

Annual Financial Report

City of Cannon Falls

Cannon Falls, Minnesota

For the Year Ended
December 31, 2017

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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, 2017

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City of Cannon Falls, Minnesota
 Elected and Appointed Officials
 For the Year Ended December 31, 2017

ELECTED

Name	Title	Term Expires
Lyman (Robby) Robinson	Mayor	12/31/18
Morris Mattson	Council Member	12/31/20
Mike Dalton	Council Member	12/31/20
Cedar Abadie	Council Member	12/31/18
Ken Carpenter	Council Member	12/31/18
LeRoy McCusker	Council Member	12/31/18
John Althoff	Council Member	12/31/18

APPOINTED

Name	Title
Ron Johnson	City Administrator
Lanell Endres	Assistant City Administrator
Tom Bergeson	Public Works Director
Nicole Miller	Library Director
Jeff McCormick	Chief of Police
Campbell, Knutson, P.A.	City Attorney
David Maroney	Community Development Director
Tim Malchow	EMS Chief
Todd Anderson	Fire Chief

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FINANCIAL SECTION
CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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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, 2017, 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 statements.

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

Opinions

In our opinion, the financial statements referred to 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 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 78 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

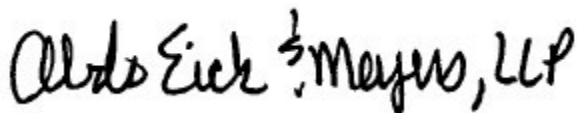
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 23, 2018, 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 23, 2018

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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, 2017.

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 \$29,658,258 (net position). Of this amount, \$4,481,542 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$436,214. This increase is due to governmental activities and business-type activities, which increased \$193,058 and \$243,156, respectively.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,362,853, an increase of \$73,845 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$2,341,662 or 69 percent of budgeted 2018 General fund expenditures.
- The City's outstanding debt decreased by \$1,924,728 during the current fiscal year due to payments made on current outstanding debt.

Overview of the Financial Statements

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

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

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

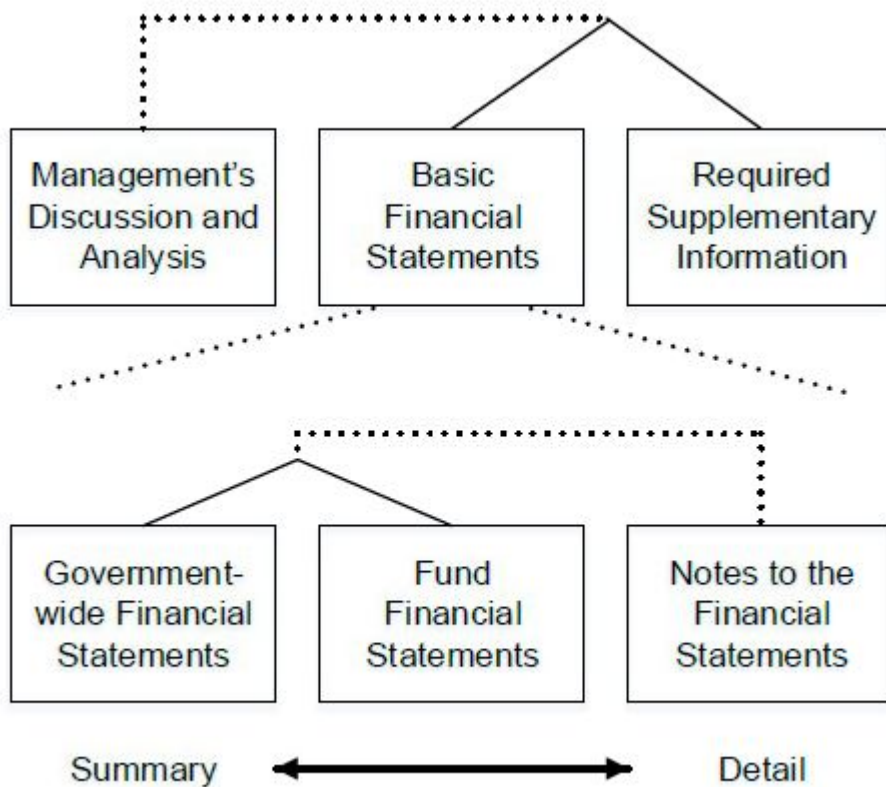


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow 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 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 31 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 several individual governmental funds, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and 2016 Street Improvement - Westside Phase II 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 Special Revenue 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 36 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 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

Required Supplementary Information. In addition to the basic financial statement and accompanying notes, this report also present certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 78 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 \$29,658,258 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	\$ 6,245,238	\$ 6,494,589	\$ (249,351)	\$ 4,451,918	\$ 4,475,590	\$ (23,672)
Capital assets	14,675,372	15,057,442	(382,070)	21,780,989	22,623,094	(842,105)
Total Assets	20,920,610	21,552,031	(631,421)	26,232,907	27,098,684	(865,777)
Deferred Outflows of Resources	1,508,007	2,193,636	(685,629)	96,496	170,981	(74,485)
Liabilities						
Long-term liabilities outstanding	7,633,790	10,087,313	(2,453,523)	9,142,670	10,391,842	(1,249,172)
Other liabilities	390,366	589,992	(199,626)	222,994	197,158	25,836
Total Liabilities	8,024,156	10,677,305	(2,653,149)	9,365,664	10,589,000	(1,223,336)
Deferred Inflows of Resources	1,617,074	474,033	1,143,041	92,868	52,950	39,918
Net Position						
Net investment in capital assets	9,296,281	8,940,987	355,294	13,112,985	12,767,726	345,259
Restricted	2,767,450	2,857,035	(89,585)	-	-	-
Unrestricted	723,656	796,307	(72,651)	3,757,886	3,859,989	(102,103)
Total Net Position	\$ 12,787,387	\$ 12,594,329	\$ 193,058	\$ 16,870,871	\$ 16,627,715	\$ 243,156

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. The decrease in long-term liabilities was a result of a change in the discount rate used for the PEPFF pension plan as well as regular payments on outstanding debt.

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

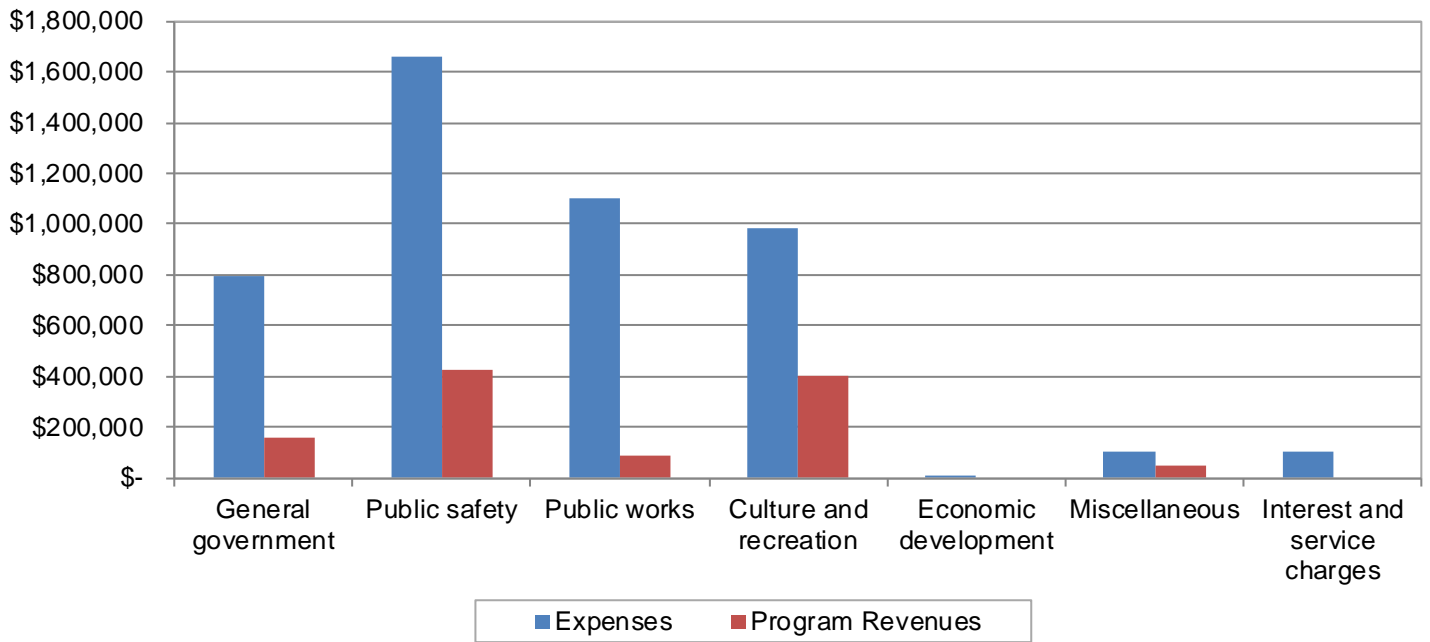
City of Cannon Falls' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 711,652	\$ 559,473	\$ 152,179	\$ 3,345,796	\$ 3,240,808	\$ 104,988
Operating grants and contributions	264,334	235,950	28,384	32,994	4,982	28,012
Capital grants and contributions	150,076	558,501	(408,425)	83,837	139,480	(55,643)
General Revenues						
Taxes	3,016,639	2,777,796	238,843	-	-	-
Grants and Contributions not Restricted to Specific Programs	646,979	646,998	(19)	-	-	-
Investment Earnings	22,185	30,536	(8,351)	25,016	17,518	7,498
Miscellaneous Revenue	-	-	-	-	-	-
Gain on Sale of Capital Assets	7,210	-	7,210	-	-	-
Total Revenues	<u>4,819,075</u>	<u>4,809,254</u>	<u>9,821</u>	<u>3,487,643</u>	<u>3,402,788</u>	<u>84,855</u>
Expenses						
General government	798,158	774,247	23,911	-	-	-
Public safety	1,658,710	1,720,434	(61,724)	-	-	-
Public works	1,103,863	1,049,025	54,838	-	-	-
Culture and recreation	981,823	991,255	(9,432)	-	-	-
Economic development	4,490	4,490	-	-	-	-
Miscellaneous	101,352	95,247	6,105	-	-	-
Interest and service charges	106,311	132,897	(26,586)	-	-	-
Water utility	-	-	-	774,883	760,241	14,642
Disposal	-	-	-	1,222,329	1,161,063	61,266
Storm water	-	-	-	94,326	57,434	36,892
Recycling program	-	-	-	65,370	72,655	(7,285)
Ambulance	-	-	-	815,938	727,593	88,345
Deputy registrar	-	-	-	142,951	135,274	7,677
Total Expenses	<u>4,754,707</u>	<u>4,767,595</u>	<u>(12,888)</u>	<u>3,115,797</u>	<u>2,914,260</u>	<u>201,537</u>
Change in Net Position before Transfers	64,368	41,659	22,709	371,846	488,528	(116,682)
Transfers	<u>128,690</u>	<u>155,150</u>	<u>(26,460)</u>	<u>(128,690)</u>	<u>(155,150)</u>	<u>26,460</u>
Change in Net Position	193,058	196,809	(3,751)	243,156	333,378	(90,222)
Net Position, January 1	<u>12,594,329</u>	<u>12,397,520</u>	<u>196,809</u>	<u>16,627,715</u>	<u>16,294,337</u>	<u>333,378</u>
Net Position, December 31	<u>\$ 12,787,387</u>	<u>\$ 12,594,329</u>	<u>\$ 193,058</u>	<u>\$ 16,870,871</u>	<u>\$ 16,627,715</u>	<u>\$ 243,156</u>

