709	502,548	53,794	27,736	939,787
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(6,707)	2,443	115,823	(46)	111,513
Special assessments receivable	-	-	-	1,326	1,326
Inventory	(945)	(945)	-	-	(1,890)
Prepaid items	258	18	(1,705)	(34)	(1,463)
Deferred pension resources	(6,626)	(8,718)	(13,653)	(4,977)	(33,974)
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	30,481	35,380	5,050	(474)	70,437
Due to other governments	(75)	-	-	-	(75)
Accrued salaries payable	598	956	2,696	694	4,944
Compensated absences payable	52	(1,152)	6,073	1,700	6,673
Deferred pension resources	12,009	15,801	24,745	9,020	61,575
Pension liability	(16,215)	(1,858)	17,503	(2,364)	(2,934)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 428,010</u>	 <u>\$ 914,499</u>	 <u>\$ 155,022</u>	 <u>\$ 155,889</u>	 <u>\$ 1,653,420</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,783</u>	<u>\$ 1,783</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, 2015

**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 114.

**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, 2015

**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, 2015

**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 governmental 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, 2015

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

**D. Assets, deferred outflows of resources, 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, 2015

**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 2015. 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, 2015.

*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."

*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, 2015

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

*Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years for equipment and \$1,000 for land. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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

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

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

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

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

*Deferred outflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.



CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Cannon Falls Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

***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 \$230,819 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 \$15,832.

***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 and fund financial statements 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 City 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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

***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.

***Net position***

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position 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".

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**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 30<sup>th</sup>, the proposed budget is presented to the City Council for review. The City Council adopts a preliminary maximum budget. Truth-in-taxation notices are mailed out to residents by the County. The City Council holds public hearings and adopts a budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The City's Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2015.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2015, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Nonmajor			
Fire Department Operations fund	\$ 290,919	\$ 335,366	\$ 44,447
Component unit			
Economic Development fund	128,275	151,273	22,998
Industrial Revolving Loan fund	5,000	11,258	6,258

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, 2015:

Fund	Amount
Capital project	
HWY 20 Clinic Access Road	\$ 137,187
2016 Street Improvement Westside Phase II	29,959
Enterprise fund	
Deputy Registrar	52,662

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, 2015

**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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 \$4,004,836 and the bank balance was \$4,076,551. The bank balance was covered by federal depository insurance totaling \$769,331, 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, 2015

**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:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>	<u>Fair Value and Carrying Amount</u>
Non-pooled investments			
Negotiable CDs	N/A	1 to 3 years	\$ 298,222
Negotiable CDs	N/A	More than 3 years	747,214
U.S. Government Agencies	AAA	More than 3 years	97,986
Pooled investments			
4M Fund	N/A	Less than 6 months	<u>1,405,661</u>
Total investments			<u><u>\$ 2,549,083</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, 2015

**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	\$ 4,004,836
Investments	2,549,083
Cash on hand	<u>555</u>
Total	<u><u>\$ 6,554,474</u></u>
As reported in the financial statements	
Statement of net position	
Primary government	
Governmental activities	
Cash and temporary investments	\$ 3,653,714
Business-type activities	
Cash and temporary investments	2,601,851
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>298,909</u>
Total	<u><u>\$ 6,554,474</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, 2015 was \$54,403.

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, 2015 was \$123,724.

The total loan receivable balance as of December 31, 2015 was \$178,127.

**C. Contract for deed receivable**

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, 2015 was \$15,715.

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, 2015 was \$201,438.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**D. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 908,474	\$ -	\$ -	\$ 908,474
Construction in progress	1,354,542	-	(1,321,425)	33,117
 Total capital assets not being depreciated	 2,263,016	 -	 (1,321,425)	 941,591
Capital assets being depreciated				
Buildings and improvements	4,846,250	26,311	-	4,872,561
System improvements/infrastructure	10,248,672	1,359,171	-	11,607,843
Machinery and equipment	1,718,306	83,464	(33,640)	1,768,130
Vehicles	2,717,033	-	(24,605)	2,692,428
 Total capital assets being depreciated	 19,530,261	 1,468,946	 (58,245)	 20,940,962
Less accumulated depreciation for				
Buildings and improvements	(1,222,648)	(118,756)	-	(1,341,404)
System improvements/infrastructure	(2,869,615)	(337,994)	-	(3,207,609)
Machinery and equipment	(927,827)	(98,722)	24,723	(1,001,826)
Vehicles	(1,696,708)	(145,154)	24,605	(1,817,257)
 Total accumulated depreciation	 (6,716,798)	 (700,626)	 49,328	 (7,368,096)
 Total capital assets being depreciated, net	 12,813,463	 768,320	 (8,917)	 13,572,866
 Governmental activities capital assets, net	 <u>\$ 15,076,479</u>	 <u>\$ 768,320</u>	 <u>\$ (1,330,342)</u>	 <u>\$ 14,514,457</u>

**Primary government**

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

<b>Governmental activities</b>	
General government	\$ 48,962
Public safety	187,497
Public works	375,861
Culture and recreation	88,306
 Total depreciation expense - governmental activities	 <u>\$ 700,626</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 87,816	\$ -	\$ -	\$ 87,816
Construction in progress	1,227,692	-	(1,227,692)	-
 Total capital assets not being depreciated	 1,315,508	 -	 (1,227,692)	 87,816
Capital assets being depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	31,546,250	1,227,692	-	32,773,942
Machinery and equipment	875,598	105,633	(8,000)	973,231
Vehicles	506,241	39,593	-	545,834
 Total capital assets being depreciated	 32,944,069	 1,372,918	 (8,000)	 34,308,987
Less accumulated depreciation for				
Buildings and improvements	(8,980)	(534)	-	(9,514)
System improvements/infrastructure	(10,517,706)	(835,740)	-	(11,353,446)
Machinery and equipment	(543,451)	(58,592)	867	(601,176)
Vehicles	(334,403)	(44,921)	-	(379,324)
 Total accumulated depreciation	 (11,404,540)	 (939,787)	 867	 (12,343,460)
 Total capital assets being depreciated, net	 21,539,529	 433,131	 (7,133)	 21,965,527
 Business-type activities capital assets, net	 <u>\$ 22,855,037</u>	 <u>\$ 433,131</u>	 <u>\$ (1,234,825)</u>	 <u>\$ 22,053,343</u>

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

<b>Business-type activities</b>	
Water Utility	\$ 355,709
Disposal	502,548
Ambulance	53,794
Storm Water	27,736
 Total depreciation expense - business-type activities	 <u>\$ 939,787</u>



CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

*Discretely presented component units*

Activity for the Economic Development Authority for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 734,124	\$ -	\$ -	\$ 734,124

**E. Transfers**

*Interfund transfers*

The composition of interfund transfers as of December 31, 2015, is as follows:

Fund	Transfers in					Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Disposal	Ambulance Fund	
Transfer out						
General	\$ -	\$ -	\$ 102,075	\$ -	\$ 6,125	\$ 108,200
Nonmajor governmental	24,803	15,000	50,401	8,802	-	99,006
Water Utility	5,475	100,000	10,000	-	-	115,475
Disposal	5,475	25,000	10,000	-	-	40,475
Ambulance	2,750	-	-	-	-	2,750
Nonmajor enterprise	2,750	-	-	-	-	2,750
<b>Total</b>	<b>\$41,253</b>	<b>\$ 140,000</b>	<b>\$ 172,476</b>	<b>\$ 8,802</b>	<b>\$ 6,125</b>	<b>\$ 368,656</b>

During the year, transfers are used to 1) reimburse the General fund for information technology cost and 2) move General fund resources to provide funds for future capital purchases. Further, during the year ended December 31, 2015, the City made the following one-time transfers:

- A transfer of \$8,303 from nonmajor governmental funds to the General fund for project costs.
- A transfer of \$8,802 from nonmajor governmental funds to the Disposal fund for project costs.
- A transfer of \$39,098 from nonmajor governmental funds to nonmajor governmental fund to close funds.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**F. 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:

General obligation improvement bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2011A	3,150,000	2.00 - 3.40 %	10/13/11	02/01/32	\$ 2,705,000
G.O. Improvement Bonds of 2012A	932,000	.75 - 2.5	05/01/12	02/01/22	514,000
G.O. Refunding Permanent Bonds of 2012B	3,085,000	1.00 - 1.65	11/28/12	02/01/23	2,430,000
G.O. Improvement Bonds of 2013A	2,575,000	2.00 - 4.00	08/07/13	02/01/34	<u>2,480,000</u>
Total G.O. Improvement Bonds					<u>\$ 8,129,000</u>

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

Year Ending December 31,	<b>G.O. Improvement Bonds</b> Governmental Activities			<b>G.O. Improvement Bonds</b> Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 729,000	\$ 49,348	\$ 778,348	\$ 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	97,611	217,611
2020	575,000	68,412	643,412	125,000	93,158	218,158
2021 - 2025	1,735,000	210,363	1,945,363	670,000	275,656	945,656
2026 - 2030	700,000	42,088	742,088	785,000	164,378	949,378
2031 - 2034	-	-	-	500,000	30,480	530,480
Total	<u>\$ 5,584,000</u>	<u>\$ 626,684</u>	<u>\$ 6,210,684</u>	<u>\$ 2,545,000</u>	<u>\$ 877,898</u>	<u>\$ 3,422,898</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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	\$ 1,750,000
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	8,021,909	2.86	11/20/01	08/20/22	3,387,909
G.O. Water Revenue Refunding Bonds - Series 2010A	3,560,000	1.00 - 3.50	12/09/10	08/01/21	<u>2,045,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 7,182,909</u></u>

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2016	\$ 1,039,000	\$ 170,931	\$ 1,209,931
2017	1,065,000	181,109	1,246,109
2018	1,092,000	151,751	1,243,751
2019	1,124,000	90,563	1,214,563
2020	1,152,000	58,814	1,210,814
2021 - 2022	<u>1,710,909</u>	<u>66,937</u>	<u>1,777,846</u>
Total	<u><u>\$ 7,182,909</u></u>	<u><u>\$ 720,105</u></u>	<u><u>\$ 7,903,014</u></u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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	03/25/20	<u>\$ 77,021</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
	2016	\$ 7,055	\$ 2,292	\$ 9,347	\$ 7,054	\$ 2,292
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	<u>8,378</u>	<u>969</u>	<u>9,347</u>	<u>8,380</u>	<u>969</u>	<u>9,349</u>
Total	<u>\$ 38,510</u>	<u>\$ 8,223</u>	<u>\$ 46,733</u>	<u>\$ 38,511</u>	<u>\$ 8,223</u>	<u>\$ 46,734</u>

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

Asset	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 84,251	\$ 84,250
Less: Accumulated depreciation	<u>(26,679)</u>	<u>(26,679)</u>
Total	<u>\$ 57,572</u>	<u>\$ 57,571</u>

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Changes in long-term liabilities

During the year ended December 31, 2015, the following changes in long-term liabilities occurred:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation special assessment bonds	\$ 7,699,000	\$ -	\$ (2,115,000)	\$ 5,584,000	\$ 729,000
Capital leases payable	54,581	-	(16,071)	38,510	7,055
Compensated absences payable	178,777	46,516	(44,694)	180,599	45,150
Pension liability					
GERF		1,166,944 *	(25,002)	1,141,942	-
PEPFF	-	576,383 *	(30,991)	545,392	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activity long-term liabilities	<u>\$ 7,932,358</u>	<u>\$ 1,789,843</u>	<u>\$ (2,231,758)</u>	<u>\$ 7,490,443</u>	<u>\$ 781,205</u>
<b>Business-type activities</b>					
Bonds payable					
General obligation revenue bonds	\$ 8,196,909	\$ -	\$ (1,013,999)	\$ 7,182,910	\$ 1,039,000
General obligation improvement bonds	2,645,000	-	(100,000)	2,545,000	115,000
Capital leases payable	53,828	-	(15,317)	38,511	7,054
Compensated absences payable	43,547	17,560	(10,887)	50,220	12,555
Pension liability					
GERF	-	317,024 *	(24,667)	292,357	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Business-type activity long-term liabilities	<u>\$ 10,939,284</u>	<u>\$ 17,560</u>	<u>\$ (1,140,203)</u>	<u>\$ 10,108,998</u>	<u>\$ 1,173,609</u>
<b>Component unit - EDA</b>					
Compensated absences payable	\$ 13,797	\$ 5,484	\$ (3,449)	\$ 15,832	\$ 3,958
Pension liability					
GERF	-	87,717 *	(39,816)	47,901	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Component unit long-term liabilities	<u>\$ 13,797</u>	<u>\$ 93,201</u>	<u>\$ (43,265)</u>	<u>\$ 63,733</u>	<u>\$ 3,958</u>

\* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 9 for further detail.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

**G. Fund balance**

At December 31, 2015, 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	\$ 31,206	\$ -	\$ 5,829	\$ 37,035
Restricted for				
Debt service	\$ -	\$ 1,011,320	\$ -	\$ 1,011,320
Cable television	-	-	112,492	112,492
Park capital	-	-	30,556	30,556
Total restricted	\$ -	\$ 1,011,320	\$ 143,048	\$ 1,154,368
Committed for				
Street capital	\$ -	\$ -	\$ 16,147	\$ 16,147
Public works capital	-	-	60,053	60,053
Police capital	-	-	28,029	28,029
Fire capital	-	-	169,343	169,343
Administration capital	-	-	39,532	39,532
Park capital	-	-	43,107	43,107
Library capital	-	-	44,138	44,138
Total committed	\$ -	\$ -	\$ 400,349	\$ 400,349
Assigned				
Library operations	\$ 260,000	\$ -	\$ 66,588	326,588
Eastside improvement	-	-	21,546	21,546
Public improvements	-	-	143,488	143,488
Total assigned	\$ 260,000	\$ -	\$ 231,622	\$ 491,622

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Substantially all employees of the City are required by state law to belong to the pension plan administered by Public Employees Retirement Association (PERA), which is administered on a statewide basis.

Disclosures relating to this plan follow:

**A. Plan description**

The City participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

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

Public Employees Police and Fire Fund (PEPFF)

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

**B. Benefits provided**

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

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

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

GERF benefits

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

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**C. Contributions**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ending December 31, 2015, 2014 and 2013 were \$130,505, \$119,821 and \$116,985, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$71,922, \$69,039 and \$65,846, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension costs**

GERF pension costs

At December 31, 2015, the City reported a liability of \$1,482,200 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0286 percent which was a decrease of 0.0026 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$124,173 for its proportionate share of GERF's pension expense.



CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

At December 31, 2015, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,995	\$ 74,728
Changes in actuarial assumptions	91,057	-
Net difference between projected and actual earnings on plan investments	-	131,943
Changes in proportion	-	105,505
Contributions to GERP subsequent to the measurement date	66,186	-
Total	\$ 172,238	\$ 312,176

Deferred outflows of resources totaling \$66,186 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ (62,726)
2017	(62,726)
2018	(115,752)
2019	35,080
2020	-

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$545,392 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.048 percent which was a decrease of 0.004 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$46,920 for its proportionate share of PEPFF's pension expense.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 629	\$ 88,445
Changes in actuarial assumptions	103,614	-
Net difference between projected and actual earnings on plan investments	-	96,828
Changes in proportion	-	44,717
Contributions to PEPFF subsequent to the measurement date	37,256	-
Total	\$ 141,499	\$ 229,990

Deferred outflows of resources totaling \$46,920 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ (40,767)
2017	(40,767)
2018	(40,767)
2019	23,185
2020	(26,631)
Thereafter	-

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

**E. Actuarial assumptions**

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

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1<sup>st</sup> until 2034, then 2.5 percent for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.0
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

**F. Discount rate**

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

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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

**G. Pension liability sensitivity**

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

	City proportionate share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF	\$ 2,330,546	\$ 1,482,200
PEPFF	1,062,975	545,392	117,779

**H. Pension plan fiduciary net position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE 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 Fire Department Relief Association (the Association). As of December 31, 2014, the plan covered 30 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred. 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.