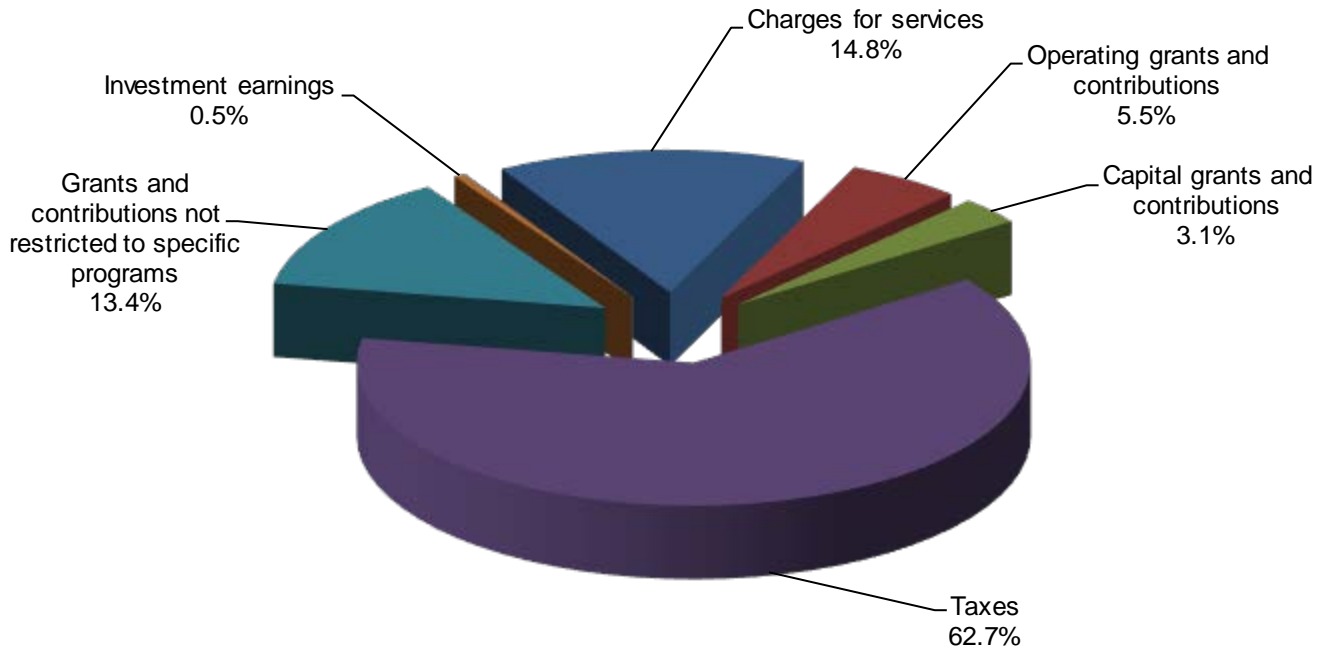
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Governmental Activities. Net position in the governmental activities increased \$193,058.

Expenses and Program Revenues - Governmental Activities

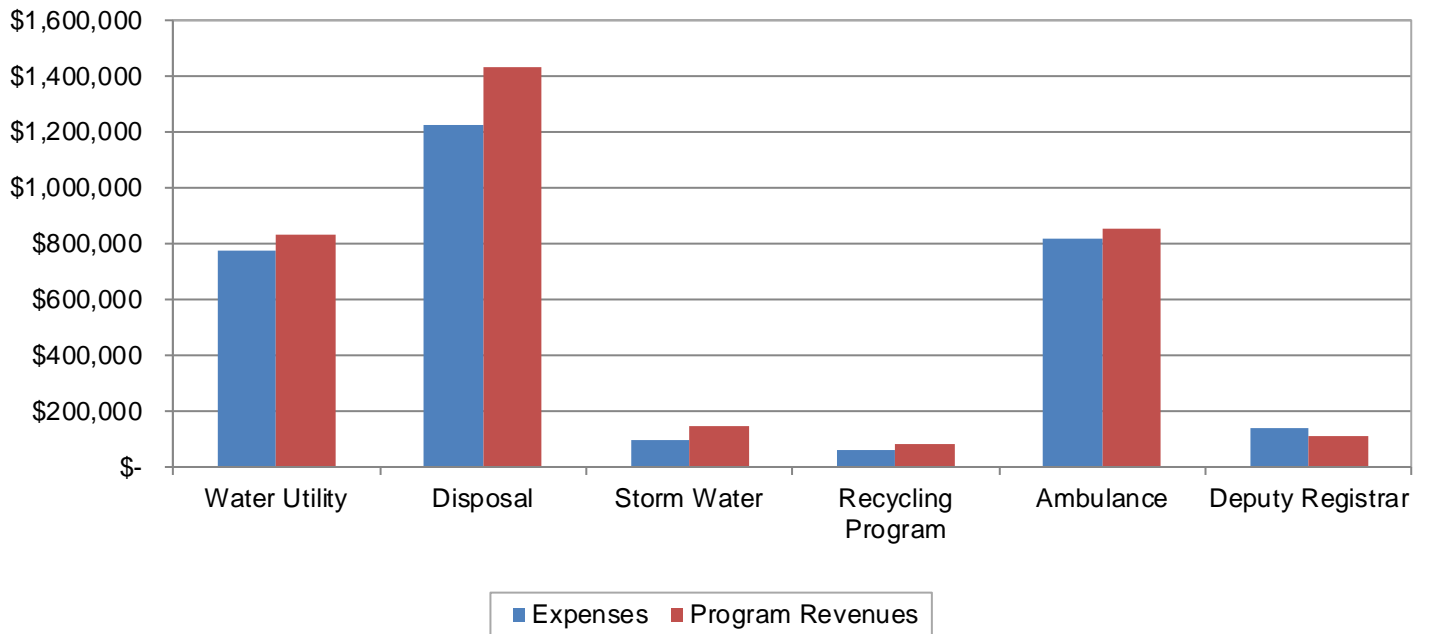


Revenues by Source - Governmental Activities

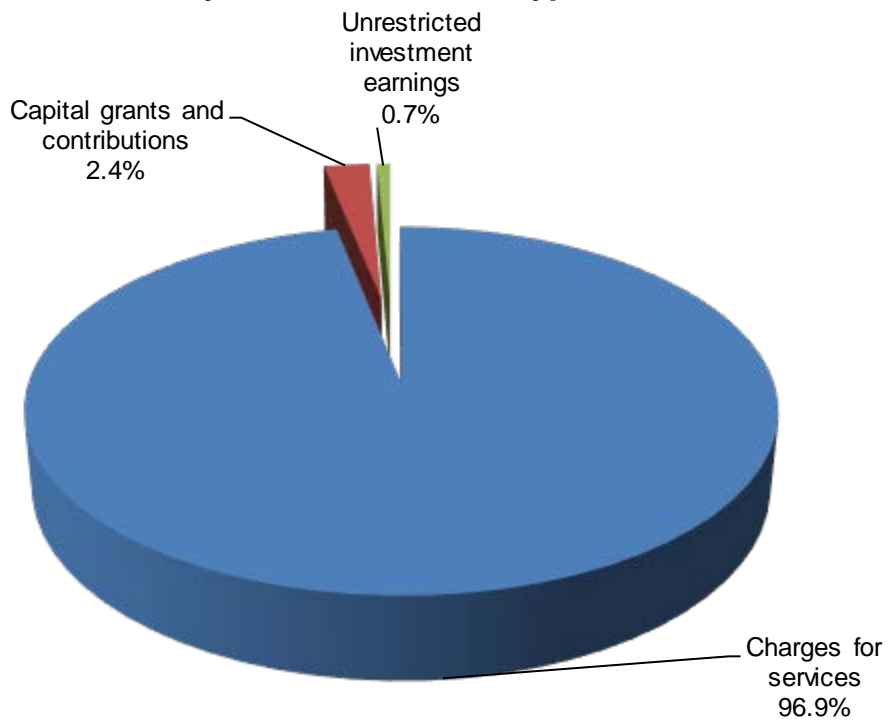


Business-type Activities. Net position in business-type activities increased by \$243,156.

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 \$4,362,853, an increase of \$73,845 in comparison with the prior year. Approximately 44.2 percent of this total amount (\$1,930,015) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$2,432,838) is not available for new spending because it is either 1) nonspendable (\$46,416) 2) restricted (\$1,561,776), 3) committed (\$537,345), or 4) assigned (\$287,301). For further classification refer to Note 3G on page 64 of this report.

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2017	2016	
General	\$ 2,341,662	\$ 2,075,364	\$ 266,298
Fund balance increased \$266,298. Building permit revenue increased by \$109,519 from 2016. The City also received \$51,197 in disaster aid.			
Debt Service	\$ 1,388,902	\$ 1,340,897	\$ 48,005
The Debt Service funds increased due to taxes revenue, assessment revenue, and transfers in totaling more than the debt service requirements.			

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 \$3,757,886. 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 2017. Compared to the final budget, revenues were over budget by \$326,469 and expenditures were over budget by \$11,221 .

- The largest revenue variance was from building permits in the nonbusiness revenue category. The revenue amount was \$109,519 over the \$25,900 budgeted amount.
- The largest variances in expenditures included other services and charges under the building inspection category in public safety. Building inspections were \$90,014 over the budgeted amount of \$24,000.

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, 2017, amounts to \$36,456,361 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Additional information on the City's capital assets can be found in Note 3D starting on page 57 of this report.

City of Cannon Falls' Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 914,346	\$ 914,346	\$ -	\$ 87,816	\$ 87,816	\$ -
Construction in Progress	220,870	1,213,313	(992,443)	33,891	1,239,979	(1,206,088)
Buildings and Improvements	3,299,185	3,414,618	(115,433)	5,398	5,932	(534)
System Improvements/Infrastructure	8,891,321	8,039,909	851,412	21,029,964	20,637,193	392,771
Machinery and Equipment	681,171	699,959	(18,788)	362,614	355,704	6,910
Vehicles	668,479	775,297	(106,818)	261,306	296,470	(35,164)
Total	\$ 14,675,372	\$ 15,057,442	\$ (382,070)	\$ 21,780,989	\$ 22,623,094	\$ (842,105)

Long-term Debt. At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$14,047,095. 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Capital Lease Payable	\$ 24,091	\$ 31,455	\$ (7,364)	\$ 24,092	\$ 31,456	\$ (7,364)
General Obligation Revenue Bonds	5,355,000	6,085,000	(730,000)	8,643,912	9,823,912	(1,180,000)
Total	\$ 5,379,091	\$ 6,116,455	\$ (737,364)	\$ 8,668,004	\$ 9,855,368	\$ (1,187,364)

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 60 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property values appear to have stabilized and the City is continuing to see Commercial/Industrial growth with new construction, expansions and remodeling of existing structures.
- 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, 2017

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City of Cannon Falls, Minnesota