**B. Benefits provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed a minimum of 10 years of service.

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.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$49,960 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2015 were \$49,960. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

**D. Pension costs**

At December 31, 2015, the City reported a net pension asset of \$119,444 for the plan. The net pension asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$46,920.

CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION – CONTINUED**

At December 31, 2015, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -
Changes in actuarial assumptions	-
Net difference between projected and actual earnings on plan investments	20,703
Changes in proportion	-
State aid to City subsequent to the measurement date	-
Contributions to plan subsequent to the measurement date	<u>49,960</u>
Total	<u><u>\$ 70,663</u></u>

Deferred outflows of resources totaling \$49,960 related to pensions resulting from the City’s contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2016	\$ 17,666
2017	17,666
2018	17,666
2019	17,665
2020	-
Thereafter	-

**F. Actuarial assumptions**

The total pension liability at December 31, 2014 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 50 percent of age 50 or 20 years of service, 50 percent at ages 51-64 and 100 percent at age 65 or 30 years of service.	
Cost of living increases	2.75% per year
Investment rate of return	5.75%
20 year municipal bond yield	3.56%

There were no changes in actuarial assumptions in 2014.

The 5.75 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan’s target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

CITY OF CANNON FALLS, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	50.25 %	5.25 %
International equity	24.74	5.25
Fixed income	0.77	1.75
Real estate	1.55	3.75
Cash	<u>22.69</u>	0.25
Total	<u><u>100.00</u></u> %	

**G. Discount rate**

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension liability sensitivity**

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	<u>1 Percent Decrease (4.75%)</u>	<u>Current (5.75%)</u>	<u>1 Percent Increase (6.75%)</u>
Defined benefit plan	\$ 103,574	\$ 119,444	\$ 135,053

**I. Pension plan fiduciary net position**

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, 2015

**Note 6: 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 \$38,510 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 2015 was \$637,001. This accounted for 21 percent of General fund revenues.

**Note 7: 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.

**Note 8: 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.



CITY OF CANNON FALLS, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 9: CHANGE IN ACCOUNTING STANDARDS**

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 13,880,153	\$ (1,780,931)	\$ 12,099,222
Business-type activities	\$ 16,345,914	\$ (295,291)	\$ 16,050,623
Component Unit	\$ 1,381,783	\$ (51,340)	\$ 1,330,443
Business-type activities			
Water Utility	\$ 7,314,083	\$ (73,232)	\$ 7,240,851
Disposal	7,613,452	(76,880)	7,536,572
Storm Water	617,177	(1,233)	615,944
Ambulance	734,402	(99,988)	634,414
Deputy Registrar	(848)	(43,958)	(44,806)
Recycling Program	67,648	-	67,648
Total business-type activities	\$ 16,345,914	\$ (295,291)	\$ 16,050,623

(1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

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**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF CANNON FALLS, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0286 %	\$ 1,482,200	\$ -	\$ 1,482,200	\$ 1,680,069	0.88 %	78.2 %

**Schedule of employer's PERA contributions - General Employees Retirement Fund**

Required Supplementary Information						
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contributions in Relation to the Statutorily Required Contribution (a-b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 130,505	\$ 130,505	\$ -	\$ 1,740,067	7.50 %	

**Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0480 %	\$ 545,392	\$ -	\$ 545,392	\$ 454,662	120.0 %	86.6 %

CITY OF CANNON FALLS, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of employer's PERA contributions - Public Employees Police and Fire Fund**

Year Ending	Required Supplementary Information				
	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 71,922	\$ 71,922	\$ -	\$ 443,963	16.2 %

**Schedule of employer's Fire Relief Association contributions**

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/15	\$ 49,960	\$ 49,960	\$ -
12/31/14	48,792	48,792	-

CITY OF CANNON FALLS, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
 FOR THE YEAR ENDED DECEMBER 31, 2015

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2015
<b>Total pension liability</b>	
Service cost	\$ 28,183
Interest	34,669
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(40,242)
<b>Net change in total pension liability</b>	22,610
<b>Total pension liability - January 1, 2015</b>	594,886
<b>Total pension liability - December 31, 2015 (a)</b>	\$ 617,496
<b>Plan fiduciary net position</b>	
Contributions - employer	48,792
Contributions - employee	137
Net investment income	15,287
Benefit payments, including refunds of employee contributions	(40,242)
Administrative expense	(232)
Other	3,000
<b>Net change in plan fiduciary net position</b>	26,742
<b>Plan fiduciary net position - January 1, 2015</b>	710,198
<b>Plan fiduciary net position - December 31, 2015 (b)</b>	\$ 736,940
<b>Fire Relief's net pension liability (asset) - December 31, 2015 (a-b)</b>	\$ (119,444)
<b>Plan fiduciary net position as a percentage of the total pension liability (b/a)</b>	119.34%
<b>Covered-employee payroll</b>	N/A
<b>Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll</b>	N/A

**Notes to Schedule:**

*Benefit changes.* In 2015, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

*Changes of assumptions.* In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF CANNON FALLS , MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	Special Revenue	Capital Projects	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and temporary investments	\$ 196,226	\$ 464,778	\$ 661,004
Receivables			
Accrued interest	57	76	133
Accounts	8,370	-	8,370
Special assessments	-	25,572	25,572
Prepaid items	5,829	-	5,829
	\$ 210,482	\$ 490,426	\$ 700,908
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 18,531	\$ 37,930	\$ 56,461
Accrued salaries payable	8,880	-	8,880
	27,411	37,930	65,341
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	23,703	23,703
<b>FUND BALANCES</b>			
Nonspendable	5,829	-	5,829
Restricted	112,492	30,556	143,048
Committed	-	400,349	400,349
Assigned	66,588	165,034	231,622
Unassigned	(1,838)	(167,146)	(168,984)
	183,071	428,793	611,864
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	\$ 210,482	\$ 490,426	\$ 700,908



CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue	Capital Projects	Total Nonmajor Funds
REVENUES			
Taxes			
Property	\$ 414,010	\$ -	\$ 414,010
Franchise taxes	39,978	-	39,978
Intergovernmental	213,940	-	213,940
Charges for services	92,410	-	92,410
Fines and forfeitures	7,387	-	7,387
Special assessments	-	4,398	4,398
Interest on investments	73	312	385
Miscellaneous	29,440	750	30,190
	<u>797,238</u>	<u>5,460</u>	<u>802,698</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	331,133	-	331,133
Culture and recreation	405,255	-	405,255
Capital outlay			
Public safety	4,233	2,489	6,722
Public works	-	37,554	37,554
Culture and recreation	29,673	36,559	66,232
	<u>770,294</u>	<u>76,602</u>	<u>846,896</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>26,944</u>	<u>(71,142)</u>	<u>(44,198)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	172,476	172,476
Transfers out	(16,500)	(82,506)	(99,006)
	<u>(16,500)</u>	<u>89,970</u>	<u>73,470</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	10,444	18,828	29,272
FUND BALANCES, JANUARY 1	<u>172,627</u>	<u>409,965</u>	<u>582,592</u>
FUND BALANCES, DECEMBER 31	<u>\$ 183,071</u>	<u>\$ 428,793</u>	<u>\$ 611,864</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>211</b>	<b>220</b>	<b>232</b>	
	Library	Cable Public Television	Fire Department Operations	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ 80,132	\$ 106,666	\$ 9,428	\$ 196,226
Receivables				
Accrued interest	-	57	-	57
Accounts	65	8,305	-	8,370
Prepaid items	1,228	50	4,551	5,829
	<u>1,228</u>	<u>50</u>	<u>4,551</u>	<u>5,829</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 81,425</u></u>	<u><u>\$ 115,078</u></u>	<u><u>\$ 13,979</u></u>	<u><u>\$ 210,482</u></u>
<b>LIABILITIES</b>				
Accounts and contracts payable	\$ 5,009	\$ 2,256	\$ 11,266	\$ 18,531
Accrued salaries payable	8,600	280	-	8,880
	<u>8,600</u>	<u>280</u>	<u>-</u>	<u>8,880</u>
<b>TOTAL LIABILITIES</b>	<u>13,609</u>	<u>2,536</u>	<u>11,266</u>	<u>27,411</u>
<b>FUND BALANCES</b>				
Nonspendable	1,228	50	4,551	5,829
Restricted	-	112,492	-	112,492
Assigned	66,588	-	-	66,588
Unassigned	-	-	(1,838)	(1,838)
	<u>-</u>	<u>-</u>	<u>(1,838)</u>	<u>(1,838)</u>
<b>TOTAL FUND BALANCES</b>	<u>67,816</u>	<u>112,542</u>	<u>2,713</u>	<u>183,071</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 81,425</u></u>	<u><u>\$ 115,078</u></u>	<u><u>\$ 13,979</u></u>	<u><u>\$ 210,482</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, 2015