Statement of Net Position

December 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 4,294,518	\$ 2,794,188	\$ 7,088,706	\$ 204,839
Receivables				
Accrued interest	1,791	4,982	6,773	4
Taxes	136,887	-	136,887	-
Accounts, net of allowance	145,400	444,636	590,036	14,300
Special assessments	1,492,307	1,174,057	2,666,364	-
Loans	-	-	-	282,467
Contract for deed	6,735	-	6,735	175,612
Inventories, at cost	-	13,976	13,976	-
Prepaid items	46,416	20,079	66,495	177
Net pension asset	121,184	-	121,184	-
Capital assets				
Land and construction in progress	1,135,216	121,707	1,256,923	734,124
Depreciable buildings, property and equipment, net	13,540,156	21,659,282	35,199,438	-
Total Assets	<u>20,920,610</u>	<u>26,232,907</u>	<u>47,153,517</u>	<u>1,411,523</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>1,508,007</u>	<u>96,496</u>	<u>1,604,503</u>	<u>13,235</u>
Liabilities				
Accounts and contracts payable	175,469	92,314	267,783	379
Accrued interest payable	49,479	99,672	149,151	-
Due to other governments	-	1,890	1,890	-
Accrued salaries payable	89,096	29,118	118,214	4,232
Deposits payable	44,122	-	44,122	-
Unearned revenue	32,200	-	32,200	-
Noncurrent liabilities				
Due within one year	687,991	1,287,227	1,975,218	4,345
Due in more than one year	6,945,799	7,855,443	14,801,242	68,518
Total Liabilities	<u>8,024,156</u>	<u>9,365,664</u>	<u>17,389,820</u>	<u>77,474</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>1,617,074</u>	<u>92,868</u>	<u>1,709,942</u>	<u>12,738</u>
Net Position				
Net investment in capital assets	9,296,281	13,112,985	22,409,266	734,124
Restricted for				
Debt service	2,594,576	-	2,594,576	-
Cable television	147,828	-	147,828	-
Park improvements	25,046	-	25,046	-
Unrestricted	<u>723,656</u>	<u>3,757,886</u>	<u>4,481,542</u>	<u>600,422</u>
Total Net Position	<u>\$ 12,787,387</u>	<u>\$ 16,870,871</u>	<u>\$ 29,658,258</u>	<u>\$ 1,334,546</u>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 798,158	\$ 156,300	\$ -	\$ -
Public safety	1,658,710	280,267	149,098	-
Public works	1,103,863	-	-	90,171
Culture and recreation	981,823	275,085	115,236	8,708
Economic development	4,490	-	-	-
Miscellaneous	101,352	-	-	51,197
Interest on long-term debt	106,311	-	-	-
Total Governmental Activities	<u>4,754,707</u>	<u>711,652</u>	<u>264,334</u>	<u>150,076</u>
Business-type Activities				
Water utility	774,883	785,214	-	47,445
Disposal	1,222,329	1,394,159	-	36,392
Storm water	94,326	148,149	-	-
Recycling program	65,370	84,922	-	-
Ambulance	815,938	819,090	32,994	-
Deputy registrar	142,951	114,262	-	-
Total Business-type Activities	<u>3,115,797</u>	<u>3,345,796</u>	<u>32,994</u>	<u>83,837</u>
Total Primary Government	<u>\$ 7,870,504</u>	<u>\$ 4,057,448</u>	<u>\$ 297,328</u>	<u>\$ 233,913</u>
Component Unit				
Economic Development Authority	<u>\$ 142,076</u>	<u>\$ 21,781</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues 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

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (641,858)	\$ -	\$ (641,858)	\$ -
(1,229,345)	-	(1,229,345)	-
(1,013,692)	-	(1,013,692)	-
(582,794)	-	(582,794)	-
(4,490)	-	(4,490)	-
(50,155)	-	(50,155)	-
(106,311)	-	(106,311)	-
<u>(3,628,645)</u>	<u>-</u>	<u>(3,628,645)</u>	<u>-</u>
-	57,776	57,776	-
-	208,222	208,222	-
-	53,823	53,823	-
-	19,552	19,552	-
-	36,146	36,146	-
-	(28,689)	(28,689)	-
<u>-</u>	<u>346,830</u>	<u>346,830</u>	<u>-</u>
<u>(3,628,645)</u>	<u>346,830</u>	<u>(3,281,815)</u>	<u>-</u>
			<u>(120,295)</u>
1,474,385	-	1,474,385	-
512,250	-	512,250	-
-	-	-	140,525
328,700	-	328,700	-
118,084	-	118,084	-
549,334	-	549,334	-
33,886	-	33,886	-
646,979	-	646,979	-
22,185	25,016	47,201	180
7,210	-	7,210	-
128,690	(128,690)	-	-
<u>3,821,703</u>	<u>(103,674)</u>	<u>3,718,029</u>	<u>140,705</u>
193,058	243,156	436,214	20,410
<u>12,594,329</u>	<u>16,627,715</u>	<u>29,222,044</u>	<u>1,314,136</u>
<u>\$ 12,787,387</u>	<u>\$ 16,870,871</u>	<u>\$ 29,658,258</u>	<u>\$ 1,334,546</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Cannon Falls, Minnesota

Balance Sheet
Governmental Funds
December 31, 2017

	General	Debt Service	Other Governmental	Total Governmental
Assets				
Cash and temporary investments	\$ 2,303,679	\$ 1,268,450	\$ 722,389	\$ 4,294,518
Receivables				
Accrued interest	1,738	35	18	1,791
Taxes	136,887	-	-	136,887
Accounts	123,587	7,373	14,440	145,400
Special assessments	109,725	1,368,197	14,385	1,492,307
Contract for deed	6,735	-	-	6,735
Prepaid items	39,483	-	6,933	46,416
	<u>2,721,834</u>	<u>2,644,055</u>	<u>758,165</u>	<u>6,124,054</u>
Total Assets	\$ 2,721,834	\$ 2,644,055	\$ 758,165	\$ 6,124,054
Liabilities				
Accounts and contracts payable	\$ 103,855	\$ -	\$ 71,614	\$ 175,469
Accrued salaries payable	79,681	-	9,415	89,096
Unearned revenue	-	-	32,200	32,200
Deposits payable	44,122	-	-	44,122
Total Liabilities	227,658	-	113,229	340,887
Deferred Inflows of Resources				
Unavailable revenue - property taxes	48,930	-	-	48,930
Unavailable revenue - special assessments	96,849	1,255,153	12,647	1,364,649
Unavailable revenue - contracts for deed	6,735	-	-	6,735
Total Deferred Inflows of Resources	152,514	1,255,153	12,647	1,420,314
Fund Balances				
Nonspendable	39,483	-	6,933	46,416
Restricted	-	1,388,902	172,874	1,561,776
Committed	-	-	537,345	537,345
Assigned	-	-	287,301	287,301
Unassigned	2,302,179	-	(372,164)	1,930,015
Total Fund Balances	2,341,662	1,388,902	632,289	4,362,853
	<u>2,721,834</u>	<u>2,644,055</u>	<u>758,165</u>	<u>6,124,054</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,721,834	\$ 2,644,055	\$ 758,165	\$ 6,124,054

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, 2017

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

Total Fund Balances - Governmental Funds	\$ 4,362,853
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	23,443,498
Less: accumulated depreciation	(8,768,126)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	
	121,184
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	(5,355,000)
Capital lease payable	(24,091)
Compensated absences payable	(193,213)
Pension liability	(2,061,486)
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	48,930
Special assessments receivable	1,364,649
Contract for deed receivable	6,735
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,508,007
Deferred inflows of pension resources	(1,617,074)
Governmental funds do not report a liability for accrued interest until due and payable.	(49,479)
Total Net Position - Governmental Activities	\$ 12,787,387

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, 2017

	General	Debt Service	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 2,025,656	\$ 512,250	\$ 480,670	\$ 3,018,576
Licenses and permits	167,534	-	-	167,534
Intergovernmental	801,051	-	174,447	975,498
Charges for services	74,436	-	95,732	170,168
Fines and forfeitures	35,417	-	6,465	41,882
Special assessments	20,903	247,176	2,965	271,044
Interest on investments	19,196	1,098	1,918	22,212
Miscellaneous	252,162	8,708	85,913	346,783
Total Revenues	<u>3,396,355</u>	<u>769,232</u>	<u>848,110</u>	<u>5,013,697</u>
Expenditures				
Current				
General government	751,635	-	-	751,635
Public safety	1,120,916	-	301,323	1,422,239
Public works	596,812	-	-	596,812
Culture and recreation	414,450	-	436,949	851,399
Miscellaneous	101,352	-	-	101,352
Capital outlay				
General government	1,556	-	8,225	9,781
Public safety	1,089	-	51,479	52,568
Public works	15,315	-	368,026	383,341
Culture and recreation	-	-	39,651	39,651
Debt service				
Principal	7,364	730,000	-	737,364
Interest and service charges	1,983	127,627	-	129,610
Total Expenditures	<u>3,012,472</u>	<u>857,627</u>	<u>1,205,653</u>	<u>5,075,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>383,883</u>	<u>(88,395)</u>	<u>(357,543)</u>	<u>(62,055)</u>
Other Financing Sources (Uses)				
Transfers in	-	136,400	126,775	263,175
Sale of capital assets	5,500	-	1,710	7,210
Transfers out	(123,085)	-	(11,400)	(134,485)
Total Other Financing Sources (Uses)	<u>(117,585)</u>	<u>136,400</u>	<u>117,085</u>	<u>135,900</u>
Net Change in Fund Balances	266,298	48,005	(240,458)	73,845
Fund Balances, January 1	<u>2,075,364</u>	<u>1,340,897</u>	<u>872,747</u>	<u>4,289,008</u>
Fund Balances, December 31	<u>\$ 2,341,662</u>	<u>\$ 1,388,902</u>	<u>\$ 632,289</u>	<u>\$ 4,362,853</u>

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, 2017

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

Net Change in Fund Balances - Governmental Funds	\$ 73,845
<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	341,255
Depreciation expense	(723,325)
<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	730,000
Capital lease principal payments	7,364
<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>	
	23,299
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(51,044)
Direct aid contributions	5,174
<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	(1,937)
Special assessments	(199,895)
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	(7,188)
	(7,188)
Change in Net Position - Governmental Activities	\$ 193,058

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

City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,981,232	\$ 1,981,232	\$ 2,025,656	\$ 44,424
Licenses and permits	46,600	46,600	167,534	120,934
Intergovernmental	694,329	694,329	801,051	106,722
Charges for services	53,400	53,400	74,436	21,036
Fines and forfeitures	22,000	22,000	35,417	13,417
Special assessments	18,450	18,450	20,903	2,453
Interest on investments	5,100	5,100	19,196	14,096
Miscellaneous	248,775	248,775	252,162	3,387
Total Revenues	<u>3,069,886</u>	<u>3,069,886</u>	<u>3,396,355</u>	<u>326,469</u>
Expenditures				
Current				
General government	791,975	791,975	751,635	40,340
Public safety	1,019,910	1,019,910	1,120,916	(101,006)
Public works	640,210	640,210	596,812	43,398
Culture and recreation	436,131	436,131	414,450	21,681
Miscellaneous	89,250	89,250	101,352	(12,102)
Capital outlay	14,400	14,400	17,960	(3,560)
Debt service				
Capital lease				
Principal	7,975	7,975	7,364	611
Interest	1,400	1,400	1,983	(583)
Total Expenditures	<u>3,001,251</u>	<u>3,001,251</u>	<u>3,012,472</u>	<u>(11,221)</u>
Excess of Revenues Over Expenditures	<u>68,635</u>	<u>68,635</u>	<u>383,883</u>	<u>315,248</u>
Other Financing Sources (Uses)				
Transfers in	16,450	16,450	-	(16,450)
Sale of capital assets	-	-	5,500	5,500
Transfers out	(123,085)	(123,085)	(123,085)	-
Total Other Financing Sources (Uses)	<u>(106,635)</u>	<u>(106,635)</u>	<u>(117,585)</u>	<u>(10,950)</u>
Net Change in Fund Balances	(38,000)	(38,000)	266,298	304,298
Fund Balances, January 1	<u>2,075,364</u>	<u>2,075,364</u>	<u>2,075,364</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,037,364</u>	<u>\$ 2,037,364</u>	<u>\$ 2,341,662</u>	<u>\$ 304,298</u>

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, 2017

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
Assets					
Current Assets					
Cash and temporary investments	\$ 1,278,001	\$ 576,007	\$ 448,596	\$ 491,584	\$ 2,794,188
Receivables					
Accrued interest	1,382	3,062	-	538	4,982
Accounts, net of allowance	76,328	122,857	222,107	23,344	444,636
Special assessments	119,964	136,369	-	10,635	266,968
Inventories, at cost	6,988	6,988	-	-	13,976
Prepaid items	2,575	5,326	11,791	387	20,079
Total Current Assets	1,485,238	850,609	682,494	526,488	3,544,829
Noncurrent Assets					
Special assessments receivable	491,821	415,268	-	-	907,089
Capital assets					
Land and construction in progress	87,816	-	-	33,891	121,707
Depreciable buildings, property, and equipment	13,833,168	20,012,669	826,709	1,193,795	35,866,341
Accumulated depreciation	(5,834,586)	(7,727,932)	(475,600)	(168,941)	(14,207,059)
Total Net Capital Assets	8,086,398	12,284,737	351,109	1,058,745	21,780,989
Total Noncurrent Assets	8,578,219	12,700,005	351,109	1,058,745	22,688,078
Total Assets	10,063,457	13,550,614	1,033,603	1,585,233	26,232,907
Deferred Outflows of Resources					
Deferred pension resources	17,191	20,050	44,621	14,634	96,496
Liabilities					
Current Liabilities					
Accounts and contracts payable	15,822	15,838	41,497	19,157	92,314
Accrued interest payable	35,358	56,307	-	8,007	99,672
Due to other governments	1,890	-	-	-	1,890
Accrued salaries payable	4,585	5,442	15,210	3,881	29,118
Compensated absences payable	2,853	3,368	9,328	1,989	17,538
Capital lease payable	-	-	-	7,688	7,688
Bonds payable	406,376	827,644	-	27,981	1,262,001
Total Current Liabilities	466,884	908,599	66,035	68,703	1,510,221
Noncurrent Liabilities					
Compensated absences payable	8,559	10,104	27,984	5,966	52,613
Capital lease payable	-	-	-	16,404	16,404
Bonds payable	2,477,893	4,352,670	-	551,348	7,381,911
Pension liability	72,067	84,052	187,048	61,348	404,515
Total Noncurrent Liabilities	2,558,519	4,446,826	215,032	635,066	7,855,443
Total Liabilities	3,025,403	5,355,425	281,067	703,769	9,365,664
Deferred Inflows of Resources					
Deferred pension resources	16,545	19,297	42,942	14,084	92,868
Net Position					
Net investment in capital assets	5,202,129	7,104,423	351,109	455,324	13,112,985
Unrestricted	1,836,571	1,091,519	403,106	426,690	3,757,886
Total Net Position	\$ 7,038,700	\$ 8,195,942	\$ 754,215	\$ 882,014	\$ 16,870,871

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

City of Cannon Falls, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
Operating Revenues					
Charges for services	\$ 785,214	\$ 1,394,159	\$ 819,090	\$ 347,333	\$ 3,345,796
Operating Expenses					
Personnel services	159,950	191,465	556,291	137,769	1,045,475
Supplies	27,443	40,877	71,575	3,682	143,577
Repairs and maintenance	36,372	47,867	24,219	429	108,887
Depreciation	358,028	517,184	75,593	34,767	985,572
Insurance	2,296	11,236	2,846	-	16,378
Utilities	62,937	128,543	16,003	-	207,483
Other services and charges	38,307	119,712	69,411	107,969	335,399
Total Operating Expenses	<u>685,333</u>	<u>1,056,884</u>	<u>815,938</u>	<u>284,616</u>	<u>2,842,771</u>
Operating Income	<u>99,881</u>	<u>337,275</u>	<u>3,152</u>	<u>62,717</u>	<u>503,025</u>
Nonoperating Revenues (Expenses)					
Interest on investments	11,211	11,061	1,196	1,548	25,016
Other income	-	-	32,994	-	32,994
Interest expense	<u>(89,550)</u>	<u>(165,445)</u>	<u>-</u>	<u>(18,031)</u>	<u>(273,026)</u>
Total Nonoperating Revenues (Expenses)	<u>(78,339)</u>	<u>(154,384)</u>	<u>34,190</u>	<u>(16,483)</u>	<u>(215,016)</u>
Income Before					
Contributions and Transfers	21,542	182,891	37,342	46,234	288,009
Capital Contributions	47,445	36,392	-	-	83,837
Transfers In	-	-	6,400	9,910	16,310
Transfers Out	<u>(110,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(145,000)</u>
Change in Net Position	(41,013)	184,283	43,742	56,144	243,156
Net Position, January 1	<u>7,079,713</u>	<u>8,011,659</u>	<u>710,473</u>	<u>825,870</u>	<u>16,627,715</u>
Net Position, December 31	<u>\$ 7,038,700</u>	<u>\$ 8,195,942</u>	<u>\$ 754,215</u>	<u>\$ 882,014</u>	<u>\$ 16,870,871</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, 2017

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 817,107	\$ 1,431,852	\$ 841,685	\$ 346,155	\$ 3,436,799
Payments to suppliers	(176,994)	(350,090)	(163,985)	(93,183)	(784,252)
Payments to employees	(155,100)	(188,241)	(519,088)	(126,817)	(989,246)
Net Cash Provided (Used) by Operating Activities	<u>485,013</u>	<u>893,521</u>	<u>158,612</u>	<u>126,155</u>	<u>1,663,301</u>
Cash Flows from Noncapital and Related Financing Activities					
Transfers in	-	-	6,400	9,910	16,310
Transfers out	(110,000)	(35,000)	-	-	(145,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(110,000)</u>	<u>(35,000)</u>	<u>6,400</u>	<u>9,910</u>	<u>(128,690)</u>
Cash Flows from Capital and Related Financing Activities					
Permits and connection fees received	18,140	12,710	-	-	30,850
Special assessments received	96,887	71,485	-	-	168,372
Acquisition of capital assets	(13,308)	(31,503)	(64,765)	(33,891)	(143,467)
Capital transfer to (from) other funds	114,102	(156,913)	-	42,811	-
Principal paid on capital leases	-	-	-	(7,364)	(7,364)
Principal paid on bonds	(374,313)	(786,206)	-	(19,481)	(1,180,000)
Interest paid on bonds and capital leases	(94,920)	(174,795)	-	(18,992)	(288,707)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(253,412)</u>	<u>(1,065,222)</u>	<u>(64,765)</u>	<u>(36,917)</u>	<u>(1,420,316)</u>
Cash Flows from Investing Activities					
Interest received from investments	10,370	8,147	1,206	1,130	20,853
Net Increase (Decrease) in Cash and Cash Equivalents	131,971	(198,554)	101,453	100,278	135,148
Cash and Cash Equivalents, January 1	<u>1,146,030</u>	<u>774,561</u>	<u>347,143</u>	<u>391,306</u>	<u>2,659,040</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,278,001</u>	<u>\$ 576,007</u>	<u>\$ 448,596</u>	<u>\$ 491,584</u>	<u>\$ 2,794,188</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 99,881	\$ 337,275	\$ 3,152	\$ 62,717	\$ 503,025
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Other income	-	-	32,994	-	32,994
Depreciation	358,028	517,184	75,593	34,767	985,572
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	31,893	37,693	(10,399)	1,190	60,377
Special assessments receivable	-	-	-	(2,368)	(2,368)
Inventory	(3,648)	(3,648)	-	-	(7,296)
Prepaid items	(154)	(429)	(2,272)	(260)	(3,115)
Deferred pension resources	15,752	17,892	30,847	9,994	74,485
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	(5,740)	2,222	22,341	19,157	37,980
Due to other governments	(97)	-	-	-	(97)
Accrued salaries payable	1,092	650	1,454	438	3,634
Compensated absences payable	1,072	(1,559)	7,843	1,103	8,459
Deferred pension resources	6,343	7,547	19,571	6,457	39,918
Pension liability	(19,409)	(21,306)	(22,512)	(7,040)	(70,267)
Net Cash Provided (Used) by Operating Activities	<u>\$ 485,013</u>	<u>\$ 893,521</u>	<u>\$ 158,612</u>	<u>\$ 126,155</u>	<u>\$ 1,663,301</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, 2017

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, 2017

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, 2017

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.

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.

The Minnesota Municipal Money Market 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 Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2017:

- Negotiable certificates of deposits of \$3,753,266 are valued using a matrix pricing model (Level 2 inputs).

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 2017. 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 \$74,036 as of December 31, 2017.

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 year's levy is certified. All other governmental special assessments receivable not received within 60 days after year end are offset by a deferred inflow of resources in the fund financial statements.

Interfund Receivables and Payables

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

Inventories and Prepaid Items

Inventories of materials and supplies are recorded at cost, which approximates market, using the first-in, first out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are recorded as prepaid items. The City uses the consumption method to account for all prepaid items.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

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 acquisition 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 net 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.

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. The General fund is typically used to liquidate the governmental net pension liability.

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 \$263,364 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 \$17,381.

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 net 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.

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".

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, 2017

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 and special revenue. All annual appropriations lapse at fiscal yearend. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30th, the proposed budget is presented to the City Council for review. The City Council adopts a preliminary maximum budget. Truth-in-taxation notices are mailed out to residents by the County. The City Council holds public hearings and adopts a budget and tax levy in December.

The appropriated budget is prepared by fund, function and department. The City's Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2017.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2017, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$ 3,001,251	\$ 3,012,472	\$ 11,221
Nonmajor			
Cable fund	47,025	72,958	25,933
Fire Department Operations fund	255,819	304,954	49,135
Component Unit			
Economic Development fund	140,525	143,289	2,764

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

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2017:

Fund	Amount
Capital Project	
3rd Street Bridge	\$ 91,450
TIF 2-6.2	9,250
TIF 2-7	5,060
2016 Street Improvement Westside Phase II	20,233
Alexander Court	223,921
Limestone Road Repair Project	2,810
2018 Street Project	15,489
Enterprise Fund	
Deputy Registrar	91,190

These deficits will be eliminated with future transfers and revenue sources.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

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

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$1,897,718 and the bank balance was \$2,697,025. The bank balance was covered by federal depository insurance totaling \$1,597,025, 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, 2017

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

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

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	Less than 6 months	\$ 1,462,006			
Money market fund	N/A	Less than 6 months	180,000			
Non-pooled Investments at Fair Value						
Negotiable CDs	N/A	6 months to 1 year	245,000	\$ -	\$ 245,000	\$ -
Negotiable CDs	N/A	1 to 3 years	2,765,594	-	2,765,594	-
Negotiable CDs	N/A	More than 3 years	521,722	-	521,722	-
U.S. Government Agencies	AAA	1 to 3 years	220,950	-	220,950	-
Total Investments			\$ 5,395,272	\$ -	\$ 3,753,266	\$ -

(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, 2017

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:

	Amount
Carrying Amount of Deposits	\$ 1,897,718
Investments	5,395,272
Cash on Hand	555
Total	\$ 7,293,545
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 7,088,706
Component unit	
Economic Development Authority	
Cash and temporary investments	204,839
Total	\$ 7,293,545

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, 2017. Monthly payments of \$518 are due beginning March 1, 2011. The outstanding balance as of December 31, 2017 was \$44,966.

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. Monthly payments of \$1,035.87 are due beginning December 29, 2012. The outstanding balance as of December 31, 2017 was \$106,110.

On July 13, 2016, the EDA loaned \$150,000 to Tillion Brewing Company at the rate of 3 percent a year. The loan is due on July 13, 2026. Monthly payments of \$1,449 are due beginning August 13, 2016. The outstanding balance at December 31, 2017 was \$131,391.

The total loan receivable balance as of December 31, 2017 was \$282,467.

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, 2017 was \$6,735.