	<b>211</b>	<b>220</b>	<b>232</b>	
	<u>Library</u>	<u>Cable Public Television</u>	<u>Fire Department Operations</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes				
Property	\$ 307,011	\$ -	\$ 106,999	\$ 414,010
Franchise taxes	-	39,978	-	39,978
Intergovernmental				
Federal	-	-	54,340	54,340
State	-	-	50,960	50,960
County	108,640	-	-	108,640
Charges for services	1,565	260	90,585	92,410
Fines and forfeitures	7,387	-	-	7,387
Interest on investments	-	72	1	73
Miscellaneous				
Contributions and donations	11,352	-	16,000	27,352
Other	42	-	2,046	2,088
<b>TOTAL REVENUES</b>	<u>435,997</u>	<u>40,310</u>	<u>320,931</u>	<u>797,238</u>
<b>EXPENDITURES</b>				
Current				
Public safety	-	-	331,133	331,133
Culture and recreation	389,159	16,096	-	405,255
Capital outlay				
Public safety	-	-	4,233	4,233
Culture and recreation	29,673	-	-	29,673
<b>TOTAL EXPENDITURES</b>	<u>418,832</u>	<u>16,096</u>	<u>335,366</u>	<u>770,294</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	17,165	24,214	(14,435)	26,944
<b>OTHER FINANCING USES</b>				
Transfers out	-	(16,500)	-	(16,500)
<b>NET CHANGE IN FUND BALANCES</b>	17,165	7,714	(14,435)	10,444
<b>FUND BALANCES, JANUARY 1</b>	<u>50,651</u>	<u>104,828</u>	<u>17,148</u>	<u>172,627</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 67,816</u>	<u>\$ 112,542</u>	<u>\$ 2,713</u>	<u>\$ 183,071</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 307,011	\$ 307,011	\$ 307,011	\$ -	\$ 290,432
Intergovernmental					
County	108,639	108,639	108,640	1	103,674
Charges for services	850	850	1,565	715	1,533
Fines and forfeitures	8,000	8,000	7,387	(613)	7,273
Miscellaneous					
Contributions and donations	1,000	1,000	11,352	10,352	11,700
Other	-	-	42	42	775
<b>TOTAL REVENUES</b>	<b>425,500</b>	<b>425,500</b>	<b>435,997</b>	<b>10,497</b>	<b>415,387</b>
EXPENDITURES					
Current					
Culture and recreation					
Personnel services	327,250	327,250	322,914	4,336	301,482
Supplies	6,000	6,000	6,386	(386)	6,264
Other services and charges	64,750	64,750	59,859	4,891	62,585
Capital outlay					
Culture and recreation	27,500	27,500	29,673	(2,173)	21,677
<b>TOTAL EXPENDITURES</b>	<b>425,500</b>	<b>425,500</b>	<b>418,832</b>	<b>6,668</b>	<b>392,008</b>
NET CHANGE IN FUND BALANCES	-	-	17,165	17,165	23,379
FUND BALANCES, JANUARY 1	50,651	50,651	50,651	-	27,272
FUND BALANCES, DECEMBER 31	<u>\$ 50,651</u>	<u>\$ 50,651</u>	<u>\$ 67,816</u>	<u>\$ 17,165</u>	<u>\$ 50,651</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Franchise taxes	\$ 33,300	\$ 33,300	\$ 39,978	\$ 6,678	\$ 30,040
Charges for services	-	-	260	260	-
Interest on investments	-	-	72	72	52
<b>TOTAL REVENUE</b>	<b>33,300</b>	<b>33,300</b>	<b>40,310</b>	<b>7,010</b>	<b>30,092</b>
EXPENDITURES					
Current					
Culture and recreation					
Personnel services	2,250	2,250	9,063	(6,813)	1,749
Supplies	1,350	1,350	1,483	(133)	2,288
Other services and charges	19,050	19,050	5,550	13,500	6,070
<b>TOTAL EXPENDITURES</b>	<b>22,650</b>	<b>22,650</b>	<b>16,096</b>	<b>6,554</b>	<b>10,107</b>
EXCESS OF REVENUES OVER EXPENDITURES	10,650	10,650	24,214	13,564	19,985
OTHER FINANCING USES					
Transfers out	(33,000)	(33,000)	(16,500)	16,500	(32,000)
NET CHANGE IN FUND BALANCES	(22,350)	(22,350)	7,714	30,064	(12,015)
FUND BALANCES, JANUARY 1	104,828	104,828	104,828	-	116,843
FUND BALANCES, DECEMBER 31	\$ 82,478	\$ 82,478	\$ 112,542	\$ 30,064	\$ 104,828

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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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 106,999	\$ 106,999	\$ 106,999	\$ -	\$ 82,350
Intergovernmental revenue					
Federal	54,340	54,340	54,340	-	-
State	45,000	45,000	50,960	5,960	51,942
Charges for services	84,580	84,580	90,585	6,005	88,121
Interest on investments	-	-	1	1	2
Miscellaneous					
Contributions and donations	-	-	16,000	16,000	2,022
Other	-	-	2,046	2,046	3,009
<b>TOTAL REVENUES</b>	<b>290,919</b>	<b>290,919</b>	<b>320,931</b>	<b>30,012</b>	<b>227,446</b>
<b>EXPENDITURES</b>					
Current					
Public safety					
Personnel services	60,975	60,975	57,551	3,424	49,026
Supplies	74,500	74,500	101,594	(27,094)	16,787
Other services and charges	144,944	144,944	171,988	(27,044)	151,995
Capital outlay					
Public safety	10,500	10,500	4,233	6,267	9,233
<b>TOTAL EXPENDITURES</b>	<b>290,919</b>	<b>290,919</b>	<b>335,366</b>	<b>(44,447)</b>	<b>227,041</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(14,435)</b>	<b>(14,435)</b>	<b>405</b>
<b>OTHER FINANCING SOURCES</b>					
Sale of capital assets	-	-	-	-	5,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(14,435)</b>	<b>(14,435)</b>	<b>5,405</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>17,148</b>	<b>17,148</b>	<b>17,148</b>	<b>-</b>	<b>11,743</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 17,148</b>	<b>\$ 17,148</b>	<b>\$ 2,713</b>	<b>\$ (14,435)</b>	<b>\$ 17,148</b>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES  
DECEMBER 31, 2015

	<b>502</b>	<b>504</b>	<b>505</b>	<b>506</b>	<b>507</b>
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
<b>ASSETS</b>					
Cash and temporary investments	\$ 141,619	\$ 16,147	\$ 60,053	\$ 28,029	\$ 169,343
Receivables					
Accrued interest	-	-	-	-	-
Special assessments	25,572	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 167,191</u></b>	<b><u>\$ 16,147</u></b>	<b><u>\$ 60,053</u></b>	<b><u>\$ 28,029</u></b>	<b><u>\$ 169,343</u></b>
<b>LIABILITIES</b>					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - special assessments	23,703	-	-	-	-
<b>FUND BALANCES</b>					
Restricted	-	-	-	-	-
Committed	-	16,147	60,053	28,029	169,343
Assigned	143,488	-	-	-	-
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>143,488</u></b>	<b><u>16,147</u></b>	<b><u>60,053</u></b>	<b><u>28,029</u></b>	<b><u>169,343</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 167,191</u></b>	<b><u>\$ 16,147</u></b>	<b><u>\$ 60,053</u></b>	<b><u>\$ 28,029</u></b>	<b><u>\$ 169,343</u></b>