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, 2017 was \$175,612.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 914,346	\$ -	\$ -	\$ 914,346
Construction in progress	1,213,313	220,870	(1,213,313)	220,870
Total Capital Assets not being Depreciated	<u>2,127,659</u>	<u>220,870</u>	<u>(1,213,313)</u>	<u>1,135,216</u>
Capital Assets being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	11,607,843	1,224,701	-	12,832,544
Machinery and equipment	1,795,859	79,913	-	1,875,772
Vehicles	2,733,464	29,084	(35,143)	2,727,405
Total Capital Assets being Depreciated	<u>21,009,727</u>	<u>1,333,698</u>	<u>(35,143)</u>	<u>22,308,282</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,457,943)	(115,433)	-	(1,573,376)
System improvements/infrastructure	(3,567,934)	(373,289)	-	(3,941,223)
Machinery and equipment	(1,095,900)	(98,701)	-	(1,194,601)
Vehicles	(1,958,167)	(135,902)	35,143	(2,058,926)
Total Accumulated Depreciation	<u>(8,079,944)</u>	<u>(723,325)</u>	<u>35,143</u>	<u>(8,768,126)</u>
Total Capital Assets being Depreciated, Net	<u>12,929,783</u>	<u>610,373</u>	<u>-</u>	<u>13,540,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,057,442</u>	<u>\$ 831,243</u>	<u>\$ (1,213,313)</u>	<u>\$ 14,675,372</u>

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

Governmental Activities	
General government	\$ 47,299
Public safety	183,295
Public works	410,501
Culture and recreation	82,230
Total Depreciation Expense - Governmental Activities	<u>\$ 723,325</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 87,816	\$ -	\$ -	\$ 87,816
Construction in progress	1,239,979	(1,206,088)	-	33,891
Total Capital Assets not being Depreciated	<u>1,327,795</u>	<u>(1,206,088)</u>	<u>-</u>	<u>121,707</u>
Capital Assets being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	32,846,668	1,246,801	-	34,093,469
Machinery and equipment	1,020,702	76,138	-	1,096,840
Vehicles	633,436	26,616	-	660,052
Total Capital Assets being Depreciated	<u>34,516,786</u>	<u>1,349,555</u>	<u>-</u>	<u>35,866,341</u>
Less Accumulated Depreciation for				
Buildings and improvements	(10,048)	(534)	-	(10,582)
System improvements/infrastructure	(12,209,475)	(854,030)	-	(13,063,505)
Machinery and equipment	(664,998)	(69,228)	-	(734,226)
Vehicles	(336,966)	(61,780)	-	(398,746)
Total Accumulated Depreciation	<u>(13,221,487)</u>	<u>(985,572)</u>	<u>-</u>	<u>(14,207,059)</u>
Total Capital Assets being Depreciated, Net	<u>21,295,299</u>	<u>363,983</u>	<u>-</u>	<u>21,659,282</u>
Business-type Activities Capital Assets, Net	<u>\$ 22,623,094</u>	<u>\$ (842,105)</u>	<u>\$ -</u>	<u>\$ 21,780,989</u>

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

Business-type Activities	
Water Utility	\$ 358,028
Disposal	517,184
Ambulance	75,593
Storm Water	<u>34,767</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 985,572</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Discretely Presented Component Units

Capital asset activity for the Economic Development Authority for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	<u>\$ 734,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,124</u>

E. Transfers

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2017 is as follows:

Fund	<u>Transfers in</u>				Total
	Debt Service Fund	Nonmajor Governmental Funds	Ambulance Fund	Nonmajor Enterprise Funds	
Transfer Out					
General	\$ -	\$ 123,085	\$ -	\$ -	\$ 123,085
Nonmajor governmental	11,400	-	-	-	11,400
Water Utility	90,000	3,690	6,400	9,910	110,000
Disposal	35,000		-	-	35,000
Total	<u>\$ 136,400</u>	<u>\$ 126,775</u>	<u>\$ 6,400</u>	<u>\$ 9,910</u>	<u>\$ 279,485</u>

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, 2017, the City made the following one-time transfers:

- A transfer of \$11,400 from nonmajor governmental funds to the Debt Service fund for debt related costs.
- A transfer of \$123,085 from the General fund to nonmajor governmental funds for capital improvement purchases.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

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	\$ 2,385,000
G.O. Improvement Bonds of 2012A	932,000	.75 - 2.50	05/01/12	02/01/22	375,000
G.O. Refunding Permanent Bonds of 2012B	3,085,000	1.00 - 1.65	11/28/12	02/01/23	1,465,000
G.O. Improvement Bonds of 2013A	2,575,000	2.00 - 4.00	08/07/13	02/01/34	2,215,000
G.O. Improvement Bonds of 2016A	2,480,000	2.00 - 3.00	06/30/16	02/01/37	<u>2,480,000</u>
Total G.O. Improvement Bonds					<u>\$ 8,920,000</u>

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

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities			G.O. Improvement Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 632,000	\$ 110,491	\$ 742,491	\$ 170,000	\$ 98,980	\$ 268,980
2019	633,000	100,931	733,931	175,000	95,530	270,530
2020	650,000	90,624	740,624	180,000	91,824	271,824
2021	527,000	79,992	606,992	185,000	87,793	272,793
2022	543,000	69,054	612,054	185,000	83,480	268,480
2023 - 2027	1,685,000	206,043	1,891,043	1,000,000	342,956	1,342,956
2028 - 2032	685,000	36,343	721,343	1,160,000	181,460	1,341,460
2033 - 2037	-	-	-	510,000	33,725	543,725
Total	<u>\$ 5,355,000</u>	<u>\$ 693,478</u>	<u>\$ 6,048,478</u>	<u>\$ 3,565,000</u>	<u>\$ 1,015,748</u>	<u>\$ 4,580,748</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

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. They will be repaid from future revenues pledged from the Water and Sewer fund and are backed by the taxing power of the City. For 2017, principal and interest paid and total customer revenues for the Water fund were \$469,233 and \$785,214, respectively. For 2017, principal and interest paid and total customer revenues for the Disposal fund were \$961,001 and \$1,394,159, respectively.

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	4.07 %	06/27/01	08/20/21	\$ 1,202,000
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	8,021,909	2.86	11/20/01	08/20/22	2,486,909
G.O. Water Revenue Refunding Bonds - Series 2010A	3,560,000	1.00 - 3.50	12/09/10	08/01/21	<u>1,390,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 5,078,909</u></u>

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

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2018	\$ 1,092,000	\$ 151,751	\$ 1,243,751
2019	1,124,000	120,619	1,244,619
2020	1,152,000	87,023	1,239,023
2021	1,185,000	51,891	1,236,891
2022	525,909	15,041	540,950
Total	<u><u>\$ 5,078,909</u></u>	<u><u>\$ 426,325</u></u>	<u><u>\$ 5,505,234</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

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>\$ 48,183</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
2018	\$ 7,688	\$ 1,659	\$ 9,347	\$ 7,689	\$ 1,659	\$ 9,348
2019	8,025	1,321	9,346	8,025	1,321	9,346
2020	8,378	969	9,347	8,378	969	9,347
Total	<u>\$ 24,091</u>	<u>\$ 3,949</u>	<u>\$ 28,040</u>	<u>\$ 24,092</u>	<u>\$ 3,949</u>	<u>\$ 28,041</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>(37,913)</u>	<u>(37,913)</u>
Total	<u>\$ 46,338</u>	<u>\$ 46,337</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2017, the following changes in long-term liabilities occurred:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 6,085,000	\$ -	\$ (730,000)	\$ 5,355,000	\$ 632,000
Capital Leases Payable	31,455	-	(7,364)	24,091	7,688
Compensated Absences Payable	186,025	52,337	(45,149)	193,213	48,303
Pension Liability					
GERF	1,778,246	750,966	(1,169,788)	1,359,424	-
PEPFF	2,006,587	1,491,197	(2,795,722)	702,062	-
	<u>\$ 10,087,313</u>	<u>\$ 2,294,500</u>	<u>\$ (4,748,023)</u>	<u>\$ 7,633,790</u>	<u>\$ 687,991</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 6,143,910	\$ -	\$ (1,065,000)	\$ 5,078,910	\$ 1,092,000
General obligation improvement bonds	3,680,002	-	(115,000)	3,565,002	170,000
Capital Leases Payable	31,456	-	(7,364)	24,092	7,689
Compensated Absences Payable	61,692	21,012	(12,553)	70,151	17,538
Pension Liability					
GERF	474,782	284,359	(354,626)	404,515	-
	<u>\$ 10,391,842</u>	<u>\$ 21,012</u>	<u>\$ (1,199,917)</u>	<u>\$ 9,142,670</u>	<u>\$ 1,287,227</u>
Component Unit - EDA					
Compensated Absences Payable	\$ 21,620	\$ -	\$ (4,239)	\$ 17,381	\$ 4,345
Pension Liability					
GERF	69,149	3,046	(16,713)	55,482	-
	<u>\$ 90,769</u>	<u>\$ 3,046</u>	<u>\$ (20,952)</u>	<u>\$ 72,863</u>	<u>\$ 4,345</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance

At December 31, 2017, 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	\$ 39,483	\$ -	\$ 6,933	\$ 46,416
Restricted for				
Debt service	\$ -	\$ 1,388,902	\$ -	\$ 1,388,902
Cable television	-	-	147,828	147,828
Park capital	-	-	25,046	25,046
Total Restricted	<u>\$ -</u>	<u>\$ 1,388,902</u>	<u>\$ 172,874</u>	<u>\$ 1,561,776</u>
Committed for				
Street capital	\$ -	\$ -	\$ 26,822	\$ 26,822
Public works capital	-	-	139,800	139,800
Police capital	-	-	1,653	1,653
Fire capital	-	-	214,294	214,294
Administration capital	-	-	56,857	56,857
Park capital	-	-	49,807	49,807
Library capital	-	-	48,112	48,112
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 537,345</u>	<u>\$ 537,345</u>
Assigned				
Library operations	\$ -	\$ -	\$ 140,584	\$ 140,584
Eastside improvement	-	-	21,550	21,550
Public improvements	-	-	125,167	125,167
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 287,301</u>	<u>\$ 287,301</u>
Unassigned	<u>\$ 2,302,179</u>	<u>\$ -</u>	<u>\$ (372,164)</u>	<u>\$ 1,930,015</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide

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, 2017

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 members 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 2017. 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 2017. The City's contributions to the GERF for the year ending December 31, 2017, 2016 and 2015 were \$140,461, \$136,240 and \$130,505, 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 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$87,838, \$86,782 and \$71,922, 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, 2017, the City reported a liability of \$1,819,421 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,872. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0285 percent which was lower by .0001 of a percent as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$286,539 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$494 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF in the governmental funds, and \$167 in the discretely presented component unit.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2017, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 59,946	\$ 117,036
Changes in Actuarial Assumptions	301,959	182,397
Net Difference between Projected and Actual Earnings on Plan Investments	-	78,535
Changes in Proportion	-	39,740
Contributions to GERF Subsequent to the Measurement Date	<u>72,105</u>	<u>-</u>
Total	<u>\$ 434,010</u>	<u>\$ 417,708</u>

Deferred outflows of resources totaling \$72,105 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ (46,751)
2019	104,079
2020	(35,906)
2021	(77,225)

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$702,062 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0520 percent which was an increase of 0.002 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$41,929 for its proportionate share of PEPFF's pension expense. The City also recognized \$4,680 for the year ended December 31, 2017 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At December 31, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 16,503	\$ 187,318
Changes in Actuarial Assumptions	975,779	996,754
Net Difference between Projected and Actual Earnings on Plan Investments	-	62,810
Changes in Proportion	46,669	26,831
Contributions to PEPFF Subsequent to the Measurement Date	<u>47,564</u>	<u>-</u>
Total	<u><u>\$ 1,086,515</u></u>	<u><u>\$ 1,273,713</u></u>

Deferred outflows of resources totaling \$47,564 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	\$ (26,297)
2019	37,655
2020	(12,231)
2021	(43,624)
2022	(190,265)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	<u>\$ 2,822,057</u>	<u>\$ 1,819,421</u>	<u>\$ 998,581</u>
	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	<u>\$ 1,322,187</u>	<u>\$ 702,062</u>	<u>\$ 190,114</u>

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

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, 2016, 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 firefighter 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.

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 \$50,059 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2016 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, 2017 were \$50,349. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

D. Pension Costs

At December 31, 2017, the City reported a net pension liability (asset) of (\$121,184) for the plan. The net pension asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Vanlwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2016. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
	<u>(a)</u>	<u>(b)</u>	<u>(a-b)</u>
Beginning Balance January 1, 2016	\$ 618,299	\$ 680,030	\$ (61,731)
Changes for the Year			
Service cost	30,861	-	30,861
Interest on pension liability (asset)	37,821	-	37,821
Actuarial experience (gains)/losses	(28,496)	-	(28,496)
Changes of assumptions	4,223	-	4,223
Net investment income	-	52,076	(52,076)
Contributions- donation and other income	-	52,941	(52,941)
Benefit payouts	(88,050)	(88,050)	-
Administrative costs	-	(1,155)	1,155
Total Net Changes	<u>(43,641)</u>	<u>15,812</u>	<u>(59,453)</u>
Ending Balance December 31, 2016	<u>\$ 574,658</u>	<u>\$ 695,842</u>	<u>\$ (121,184)</u>

For the year ended December 31, 2017, the City recognized pension expense of \$43,214.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2017

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

At December 31, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,766
Changes in Actuarial Assumptions	3,818	5,493
Net Difference between Projected and Actual Earnings on Plan Investments	43,046	-
Contributions to Plan Subsequent to the Measurement Date	50,349	-
Total	\$ 97,213	\$ 31,259

Deferred outflows of resources totaling \$50,349 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, 2018. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2018	\$ 13,904
2019	13,903
2020	8,727
2021	(6,020)
2022	(3,133)
Thereafter	(11,776)

E. Actuarial Assumptions

The total pension liability at December 31, 2016 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 50-64 and 100 Percent at Age 65 or 30 Years of Service.	
Inflation rate	2.75% per year
Investment Rate of Return	6.00%
20 Year Municipal Bond Yield	3.78%

There were no changes in actuarial assumptions in 2016.

The 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, 2017

Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)

The target allocation and best estimates of geometric 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	49.14 %	5.58 %
International Equity	24.16	5.71
Fixed Income	6.42	2.27
Real Estate	0.81	4.44
Cash	<u>19.47</u>	0.84
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 6.0 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.

G. 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 (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined Benefit Plan	\$ (103,972)	\$ (121,184)	\$ (137,867)

H. 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, 2017

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 \$31,455 applied against the limit.

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 2017 was \$640,873. This accounted for 18.9 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Cannon Falls, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund

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 (b)	Total (a+b)	City's Covered-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0285 %	\$ 1,819,421	\$ 22,872	\$ 1,842,293	\$ 1,835,533	99.1% %	75.9 %
06/30/16	0.0286	2,322,178	30,356	2,352,534	1,774,875	130.8%	68.9
06/30/15	0.0286	1,482,200	-	1,482,200	1,680,063	88.2%	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 140,461	\$ 140,461	\$ -	\$ 1,872,813	7.50 %
12/31/16	136,240	136,240	-	1,816,533	7.50
12/31/15	130,505	130,505	-	1,740,067	7.50

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of Cannon Falls, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2017

Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund

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-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered -Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0520 %	\$ 702,062	\$ -	\$ 702,062	\$ 528,826	132.8 %	85.4 %
06/30/16	0.0500	2,006,587	-	2,006,587	485,446	413.3	63.9
06/30/15	0.0480	545,392	-	545,392	438,670	124.3	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	\$ 87,838	\$ 87,838	\$ -	\$ 542,210	16.2 %
12/31/16	86,782	86,782	-	535,691	16.2
12/31/15	71,922	71,922	-	443,963	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Cannon Falls, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2017

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/17	\$ 50,349	\$ 50,349	\$ -
12/31/16	50,059	50,059	-
12/31/15	49,960	49,960	-
12/31/14	48,792	48,792	-

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2017

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

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	37,821	35,024	34,669
Changes of benefit terms	-	18,597	-
Differences between expected and actual experience	(28,496)	-	-
Changes of assumptions	4,223	(7,109)	-
Benefit payments	(88,050)	(74,667)	(40,242)
Net Change in Total Pension Liability	(43,641)	803	22,610
Total Pension Liability - January 1	618,299	617,496	594,886
Total Pension Liability - December 31	<u>\$ 574,658</u>	<u>\$ 618,299</u>	<u>\$ 617,496</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	-	-	137
Projected investment return	52,076	(32,964)	15,287
Benefit payments	(88,050)	(74,667)	(40,242)
Administrative expenses	(1,155)	(239)	(232)
Other	-	-	3,000
Net Change in Plan Fiduciary Net Position	15,812	(56,910)	26,742
Plan Fiduciary Net Position - January 1	680,030	736,940	710,198
Plan Fiduciary Net Position - December 31 (B)	<u>\$ 695,842</u>	<u>\$ 680,030</u>	<u>\$ 736,940</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (A-B)	<u>\$ (121,184)</u>	<u>\$ (61,731)</u>	<u>\$ (119,444)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (B/A)	121.09%	109.98%	119.34%
Covered-employee Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes. No changes since last valuation.

Changes of Assumptions. No changes since last valuation.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Cannon Falls, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2017

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 315,331	\$ 407,058	\$ 722,389
Receivables			
Accrued interest	10	8	18
Accounts	7,911	6,529	14,440
Special assessments	-	14,385	14,385
Prepaid items	6,933	-	6,933
Total Assets	\$ 330,185	\$ 427,980	\$ 758,165
Liabilities			
Accounts payable	\$ 29,376	\$ 42,238	\$ 71,614
Accrued salaries payable	9,415	-	9,415
Unearned revenue	-	32,200	32,200
Total Liabilities	38,791	74,438	113,229
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	12,647	12,647
Fund Balances			
Nonspendable	6,933	-	6,933
Restricted	147,828	25,046	172,874
Committed	-	537,345	537,345
Assigned	140,584	146,717	287,301
Unassigned	(3,951)	(368,213)	(372,164)
Total Fund Balances	291,394	340,895	632,289
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 330,185	\$ 427,980	\$ 758,165

City of Cannon Falls, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2017

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property	\$ 446,784	\$ -	\$ 446,784
Franchise taxes	33,886	-	33,886
Intergovernmental	174,447	-	174,447
Charges for services	95,732	-	95,732
Fines and forfeitures	6,465	-	6,465
Special assessments	-	2,965	2,965
Interest on investments	7	1,911	1,918
Miscellaneous	74,113	11,800	85,913
Total Revenues	<u>831,434</u>	<u>16,676</u>	<u>848,110</u>
Expenditures			
Current			
Public safety	301,323	-	301,323
Culture and recreation	436,949	-	436,949
Capital outlay			
General government	-	8,225	8,225
Public safety	3,631	47,848	51,479
Public works	-	368,026	368,026
Culture and recreation	33,075	6,576	39,651
Total Expenditures	<u>774,978</u>	<u>430,675</u>	<u>1,205,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>56,456</u>	<u>(413,999)</u>	<u>(357,543)</u>
Other Financing Sources (Uses)			
Transfers in	-	126,775	126,775
Sale of capital assets	-	1,710	1,710
Transfers out	-	(11,400)	(11,400)
Total Other Financing Sources (Uses)	<u>-</u>	<u>117,085</u>	<u>117,085</u>
Net Change in Fund Balances	56,456	(296,914)	(240,458)
Fund Balances, January 1	<u>234,938</u>	<u>637,809</u>	<u>872,747</u>
Fund Balances, December 31	<u>\$ 291,394</u>	<u>\$ 340,895</u>	<u>\$ 632,289</u>

City of Cannon Falls, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2017

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 157,411	\$ 144,894	\$ 13,026	\$ 315,331
Accrued interest	-	6	4	10
Accounts receivable	307	6,414	1,190	7,911
Prepaid items	1,285	56	5,592	6,933
Total Assets	<u>\$ 159,003</u>	<u>\$ 151,370</u>	<u>\$ 19,812</u>	<u>\$ 330,185</u>
Liabilities				
Accounts payable	\$ 8,611	\$ 2,606	\$ 18,159	\$ 29,376
Accrued salaries payable	8,523	880	12	9,415
Total Liabilities	<u>17,134</u>	<u>3,486</u>	<u>18,171</u>	<u>38,791</u>
Fund Balances				
Nonspendable	1,285	56	5,592	6,933
Restricted	-	147,828	-	147,828
Assigned	140,584	-	-	140,584
Unassigned	-	-	(3,951)	(3,951)
Total Fund Balances	<u>141,869</u>	<u>147,884</u>	<u>1,641</u>	<u>291,394</u>
Total Liabilities and Fund Balances	<u>\$ 159,003</u>	<u>\$ 151,370</u>	<u>\$ 19,812</u>	<u>\$ 330,185</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, 2017

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 328,700	\$ -	\$ 118,084	\$ 446,784
Franchise taxes	-	33,886	-	33,886
Intergovernmental				
State	-	-	59,826	59,826
County	114,621	-	-	114,621
Charges for services	1,296	-	94,436	95,732
Fines and forfeitures	6,465	-	-	6,465
Interest on investments	-	7	-	7
Miscellaneous				
Contributions and donations	615	-	5,250	5,865
Other	-	60,000	8,248	68,248
Total Revenues	<u>451,697</u>	<u>93,893</u>	<u>285,844</u>	<u>831,434</u>
Expenditures				
Current				
Public safety	-	-	301,323	301,323
Culture and recreation	363,991	72,958	-	436,949
Capital outlay				
Public safety	-	-	3,631	3,631
Culture and recreation	33,075	-	-	33,075
Total Expenditures	<u>397,066</u>	<u>72,958</u>	<u>304,954</u>	<u>774,978</u>
Net Change in Fund Balances	54,631	20,935	(19,110)	56,456
Fund Balances, January 1	<u>87,238</u>	<u>126,949</u>	<u>20,751</u>	<u>234,938</u>
Fund Balances, December 31	<u>\$ 141,869</u>	<u>\$ 147,884</u>	<u>\$ 1,641</u>	<u>\$ 291,394</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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 328,700	\$ 328,700	\$ 328,700	\$ -	\$ 321,250
Intergovernmental					
County	113,250	113,250	114,621	1,371	113,250
Charges for services	850	850	1,296	446	1,740
Fines and forfeitures	5,000	5,000	6,465	1,465	6,583
Miscellaneous					
Contributions and donations	-	-	615	615	1,825
Other	-	-	-	-	3,000
Total Revenues	<u>447,800</u>	<u>447,800</u>	<u>451,697</u>	<u>3,897</u>	<u>447,648</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	345,600	345,600	290,961	54,639	330,561
Supplies	5,850	5,850	5,755	95	5,643
Other services and charges	66,350	66,350	67,275	(925)	63,860
Capital outlay					
Culture and recreation	<u>30,000</u>	<u>30,000</u>	<u>33,075</u>	<u>(3,075)</u>	<u>28,162</u>
Total Expenditures	<u>447,800</u>	<u>447,800</u>	<u>397,066</u>	<u>50,734</u>	<u>428,226</u>
Net Change in Fund Balances	-	-	54,631	54,631	19,422
Fund Balances, January 1	<u>87,238</u>	<u>87,238</u>	<u>87,238</u>	<u>-</u>	<u>67,816</u>
Fund Balances, December 31	<u>\$ 87,238</u>	<u>\$ 87,238</u>	<u>\$ 141,869</u>	<u>\$ 54,631</u>	<u>\$ 87,238</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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Franchise taxes	\$ 32,500	\$ 32,500	\$ 33,886	\$ 1,386	\$ 30,662
Interest on investments	-	-	7	7	2
Miscellaneous	-	-	60,000	60,000	14,982
Total Revenue	<u>32,500</u>	<u>32,500</u>	<u>93,893</u>	<u>61,393</u>	<u>45,646</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	18,275	18,275	18,274	1	15,760
Supplies	2,100	2,100	1,683	417	193
Other services and charges	26,650	26,650	53,001	(26,351)	8,076
Total Expenditures	<u>47,025</u>	<u>47,025</u>	<u>72,958</u>	<u>(25,933)</u>	<u>24,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,525)	(14,525)	20,935	35,460	21,617
Other Financing Uses					
Transfers out	-	-	-	-	(7,210)
Net Change in Fund Balances	(14,525)	(14,525)	20,935	35,460	14,407
Fund Balances, January 1	<u>126,949</u>	<u>126,949</u>	<u>126,949</u>	<u>-</u>	<u>112,542</u>
Fund Balances, December 31	<u>\$ 112,424</u>	<u>\$ 112,424</u>	<u>\$ 147,884</u>	<u>\$ 35,460</u>	<u>\$ 126,949</u>