<b>509</b>	<b>510</b>	<b>511</b>	<b>523</b>	<b>527</b>	<b>225</b>	<b>244</b>
Administration Capital	Park Capital	Library Capital	2011 West Side Reconstruction Project	2013 Eastside Improvement Project	Park Board	Tax Increment Financing District No. 2-1
\$ 39,532	\$ 57,797	\$ 44,138	\$ -	\$ 21,470	\$ 33,835	\$ -
-	-	-	-	76	-	-
-	-	-	-	-	-	-
<u>\$ 39,532</u>	<u>\$ 57,797</u>	<u>\$ 44,138</u>	<u>\$ -</u>	<u>\$ 21,546</u>	<u>\$ 33,835</u>	<u>\$ -</u>
\$ -	\$ 14,690	\$ -	\$ -	\$ -	\$ 3,279	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	30,556	-
39,532	43,107	44,138	-	-	-	-
-	-	-	-	21,546	-	-
-	-	-	-	-	-	-
<u>39,532</u>	<u>43,107</u>	<u>44,138</u>	<u>-</u>	<u>21,546</u>	<u>30,556</u>	<u>-</u>
<u>\$ 39,532</u>	<u>\$ 57,797</u>	<u>\$ 44,138</u>	<u>\$ -</u>	<u>\$ 21,546</u>	<u>\$ 33,835</u>	<u>\$ -</u>

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CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET - CONTINUED  
DECEMBER 31, 2015

	<b>401</b> HWY 20 Clinic Access Road	<b>402</b> 318th St Construction Project	<b>404</b> 2016 Street Improvement Westside Phase II	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ (137,187)	\$ -	\$ (9,998)	\$ 464,778
Receivables				
Accrued interest	-	-	-	76
Special assessments	-	-	-	25,572
<b>TOTAL ASSETS</b>	<u>\$ (137,187)</u>	<u>\$ -</u>	<u>\$ (9,998)</u>	<u>\$ 490,426</u>
<b>LIABILITIES</b>				
Accounts and contracts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,961</u>	<u>\$ 37,930</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,703</u>
<b>FUND BALANCES</b>				
Restricted	-	-	-	30,556
Committed	-	-	-	400,349
Assigned	-	-	-	165,034
Unassigned	<u>(137,187)</u>	<u>-</u>	<u>(29,959)</u>	<u>(167,146)</u>
<b>TOTAL FUND BALANCES</b>	<u>(137,187)</u>	<u>-</u>	<u>(29,959)</u>	<u>428,793</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u>\$ (137,187)</u>	<u>\$ -</u>	<u>\$ (9,998)</u>	<u>\$ 490,426</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>502</b>	<b>504</b>	<b>505</b>	<b>506</b>
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital
REVENUES				
Special assessments	\$ 4,398	\$ -	\$ -	\$ -
Interest on investments	121	-	51	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>4,519</u>	<u>-</u>	<u>51</u>	<u>-</u>
EXPENDITURES				
Capital outlay				
Public safety	-	-	-	2,489
Public works	-	-	2,480	-
Culture and recreation	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>2,480</u>	<u>2,489</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,519</u>	<u>-</u>	<u>(2,429)</u>	<u>(2,489)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,150	52,800	25,750
Transfers out	(15,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(15,000)</u>	<u>5,150</u>	<u>52,800</u>	<u>25,750</u>
NET CHANGE IN FUND BALANCES	(10,481)	5,150	50,371	23,261
FUND BALANCES, JANUARY 1	<u>153,969</u>	<u>10,997</u>	<u>9,682</u>	<u>4,768</u>
FUND BALANCES, DECEMBER 31	<u>\$ 143,488</u>	<u>\$ 16,147</u>	<u>\$ 60,053</u>	<u>\$ 28,029</u>

<b>507</b>	<b>509</b>	<b>510</b>	<b>511</b>	<b>523</b>	<b>527</b>	<b>225</b>	<b>244</b>
Fire Capital	Administration Capital	Park Capital	Library Capital	2011 West Side Reconstruction Project	2013 Eastside Improvement Project	Park Board	Tax Increment Financing District No. 2-1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52	-	-	-	-	79	-	9
750	-	-	-	-	-	-	-
802	-	-	-	-	79	-	9
-	-	-	-	-	-	-	-
-	-	-	-	-	1,848	-	-
-	-	20,445	-	-	-	16,114	-
-	-	20,445	-	-	1,848	16,114	-
802	-	(20,445)	-	-	(1,769)	(16,114)	9
17,775	12,300	6,125	2,175	39,098	-	-	-
-	-	-	-	-	(47,134)	-	(20,372)
17,775	12,300	6,125	2,175	39,098	(47,134)	-	(20,372)
18,577	12,300	(14,320)	2,175	39,098	(48,903)	(16,114)	(20,363)
150,766	27,232	57,427	41,963	(39,098)	70,449	46,670	20,363
<u>\$ 169,343</u>	<u>\$ 39,532</u>	<u>\$ 43,107</u>	<u>\$ 44,138</u>	<u>\$ -</u>	<u>\$ 21,546</u>	<u>\$ 30,556</u>	<u>\$ -</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, 2015

	<b>401</b> HWY 20 Clinic Access Road	<b>402</b> 318th St Construction Project	<b>404</b> 2016 Street Improvement Westside Phase II	Total
<b>REVENUES</b>				
Special assessments	\$ -	\$ -	\$ -	\$ 4,398
Interest on investments	-	-	-	312
Miscellaneous	-	-	-	750
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,460</u>
<b>EXPENDITURES</b>				
Capital outlay				
Public safety	-	-	-	2,489
Public works	-	-	33,226	37,554
Culture and recreation	-	-	-	36,559
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>33,226</u>	<u>76,602</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>(33,226)</u>	<u>(71,142)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	8,036	3,267	172,476
Transfers out	-	-	-	(82,506)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>8,036</u>	<u>3,267</u>	<u>89,970</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	8,036	(29,959)	18,828
<b>FUND BALANCES, JANUARY 1</b>	<u>(137,187)</u>	<u>(8,036)</u>	<u>-</u>	<u>409,965</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u><u>\$ (137,187)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (29,959)</u></u>	<u><u>\$ 428,793</u></u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 214,677	\$ 875	\$ 80,297	\$ 295,849
Receivables				
Accrued interest	76	-	-	76
Accounts	13,939	22	8,503	22,464
Special assessments	7,342	-	3,777	11,119
Prepaid items	-	132	-	132
<b>TOTAL CURRENT ASSETS</b>	<b>236,034</b>	<b>1,029</b>	<b>92,577</b>	<b>329,640</b>
<b>NONCURRENT ASSETS</b>				
Capital assets				
Depreciable buildings, property, and equipment	1,044,998	-	-	1,044,998
Accumulated depreciation	(101,057)	-	-	(101,057)
<b>TOTAL NONCURRENT ASSETS</b>	<b>943,941</b>	<b>-</b>	<b>-</b>	<b>943,941</b>
<b>TOTAL ASSETS</b>	<b>1,179,975</b>	<b>1,029</b>	<b>92,577</b>	<b>1,273,581</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	97	4,880	-	4,977
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	169	6	5,447	5,622
Accrued interest payable	6,900	-	-	6,900
Accrued salaries payable	-	2,665	-	2,665
Compensated absences payable	-	1,266	-	1,266
Capital lease payable	7,055	-	-	7,055
Bonds payable	19,481	-	-	19,481
<b>TOTAL CURRENT LIABILITIES</b>	<b>33,605</b>	<b>3,937</b>	<b>5,447</b>	<b>42,989</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences payable	-	3,798	-	3,798
Capital lease payable	31,456	-	-	31,456
Bonds payable	405,654	-	-	405,654
Pension liability	835	41,992	-	42,827
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>437,945</b>	<b>45,790</b>	<b>-</b>	<b>483,735</b>
<b>TOTAL LIABILITIES</b>	<b>471,550</b>	<b>49,727</b>	<b>5,447</b>	<b>526,724</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension resources	176	8,844	-	9,020
<b>NET POSITION</b>				
Net investment in capital assets	480,295	-	-	480,295
Unrestricted	228,051	(52,662)	87,130	262,519
<b>TOTAL NET POSITION</b>	<b>\$ 708,346</b>	<b>\$ (52,662)</b>	<b>\$ 87,130</b>	<b>\$ 742,814</b>



CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
OPERATING REVENUES				
Charges for services	\$ 146,702	\$ 117,147	\$ 84,852	\$ 348,701
OPERATING EXPENSES				
Personnel services	1,421	99,432	-	100,853
Supplies	4,031	600	-	4,631
Repairs and maintenance	-	389	-	389
Depreciation	27,736	-	-	27,736
Rent	-	16,950	-	16,950
Other services and charges	4,557	4,882	65,395	74,834
TOTAL OPERATING EXPENSES	37,745	122,253	65,395	225,393
OPERATING INCOME (LOSS)	108,957	(5,106)	19,457	123,308
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	78	-	25	103
Loss on disposal of capital assets	(1,783)	-	-	(1,783)
Interest expense	(14,850)	-	-	(14,850)
TOTAL NONOPERATING REVENUES (EXPENSES)	(16,555)	-	25	(16,530)
INCOME (LOSS) BEFORE TRANSFERS	92,402	(5,106)	19,482	106,778
TRANSFERS OUT	-	(2,750)	-	(2,750)
CHANGE IN NET POSITION	92,402	(7,856)	19,482	104,028
NET POSITION, JANUARY 1 AS RESTATED	615,944	(44,806)	67,648	638,786
NET POSITION, DECEMBER 31	\$ 708,346	\$ (52,662)	\$ 87,130	\$ 742,814

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 147,943	\$ 117,125	\$ 84,913	\$ 349,981
Payments to suppliers	(9,165)	(27,729)	(65,395)	(102,289)
Payments to employees	(1,643)	(90,160)	-	(91,803)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>137,135</u>	<u>(764)</u>	<u>19,518</u>	<u>155,889</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers out	-	(2,750)	-	(2,750)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on capital lease	(9,611)	-	-	(9,611)
Principal paid on long-term debt	(17,683)	-	-	(17,683)
Interest paid on long-term debt	(15,344)	-	-	(15,344)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(42,638)</u>	<u>-</u>	<u>-</u>	<u>(42,638)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received from investments	2	-	25	27
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	94,499	(3,514)	19,543	110,528
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>120,178</u>	<u>4,389</u>	<u>60,754</u>	<u>185,321</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 214,677</u>	<u>\$ 875</u>	<u>\$ 80,297</u>	<u>\$ 295,849</u>

CITY OF CANNON FALLS, MINNESOTA  
NONMAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 108,957	\$ (5,106)	\$ 19,457	\$ 123,308
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	27,736	-	-	27,736
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(120)	(22)	96	(46)
Special assessments receivable	1,361	-	(35)	1,326
Prepaid items	-	(34)	-	(34)
Deferred pension resources	(97)	(4,880)	-	(4,977)
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	(480)	6	-	(474)
Accrued salaries payable	-	694	-	694
Compensated absences payable	-	1,700	-	1,700
Deferred pension resources	176	8,844	-	9,020
Pension liability	(398)	(1,966)	-	(2,364)
	<u>\$ 137,135</u>	<u>\$ (764)</u>	<u>\$ 19,518</u>	<u>\$ 155,889</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Loss on disposal of capital assets	<u>\$ 1,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,783</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015			2014	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 1,869,624	\$ 1,869,624	\$ 1,863,901	\$ (5,723)	\$ 1,800,086
Licenses and permits					
Business	20,700	20,700	19,650	(1,050)	25,077
Nonbusiness	50,850	50,850	30,908	(19,942)	31,034
Total	71,550	71,550	50,558	(20,992)	56,111
Intergovernmental					
State					
Local government aid	637,000	637,000	637,001	1	616,525
Market value agricultural credits	-	-	469	469	113
Police and police training	42,000	42,000	54,506	12,506	58,104
PERA aid	4,456	4,456	4,456	-	4,456
Small cities assistance program	-	-	51,210	51,210	-
Other	-	-	-	-	15,957
County					
Police grant	-	-	4,407	4,407	4,744
Total	683,456	683,456	752,049	68,593	699,899
Charges for services					
General government	8,700	8,700	5,885	(2,815)	7,277
Public safety	1,200	1,200	11,114	9,914	2,970
Public works	10,500	10,500	10,851	351	9,702
Culture and recreation	36,200	36,200	36,826	626	36,001
Total	56,600	56,600	64,676	8,076	55,950
Fines and forfeitures	20,500	20,500	27,967	7,467	31,044
Special assessments	-	-	23,712	23,712	11,667
Interest on investments	4,100	4,100	7,269	3,169	22,958
Miscellaneous					
Rents	70,000	70,000	65,027	(4,973)	71,061
Contributions and donations	-	-	8,865	8,865	1,075
Reimbursements	150,300	150,300	158,402	8,102	152,594
Other	20,070	20,070	49,717	29,647	18,109
Total	240,370	240,370	282,011	41,641	242,839
TOTAL REVENUES	2,946,200	2,946,200	3,072,143	125,943	2,920,554

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
Current					
General government					
Mayor and City Council					
Personnel services	\$ 19,925	\$ 19,925	\$ 18,400	\$ 1,525	\$ 19,547
Supplies	1,300	1,300	81	1,219	44
Other services and charges	6,800	6,800	5,675	1,125	5,755
Total	28,025	28,025	24,156	3,869	25,346
Elections					
Personnel services	100	100	17	83	16,074
Supplies	-	-	-	-	31
Other services and charges	900	900	813	87	3,488
Total	1,000	1,000	830	170	19,593
Administrative					
Personnel services	403,325	403,325	402,134	1,191	360,115
Supplies	2,100	2,100	1,949	151	2,229
Other services and charges	62,250	62,250	46,835	15,415	46,282
Total	467,675	467,675	450,918	16,757	408,626
Audit and consulting fees					
Other services and charges	21,000	21,000	19,015	1,985	20,650
Planning and zoning					
Other services and charges	2,100	2,100	2,481	(381)	1,291
Legal					
Other services and charges	66,500	66,500	46,712	19,788	63,153
Information and Technology					
Personnel services	72,675	72,675	43,618	29,057	70,095
Supplies	50	50	16	34	1,720
Other services and charges	11,200	11,200	30,624	(19,424)	25,810
Total	83,925	83,925	74,258	9,667	97,625
General government building					
Personnel services	35,400	35,400	36,152	(752)	34,314
Supplies	3,750	3,750	6,239	(2,489)	4,810
Other services and charges	33,800	33,800	45,749	(11,949)	31,374
Total	72,950	72,950	88,140	(15,190)	70,498
Total general government	743,175	743,175	706,510	36,665	706,782

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public safety					
Police protection					
Personnel services	\$ 786,975	\$ 786,975	\$ 711,555	\$ 75,420	\$ 718,600
Supplies	51,450	51,450	45,959	5,491	50,807
Other services and charges	78,200	78,200	113,757	(35,557)	69,788
<b>Total</b>	<b>916,625</b>	<b>916,625</b>	<b>871,271</b>	<b>45,354</b>	<b>839,195</b>
Building inspection					
Personnel services	4,650	4,650	3,572	1,078	2,556
Other services and charges	45,000	45,000	24,338	20,662	25,260
<b>Total</b>	<b>49,650</b>	<b>49,650</b>	<b>27,910</b>	<b>21,740</b>	<b>27,816</b>
Animal control					
Other services and charges	1,000	1,000	1,000	-	1,000
<b>Total public safety</b>	<b>967,275</b>	<b>967,275</b>	<b>900,181</b>	<b>67,094</b>	<b>868,011</b>
Public works					
Public works administration					
Personnel services	195,750	195,750	218,932	(23,182)	180,614
Supplies	34,450	34,450	22,863	11,587	40,296
Other services and charges	22,050	22,050	18,827	3,223	25,878
<b>Total</b>	<b>252,250</b>	<b>252,250</b>	<b>260,622</b>	<b>(8,372)</b>	<b>246,788</b>
Streets and highways					
Personnel services	61,925	61,925	57,050	4,875	52,248
Supplies	31,500	31,500	35,172	(3,672)	31,269
Other services and charges	10,500	10,500	15,461	(4,961)	104,255
<b>Total</b>	<b>103,925</b>	<b>103,925</b>	<b>107,683</b>	<b>(3,758)</b>	<b>187,772</b>
Snow and ice removal					
Personnel services	47,575	47,575	26,370	21,205	50,501
Supplies	19,400	19,400	16,843	2,557	17,366
Other services and charges	5,500	5,500	3,566	1,934	3,851
<b>Total</b>	<b>72,475</b>	<b>72,475</b>	<b>46,779</b>	<b>25,696</b>	<b>71,718</b>