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City of Cannon Falls, Minnesota
 Fire Department Operations Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 118,084	\$ 118,084	\$ 118,084	\$ -	\$ 115,923
Intergovernmental revenue					
State	48,000	48,000	59,826	11,826	50,059
Charges for services	89,735	89,735	94,436	4,701	87,372
Interest on investments	-	-	-	-	80
Miscellaneous					
Contributions and donations	-	-	5,250	5,250	1,907
Other	-	-	8,248	8,248	-
Total Revenues	<u>255,819</u>	<u>255,819</u>	<u>285,844</u>	<u>30,025</u>	<u>255,341</u>
Expenditures					
Current					
Public safety					
Personnel services	67,675	67,675	64,927	2,748	57,954
Supplies	22,100	22,100	45,294	(23,194)	25,155
Other services and charges	155,044	155,044	191,102	(36,058)	152,692
Capital outlay					
Public safety	11,000	11,000	3,631	7,369	1,502
Total Expenditures	<u>255,819</u>	<u>255,819</u>	<u>304,954</u>	<u>(49,135)</u>	<u>237,303</u>
Net Change in Fund Balances	-	-	(19,110)	(19,110)	18,038
Fund Balances, January 1	<u>20,751</u>	<u>20,751</u>	<u>20,751</u>	<u>-</u>	<u>2,713</u>
Fund Balances, December 31	<u>\$ 20,751</u>	<u>\$ 20,751</u>	<u>\$ 1,641</u>	<u>\$ (19,110)</u>	<u>\$ 20,751</u>

City of Cannon Falls, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet (Continued on the Following Pages)
 December 31, 2017

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
Assets					
Cash and temporary investments	\$ 123,421	\$ 26,822	\$ 139,800	\$ 1,653	\$ 214,294
Receivables					
Accrued interest	8	-	-	-	-
Accounts	-	-	-	-	-
Special assessments	14,385	-	-	-	-
	<u>14,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 137,814</u>	<u>\$ 26,822</u>	<u>\$ 139,800</u>	<u>\$ 1,653</u>	<u>\$ 214,294</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	12,647	-	-	-	-
	<u>12,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	26,822	139,800	1,653	214,294
Assigned	125,167	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>125,167</u>	<u>26,822</u>	<u>139,800</u>	<u>1,653</u>	<u>214,294</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 137,814</u>	<u>\$ 26,822</u>	<u>\$ 139,800</u>	<u>\$ 1,653</u>	<u>\$ 214,294</u>

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ 56,857	\$ 49,807	\$ 48,112	\$ 21,550	\$ 25,046
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 56,857</u>	<u>\$ 49,807</u>	<u>\$ 48,112</u>	<u>\$ 21,550</u>	<u>\$ 25,046</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	25,046
56,857	49,807	48,112	-	-
-	-	-	21,550	-
-	-	-	-	-
<u>56,857</u>	<u>49,807</u>	<u>48,112</u>	<u>21,550</u>	<u>25,046</u>
<u>\$ 56,857</u>	<u>\$ 49,807</u>	<u>\$ 48,112</u>	<u>\$ 21,550</u>	<u>\$ 25,046</u>

City of Cannon Falls, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet (Continued)
 December 31, 2017

	405	249	250	404
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	2016 Street Improvement Westside Phase II
Assets				
Cash and temporary investments	\$ (47,524)	\$ (9,250)	\$ -	\$ (26,762)
Receivables				
Accrued interest	-	-	-	-
Accounts	-	-	-	6,529
Special assessments	-	-	-	-
Total Assets	<u>\$ (47,524)</u>	<u>\$ (9,250)</u>	<u>\$ -</u>	<u>\$ (20,233)</u>
Liabilities				
Accounts and contracts payable	\$ 11,726	\$ -	\$ 5,060	\$ -
Unearned revenue	32,200	-	-	-
Total Liabilities	<u>43,926</u>	<u>-</u>	<u>5,060</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(91,450)	(9,250)	(5,060)	(20,233)
Total Fund Balances	<u>(91,450)</u>	<u>(9,250)</u>	<u>(5,060)</u>	<u>(20,233)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	<u>\$ (47,524)</u>	<u>\$ (9,250)</u>	<u>\$ -</u>	<u>\$ (20,233)</u>

406 Alexander Court	407 Limestone Road Repair Project	408 2018 Street Project	Total
\$ (213,703)	\$ (2,810)	\$ (255)	\$ 407,058
-	-	-	8
-	-	-	6,529
-	-	-	14,385
<u>\$ (213,703)</u>	<u>\$ (2,810)</u>	<u>\$ (255)</u>	<u>\$ 427,980</u>
\$ 10,218	\$ -	\$ 15,234	\$ 42,238
-	-	-	32,200
<u>10,218</u>	<u>-</u>	<u>15,234</u>	<u>74,438</u>
-	-	-	12,647
-	-	-	25,046
-	-	-	537,345
-	-	-	146,717
<u>(223,921)</u>	<u>(2,810)</u>	<u>(15,489)</u>	<u>(368,213)</u>
<u>(223,921)</u>	<u>(2,810)</u>	<u>(15,489)</u>	<u>340,895</u>
<u>\$ (213,703)</u>	<u>\$ (2,810)</u>	<u>\$ (255)</u>	<u>\$ 427,980</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, 2017

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
Revenues					
Special assessments	\$ 2,965	\$ -	\$ -	\$ -	\$ -
Interest on investments	172	-	-	-	(10)
Miscellaneous	-	-	-	-	11,800
Total Revenues	<u>3,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,790</u>
Expenditures					
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	39,753	8,095
Public works	-	-	624	-	-
Culture and recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>624</u>	<u>39,753</u>	<u>8,095</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,137</u>	<u>-</u>	<u>(624)</u>	<u>(39,753)</u>	<u>3,695</u>
Other Financing Sources (Uses)					
Transfers in	-	5,375	54,300	26,950	18,575
Sale of capital assets	-	-	-	1,710	-
Transfers out	<u>(11,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(11,400)</u>	<u>5,375</u>	<u>54,300</u>	<u>28,660</u>	<u>18,575</u>
Net Change in Fund Balances	(8,263)	5,375	53,676	(11,093)	22,270
Fund Balances, January 1	<u>133,430</u>	<u>21,447</u>	<u>86,124</u>	<u>12,746</u>	<u>192,024</u>
Fund Balances, December 31	<u>\$ 125,167</u>	<u>\$ 26,822</u>	<u>\$ 139,800</u>	<u>\$ 1,653</u>	<u>\$ 214,294</u>

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,225	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	6,000	576	-	-
8,225	6,000	576	-	-
(8,225)	(6,000)	(576)	-	-
12,875	6,400	2,300	-	-
-	-	-	-	-
-	-	-	-	-
12,875	6,400	2,300	-	-
4,650	400	1,724	-	-
52,207	49,407	46,388	21,550	25,046
<u>\$ 56,857</u>	<u>\$ 49,807</u>	<u>\$ 48,112</u>	<u>\$ 21,550</u>	<u>\$ 25,046</u>

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, 2017

	405	249	250	404
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	2016 Street Improvement Westside Phase II
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ -
Interest on investments	-	-	-	1,749
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,749</u>
Expenditures				
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	91,450	9,250	5,060	19,422
Culture and recreation	-	-	-	-
Total Expenditures	<u>91,450</u>	<u>9,250</u>	<u>5,060</u>	<u>19,422</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(91,450)</u>	<u>(9,250)</u>	<u>(5,060)</u>	<u>(17,673)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Sale of capital assets	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(91,450)	(9,250)	(5,060)	(17,673)
Fund Balances, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,560)</u>
Fund Balances, December 31	<u>\$ (91,450)</u>	<u>\$ (9,250)</u>	<u>\$ (5,060)</u>	<u>\$ (20,233)</u>

406 Alexander Court	407 Limestone Road Repair Project	408 2018 Street Project	Total
\$ -	\$ -	\$ -	\$ 2,965
-	-	-	1,911
-	-	-	11,800
-	-	-	16,676
-	-	-	8,225
-	-	-	47,848
223,921	2,810	15,489	368,026
-	-	-	6,576
223,921	2,810	15,489	430,675
(223,921)	(2,810)	(15,489)	(413,999)
-	-	-	126,775
-	-	-	1,710
-	-	-	(11,400)
-	-	-	117,085
(223,921)	(2,810)	(15,489)	(296,914)
-	-	-	637,809
<u>\$ (223,921)</u>	<u>\$ (2,810)</u>	<u>\$ (15,489)</u>	<u>\$ 340,895</u>

City of Cannon Falls, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Net Position
 December 31, 2017

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
Assets				
Current Assets				
Cash and temporary investments	\$ 402,320	\$ (20,299)	\$ 109,563	\$ 491,584
Receivables				
Accrued interest	535	-	3	538
Accounts	14,756	-	8,588	23,344
Special assessments	6,777	-	3,858	10,635
Prepaid items	197	190	-	387
Total Current Assets	<u>424,585</u>	<u>(20,109)</u>	<u>122,012</u>	<u>526,488</u>
Noncurrent Assets				
Capital assets				
Construction in progress	33,891	-	-	33,891
Depreciable buildings, property, and equipment	1,193,795	-	-	1,193,795
Accumulated depreciation	(168,941)	-	-	(168,941)
Total Noncurrent Assets	<u>1,058,745</u>	<u>-</u>	<u>-</u>	<u>1,058,745</u>
Total Assets	<u>1,483,330</u>	<u>(20,109)</u>	<u>122,012</u>	<u>1,585,233</u>
Deferred Outflows of Resources				
Deferred pension resources	388	14,246	-	14,634
Liabilities				
Current Liabilities				
Accounts payable	19,099	58	-	19,157
Accrued interest payable	8,007	-	-	8,007
Accrued salaries payable	-	3,881	-	3,881
Compensated absences payable	-	1,989	-	1,989
Capital lease payable	7,688	-	-	7,688
Bonds payable	27,981	-	-	27,981
Total Current Liabilities	<u>62,775</u>	<u>5,928</u>	<u>-</u>	<u>68,703</u>
Noncurrent Liabilities				
Compensated absences payable	-	5,966	-	5,966
Capital lease payable	16,404	-	-	16,404
Bonds payable	551,348	-	-	551,348
Pension liability	1,626	59,722	-	61,348
Total Noncurrent Liabilities	<u>569,378</u>	<u>65,688</u>	<u>-</u>	<u>635,066</u>
Total Liabilities	<u>632,153</u>	<u>71,616</u>	<u>-</u>	<u>703,769</u>
Deferred Inflows of Resources				
Deferred pension resources	373	13,711	-	14,084
Net Position				
Net investment in capital assets	455,324	-	-	455,324
Unrestricted	395,868	(91,190)	122,012	426,690
Total Net Position	<u>\$ 851,192</u>	<u>\$ (91,190)</u>	<u>\$ 122,012</u>	<u>\$ 882,014</u>