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	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	\$ 26,675	\$ 26,675	\$ 28,306	\$ (1,631)	\$ 21,626
Supplies	13,010	13,010	8,639	4,371	8,156
Other services and charges	23,000	23,000	8,298	14,702	12,009
Total	62,685	62,685	45,243	17,442	41,791
Garage building					
Personnel services	13,250	13,250	10,878	2,372	11,662
Supplies	4,100	4,100	2,156	1,944	3,741
Other services and charges	12,925	12,925	10,807	2,118	16,797
Total	30,275	30,275	23,841	6,434	32,200
Street lighting					
Supplies	500	500	6,167	(5,667)	1,307
Other services and charges	65,000	65,000	60,500	4,500	57,792
Total	65,500	65,500	66,667	(1,167)	59,099
Engineering					
Other services and charges	45,000	45,000	68,468	(23,468)	56,782
Total public works	632,110	632,110	619,303	12,807	696,150
Culture and recreation					
Tree maintenance					
Personnel services	20,275	20,275	17,285	2,990	20,852
Supplies	-	-	1,129	(1,129)	157
Other services and charges	7,800	7,800	14,012	(6,212)	13,350
Total	28,075	28,075	32,426	(4,351)	34,359
Parks					
Personnel services	44,700	44,700	38,967	5,733	47,662
Supplies	13,625	13,625	10,405	3,220	12,308
Other services and charges	22,300	22,300	27,600	(5,300)	27,700
Total	80,625	80,625	76,972	3,653	87,670

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation - continued					
Swimming pool					
Personnel services	\$ 67,775	\$ 67,775	\$ 58,334	\$ 9,441	\$ 61,586
Supplies	9,800	9,800	7,655	2,145	4,118
Other services and charges	16,075	16,075	21,657	(5,582)	50,156
Total	93,650	93,650	87,646	6,004	115,860
Athletic fields					
Personnel services	11,300	11,300	15,213	(3,913)	12,937
Supplies	6,400	6,400	3,103	3,297	4,992
Other services and charges	17,175	17,175	21,720	(4,545)	12,161
Total	34,875	34,875	40,036	(5,161)	30,090
Skating					
Personnel services	4,150	4,150	6,717	(2,567)	4,704
Supplies	300	300	549	(249)	98
Other services and charges	1,635	1,635	12,182	(10,547)	1,960
Total	6,085	6,085	19,448	(13,363)	6,762
Cannon Valley Trail					
Personnel services	148,500	148,500	159,632	(11,132)	154,429
Supplies	-	-	24	(24)	12
Other services and charges	14,120	14,120	13,697	423	13,873
Total	162,620	162,620	173,353	(10,733)	168,314
Total culture and recreation	405,930	405,930	429,881	(23,951)	443,055
Miscellaneous					
Unallocated					
Personnel services	700	700	309	391	5,904
Other services and charges	92,800	92,800	86,391	6,409	65,551
Total miscellaneous	93,500	93,500	86,700	6,800	71,455
Total current expenditures	2,841,990	2,841,990	2,742,575	99,415	2,785,453



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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Capital outlay					
General government	\$ 3,100	\$ 3,100	\$ 3,739	\$ (639)	\$ 1,750
Public safety	6,200	6,200	3,041	3,159	5,910
Public works	5,750	5,750	11,846	(6,096)	10,000
Total capital outlay	<u>15,050</u>	<u>15,050</u>	<u>18,626</u>	<u>(3,576)</u>	<u>17,660</u>
Debt service					
Capital lease					
Principal	27,960	27,960	16,071	11,889	24,448
Interest	2,450	2,450	2,889	(439)	3,719
Total debt service	<u>30,410</u>	<u>30,410</u>	<u>18,960</u>	<u>11,450</u>	<u>28,167</u>
TOTAL EXPENDITURES	<u>2,887,450</u>	<u>2,887,450</u>	<u>2,780,161</u>	<u>107,289</u>	<u>2,831,280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>58,750</u>	<u>58,750</u>	<u>291,982</u>	<u>233,232</u>	<u>89,274</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	49,450	49,450	41,253	(8,197)	92,100
Sale of capital assets	-	-	9,364	9,364	11,550
Transfers out	(108,200)	(108,200)	(108,200)	-	(493,268)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(58,750)</u>	<u>(58,750)</u>	<u>(57,583)</u>	<u>1,167</u>	<u>(389,618)</u>
NET CHANGE IN FUND BALANCES	-	-	234,399	234,399	(300,344)
FUND BALANCES, JANUARY 1	<u>1,932,615</u>	<u>1,932,615</u>	<u>1,932,615</u>	<u>-</u>	<u>2,232,959</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,932,615</u>	<u>\$ 1,932,615</u>	<u>\$ 2,167,014</u>	<u>\$ 234,399</u>	<u>\$ 1,932,615</u>

CITY OF CANNON FALLS, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>516</b> 1997/2003 Improvement Bonds	<b>522</b> 2006B G.O. PIR Bonds	<b>524</b> 2011A G.O. Bonds
<b>ASSETS</b>			
Cash and temporary investments	\$ -	\$ -	\$ 372,420
Receivables			
Accounts	-	-	-
Special assessments	-	-	452,948
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 825,368</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - special assessments	-	-	433,275
<b>FUND BALANCES</b>			
Restricted for debt service	-	-	392,093
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 825,368</b>

<b>526</b> 2012A G.O. Improvement Bond	<b>528</b> 2012B G.O. Refunding Bond	<b>529</b> 2013A G.O. Improvement Bond	Total
\$ 19,722	\$ 112,900	\$ 367,765	\$ 872,807
22,000	-	-	22,000
-	581,077	454,460	1,488,485
<u>\$ 41,722</u>	<u>\$ 693,977</u>	<u>\$ 822,225</u>	<u>\$ 2,383,292</u>
\$ 3,000	\$ -	\$ -	\$ 3,000
-	509,794	425,903	1,368,972
38,722	184,183	396,322	1,011,320
<u>\$ 41,722</u>	<u>\$ 693,977</u>	<u>\$ 822,225</u>	<u>\$ 2,383,292</u>

CITY OF CANNON FALLS, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>516</b> 1997/2003 Improvement Bonds	<b>522</b> 2006B G.O. PIR Bonds	<b>524</b> 2011A G.O. Bonds
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 89,000
Special assessments	-	104,885	40,099
Interest on investments	1	-	453
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<u>1</u>	<u>104,885</u>	<u>129,552</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	-	-	90,000
Interest and other charges	-	30,565	31,808
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>30,565</u>	<u>121,808</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1</u>	<u>74,320</u>	<u>7,744</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,365,000	2,847
Transfers out	(2,847)	(159,290)	-
Principal paid by escrow agent	-	(1,505,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,847)</u>	<u>(299,290)</u>	<u>2,847</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,846)	(224,970)	10,591
<b>FUND BALANCES, JANUARY 1</b>	<u>2,846</u>	<u>224,970</u>	<u>381,502</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 392,093</u></u>

<b>526</b> 2012A G.O. Improvement Bond	<b>528</b> 2012B G.O. Refunding Bond	<b>529</b> 2013A G.O. Improvement Bond	Total
\$ -	\$ 208,000	\$ 86,800	\$ 383,800
-	50	74,736	219,770
-	1,784	47	2,285
<u>22,000</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
<u>22,000</u>	<u>209,834</u>	<u>161,583</u>	<u>627,855</u>
125,000	330,000	65,000	610,000
<u>13,675</u>	<u>29,610</u>	<u>41,145</u>	<u>146,803</u>
<u>138,675</u>	<u>359,610</u>	<u>106,145</u>	<u>756,803</u>
<u>(116,675)</u>	<u>(149,776)</u>	<u>55,438</u>	<u>(128,948)</u>
-	299,290	-	1,667,137
-	(1,365,000)	-	(1,527,137)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,505,000)</u>
<u>-</u>	<u>(1,065,710)</u>	<u>-</u>	<u>(1,365,000)</u>
(116,675)	(1,215,486)	55,438	(1,493,948)
<u>155,397</u>	<u>1,399,669</u>	<u>340,884</u>	<u>2,505,268</u>
<u>\$ 38,722</u>	<u>\$ 184,183</u>	<u>\$ 396,322</u>	<u>\$ 1,011,320</u>

CITY OF CANNON FALLS, MINNESOTA  
ECONOMIC DEVELOPMENT AUTHORITY  
(DISCRETELY PRESENTED COMPONENT UNIT)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	Economic Development	Industrial Revolving Loan	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 94,918	\$ 203,991	\$ 298,909
Receivables			
Accrued interest	-	95	95
Loans	-	178,127	178,127
Contract for deed	-	201,438	201,438
Prepaid items	155	-	155
<b>TOTAL ASSETS</b>	<b>\$ 95,073</b>	<b>\$ 583,651</b>	<b>\$ 678,724</b>
<b>LIABILITIES</b>			
Accounts and contracts payable	\$ 22,138	\$ -	\$ 22,138
Accrued salaries payable	2,905	-	2,905
<b>TOTAL LIABILITIES</b>	<b>25,043</b>	<b>-</b>	<b>25,043</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - contract for deed receivable	-	201,438	201,438
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	155	-	155
Committed			
Economic development	69,875	-	69,875
Revolving loan program	-	382,213	382,213
<b>TOTAL FUND BALANCES</b>	<b>70,030</b>	<b>382,213</b>	<b>452,243</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 95,073</b>	<b>\$ 583,651</b>	<b>\$ 678,724</b>

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

Total fund balances reported above	\$ 452,243
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
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	
Compensated absences payable	(15,832)
Pension liability	(47,901)
Some receivables are not available soon enough to pay for current-period expenditures and, therefore, are unavailable revenue in the funds	
Contract for deed receivable	201,438
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	5,566
Deferred inflows of pension resources	(10,089)
<b>Total net position - Economic Development Authority</b>	<b>\$ 1,319,549</b>

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, 2015

	Economic Development	Industrial Revolving Loan	Total
REVENUES			
Property taxes	\$ 128,275	\$ -	\$ 128,275
Interest on investments	-	404	404
Miscellaneous	11,942	26,301	38,243
	140,217	26,705	166,922
TOTAL REVENUES			
EXPENDITURES			
Current			
Economic development	151,273	11,258	162,531
	(11,056)	15,447	4,391
NET CHANGE IN FUND BALANCES			
FUND BALANCES, JANUARY 1	81,086	366,766	447,852
	\$ 70,030	\$ 382,213	\$ 452,243
FUND BALANCES, DECEMBER 31			

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

Net changes in fund balances - Economic Development Authority	\$ 4,391
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	
Principal payments received for contract for deed	(12,166)
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	(2,035)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(1,084)
Change in net position - Economic Development Authority	\$ (10,894)

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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 128,275	\$ 128,275	\$ 128,275	\$ -	\$ 159,450
Miscellaneous					
Contributions and donations	-	-	1,538	1,538	5,000
Refunds and reimbursements	-	-	10,404	10,404	-
<b>TOTAL REVENUES</b>	<b>128,275</b>	<b>128,275</b>	<b>140,217</b>	<b>11,942</b>	<b>164,450</b>
EXPENDITURES					
Current					
Economic development					
Personnel services	119,175	119,175	123,399	(4,224)	116,479
Supplies	250	250	62	188	231
Other services and charges	8,850	8,850	27,812	(18,962)	16,596
<b>TOTAL EXPENDITURES</b>	<b>128,275</b>	<b>128,275</b>	<b>151,273</b>	<b>(22,998)</b>	<b>133,306</b>
NET CHANGE IN FUND BALANCES	-	-	(11,056)	(11,056)	31,144
FUND BALANCES, JANUARY 1	81,086	81,086	81,086	-	49,942
FUND BALANCES, DECEMBER 31	<u>\$ 81,086</u>	<u>\$ 81,086</u>	<u>\$ 70,030</u>	<u>\$ (11,056)</u>	<u>\$ 81,086</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, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Interest on investments	\$ 450	\$ 450	\$ 404	\$ (46)	\$ 839
Miscellaneous	39,300	39,300	26,301	(12,999)	27,004
<b>TOTAL REVENUE</b>	<b>39,750</b>	<b>39,750</b>	<b>26,705</b>	<b>(13,045)</b>	<b>27,843</b>
EXPENDITURES					
Current					
Economic development					
Other services and charges	5,000	5,000	11,258	(6,258)	8,874
Capital outlay					
Economic development	-	-	-	-	171,206
<b>TOTAL EXPENDITURES</b>	<b>5,000</b>	<b>5,000</b>	<b>11,258</b>	<b>(6,258)</b>	<b>180,080</b>
NET CHANGE IN FUND BALANCES	34,750	34,750	15,447	(19,303)	(152,237)
FUND BALANCES, JANUARY 1	366,766	366,766	366,766	-	314,437
PRIOR PERIOD ADJUSTMENT	-	-	-	-	204,566
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 401,516</b>	<b>\$ 401,516</b>	<b>\$ 382,213</b>	<b>\$ (19,303)</b>	<b>\$ 366,766</b>

CITY OF CANNON FALLS, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
<b>REVENUES</b>			
Taxes	\$ 2,701,689	\$ 2,602,808	3.80 %
Special assessments	247,880	288,610	(14.11)
Licenses and permits	50,558	56,111	(9.90)
Intergovernmental	965,989	856,612	12.77
Charges for services	157,086	145,604	7.89
Fines and forfeits	35,354	38,317	(7.73)
Investment earnings	9,939	28,631	(65.29)
Miscellaneous	334,201	349,845	(4.47)
<b>TOTAL REVENUES</b>	<b><u>\$ 4,502,696</u></b>	<b><u>\$ 4,366,538</u></b>	<b>3.12 %</b>
Per Capita	\$ 1,096	\$ 1,065	2.94 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 706,510	\$ 706,782	(0.04) %
Public safety	1,231,314	1,085,819	13.40
Public works	619,303	696,150	(11.04)
Culture and recreation	835,136	823,493	1.41
Economic development	-	15,349	(100.00)
Miscellaneous	86,700	71,455	21.34
Capital outlay			
General government	3,739	15,502	(75.88)
Public safety	9,763	164,194	(94.05)
Public works	49,400	499,987	(90.12)
Culture and recreation	66,232	52,726	25.62
Debt service			
Principal	626,071	827,448	(24.34)
Interest and other charges	149,692	191,974	(22.02)
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 4,383,860</u></b>	<b><u>\$ 5,150,879</u></b>	<b>(14.89) %</b>
Per Capita	\$ 1,067	\$ 1,256	(15.04) %
Total Long-term Indebtedness	\$ 5,622,510	\$ 7,753,581	(27.48) %
Per Capita	1,369	1,891	(27.61)
General Fund Balance - December 31	\$ 2,167,014	\$ 1,932,615	12.13 %
Per Capita	528	471	11.94

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, 2015

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 20, 2016



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, 2015, 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 20, 2016.

**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 2015-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

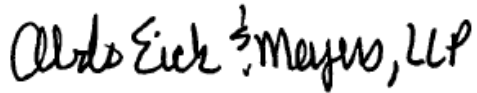
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 20, 2016

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CITY OF CANNON FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Finding      Description

**2015-001      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.