City of Cannon Falls, Minnesota
 Nonmajor Proprietary Funds
 Combining Statement of Revenues, Expenses and Changes in Net Position
 For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
Operating Revenues				
Charges for services	\$ 148,149	\$ 114,262	\$ 84,922	\$ 347,333
Operating Expenses				
Personnel services	3,926	133,843	-	137,769
Supplies	2,612	1,070	-	3,682
Repairs and maintenance	-	429	-	429
Depreciation	34,767	-	-	34,767
Other services and charges	34,990	7,609	65,370	107,969
Total Operating Expenses	<u>76,295</u>	<u>142,951</u>	<u>65,370</u>	<u>284,616</u>
Operating Income (Loss)	<u>71,854</u>	<u>(28,689)</u>	<u>19,552</u>	<u>62,717</u>
Nonoperating Revenues (Expenses)				
Interest on investments	1,421	-	127	1,548
Interest expense	(18,031)	-	-	(18,031)
Total Nonoperating Revenues (Expenses)	<u>(16,610)</u>	<u>-</u>	<u>127</u>	<u>(16,483)</u>
Income (Loss) Before Transfers	55,244	(28,689)	19,679	46,234
Transfers In	<u>-</u>	<u>9,910</u>		<u>9,910</u>
Change in Net Position	55,244	(18,779)	19,679	56,144
Net Position, January 1	<u>795,948</u>	<u>(72,411)</u>	<u>102,333</u>	<u>825,870</u>
Net Position, December 31	<u>\$ 851,192</u>	<u>\$ (91,190)</u>	<u>\$ 122,012</u>	<u>\$ 882,014</u>

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City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 146,535	\$ 115,055	\$ 84,565	\$ 346,155
Payments to suppliers	(18,700)	(9,113)	(65,370)	(93,183)
Payments to employees	(3,716)	(123,101)	-	(126,817)
Net Cash Provided (Used) by Operating Activities	<u>124,119</u>	<u>(17,159)</u>	<u>19,195</u>	<u>126,155</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers in	-	9,910	-	9,910
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(33,891)	-	-	(33,891)
Capital transfer from other funds	42,811	-	-	42,811
Principal paid on capital lease	(7,364)	-	-	(7,364)
Principal paid on long-term debt	(19,481)	-	-	(19,481)
Interest paid on long-term debt	(18,992)	-	-	(18,992)
Net Cash Used by Capital and Related Financing Activities	<u>(36,917)</u>	<u>-</u>	<u>-</u>	<u>(36,917)</u>
Cash Flows from Investing Activities				
Interest received from investments	1,003	-	127	1,130
Net Increase in Cash and Cash Equivalents	88,205	(7,249)	19,322	100,278
Cash and Cash Equivalents, January 1	314,115	(13,050)	90,241	391,306
Cash and Cash Equivalents, December 31	<u>\$ 402,320</u>	<u>\$ (20,299)</u>	<u>\$ 109,563</u>	<u>\$ 491,584</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 71,854	\$ (28,689)	\$ 19,552	\$ 62,717
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	34,767	-	-	34,767
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	307	793	90	1,190
Special assessments receivable	(1,921)	-	(447)	(2,368)
Prepaid items	(197)	(63)	-	(260)
Deferred pension resources	283	9,711	-	9,994
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	19,099	58	-	19,157
Accrued salaries payable	-	438	-	438
Compensated absences payable	-	1,103	-	1,103
Deferred pension resources	165	6,292	-	6,457
Pension liability	(238)	(6,802)	-	(7,040)
Net Cash Provided (Used) by Operating Activities	<u>\$ 124,119</u>	<u>\$ (17,159)</u>	<u>\$ 19,195</u>	<u>\$ 126,155</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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 1,981,232	\$ 1,981,232	\$ 2,025,656	\$ 44,424	\$ 1,969,263
Licenses and permits					
Business	20,700	20,700	32,115	11,415	24,100
Nonbusiness	25,900	25,900	135,419	109,519	33,522
Total licenses and permits	46,600	46,600	167,534	120,934	57,622
Intergovernmental					
Disaster aid	-	-	51,197	51,197	-
State					
Local government aid	640,873	640,873	640,873	-	640,227
Market value agricultural credits	-	-	237	237	458
Police and police training	49,000	49,000	69,022	20,022	57,001
PERA aid	4,456	4,456	4,456	-	4,456
Small cities assistance program	-	-	32,153	32,153	-
Other	-	-	1,413	1,413	1,857
County					
Police grant	-	-	1,700	1,700	3,677
Total intergovernmental	694,329	694,329	801,051	106,722	707,676
Charges for services					
General government	5,450	5,450	5,965	515	6,322
Public safety	1,550	1,550	9,120	7,570	9,634
Public works	10,500	10,500	24,705	14,205	3,425
Culture and recreation	35,900	35,900	34,646	(1,254)	39,214
Total charges for services	53,400	53,400	74,436	21,036	58,595
Fines and forfeitures	22,000	22,000	35,417	13,417	28,889
Special assessments	18,450	18,450	20,903	2,453	22,282
Interest on investments	5,100	5,100	19,196	14,096	27,723
Miscellaneous					
Rents	55,700	55,700	55,526	(174)	72,715
Contributions and donations	-	-	1,500	1,500	3,860
Reimbursements	174,775	174,775	171,860	(2,915)	166,474
Other	18,300	18,300	23,276	4,976	49,938
Total miscellaneous	248,775	248,775	252,162	3,387	292,987
Total Revenues	3,069,886	3,069,886	3,396,355	326,469	3,165,037

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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 29,050	\$ 29,050	\$ 27,423	\$ 1,627	\$ 18,977
Supplies	800	800	31	769	96
Other services and charges	7,100	7,100	9,261	(2,161)	4,907
Total mayor and city council	<u>36,950</u>	<u>36,950</u>	<u>36,715</u>	<u>235</u>	<u>23,980</u>
Elections					
Personnel services	50	50	28	22	19,342
Supplies	-	-	-	-	168
Other services and charges	900	900	813	87	2,641
Total elections	<u>950</u>	<u>950</u>	<u>841</u>	<u>109</u>	<u>22,151</u>
Administrative					
Personnel services	451,850	451,850	458,852	(7,002)	411,438
Supplies	2,100	2,100	2,088	12	2,201
Other services and charges	56,550	56,550	40,014	16,536	39,779
Total administrative	<u>510,500</u>	<u>510,500</u>	<u>500,954</u>	<u>9,546</u>	<u>453,418</u>
Audit and consulting fees					
Other services and charges	22,900	22,900	24,020	(1,120)	25,255
Planning and zoning					
Other services and charges	36,250	36,250	27,726	8,524	870
Legal					
Other services and charges	64,900	64,900	64,671	229	58,628
Information and technology					
Personnel services	-	-	-	-	108
Supplies	-	-	89	(89)	180
Other services and charges	41,250	41,250	21,544	19,706	38,452
Total information and technology	<u>41,250</u>	<u>41,250</u>	<u>21,633</u>	<u>19,617</u>	<u>38,740</u>
General government building					
Personnel services	38,225	38,225	38,760	(535)	36,825
Supplies	5,250	5,250	3,626	1,624	6,743
Other services and charges	34,800	34,800	32,689	2,111	41,720
Total general government building	<u>78,275</u>	<u>78,275</u>	<u>75,075</u>	<u>3,200</u>	<u>85,288</u>
Total general government	<u>791,975</u>	<u>791,975</u>	<u>751,635</u>	<u>40,340</u>	<u>708,330</u>

City of Cannon Falls, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Personnel services	\$ 865,570	\$ 865,570	\$ 865,921	\$ (351)	\$ 844,018
Supplies	40,300	40,300	34,021	6,279	50,645
Other services and charges	84,200	84,200	101,981	(17,781)	95,534
Total police protection	<u>990,070</u>	<u>990,070</u>	<u>1,001,923</u>	<u>(11,853)</u>	<u>990,197</u>
Building inspection					
Personnel services	4,840	4,840	3,979	861	3,608
Other services and charges	24,000	24,000	114,014	(90,014)	27,201
Total building inspection	<u>28,840</u>	<u>28,840</u>	<u>117,993</u>	<u>(89,153)</u>	<u>30,809</u>
Animal control					
Other services and charges	1,000	1,000	1,000	-	1,000
Total public safety	<u>1,019,910</u>	<u>1,019,910</u>	<u>1,120,916</u>	<u>(101,006)</u>	<u>1,022,006</u>
Public works					
Public works administration					
Personnel services	211,415	211,415	223,105	(11,690)	217,798
Supplies	36,900	36,900	23,136	13,764	18,276
Other services and charges	23,300	23,300	28,416	(5,116)	30,371
Total public works administration	<u>271,615</u>	<u>271,615</u>	<u>274,657</u>	<u>(3,042)</u>	<u>266,445</u>
Streets and highways					
Personnel services	61,800	61,800	86,376	(24,576)	56,443
Supplies	30,500	30,500	39,754	(9,254)	20,295
Other services and charges	13,250	13,250	24,583	(11,333)	84,890
Total streets and highways	<u>105,550</u>	<u>105,550</u>	<u>150,713</u>	<u>(45,163)</u>	<u>161,628</u>
Snow and ice removal					
Personnel services	44,290	44,290	27,141	17,149	24,755
Supplies	19,200	19,200	9,612	9,588	20,809
Other services and charges	4,500	4,500	463	4,037	2,735
Total snow and ice removal	<u>67,990</u>	<u>67,990</u>	<u>37,216</u>	<u>30,774</u>	<u>48,299</u>

City of Cannon Falls, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Road equipment and garage					
Personnel services	\$ 28,780	\$ 28,780	\$ 22,190	\$ 6,590	\$ 24,595
Supplies	10,400	10,400	7,313	3,087	9,291
Other services and charges	18,700	18,700	7,783	10,917	14,448
Total road equipment and garage	<u>57,880</u>	<u>57,880</u>	<u>37,286</u>	<u>20,594</u>	<u>48,334</u>
Garage building					
Personnel services	13,875	13,875	9,119	4,756	11,163
Supplies	3,500	3,500	3,522	(22)	2,233
Other services and charges	12,600	12,600	8,273	4,327	12,462
Total garage building	<u>29,975</u>	<u>29,975</u>	<u>20,914</u>	<u>9,061</u>	<u>25,858</u>
Street lighting					
Supplies	500	500	1,735	(1,235)	890
Other services and charges	61,700	61,700	62,486	(786)	58,990
Total street lighting	<u>62,200</u>	<u>62,200</u>	<u>64,221</u>	<u>(2,021)</u>	<u>59,880</u>
Engineering					
Other services and charges	45,000	45,000	11,805	33,195	21,518
Total public works	<u>640,210</u>	<u>640,210</u>	<u>596,812</u>	<u>43,398</u>	<u>631,962</u>
Culture and recreation					
Tree maintenance					
Personnel services	19,350	19,350	25,420	(6,070)	25,156
Supplies	2,300	2,300	535	1,765	3,604
Other services and charges	13,200	13,200	8,814	4,386	11,329
Total tree maintenance	<u>34,850</u>	<u>34,850</u>	<u>34,769</u>	<u>81</u>	<u>40,089</u>
Parks					
Personnel services	43,800	43,800	46,076	(2,276)	45,590
Supplies	11,950	11,950	11,850	100	10,950
Other services and charges	20,800	20,800	23,337	(2,537)	23,862
Total parks	<u>76,550</u>	<u>76,550</u>	<u>81,263</u>	<u>(4,713)</u>	<u>80,402</u>

City of Cannon Falls, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Swimming pool					
Personnel services	\$ 74,150	\$ 74,150	\$ 61,188	\$ 12,962	\$ 68,674
Supplies	6,600	6,600	4,718	1,882	5,098
Other services and charges	17,350	17,350	13,452	3,898	16,539
Total swimming pool	<u>98,100</u>	<u>98,100</u>	<u>79,358</u>	<u>18,742</u>	<u>90,311</u>
Athletic fields					
Personnel services	14,465	14,465	12,502	1,963	16,352
Supplies	4,300	4,300	2,144	2,156	9,057
Other services and charges	13,100	13,100	12,553	547	11,480
Total athletic fields	<u>31,865</u>	<u>31,865</u>	<u>27,199</u>	<u>4,666</u>	<u>36,889</u>
Skating					
Personnel services	5,075	5,075	4,496	579	6,025
Supplies	400	400	12	388	1,227
Other services and charges	1,700	1,700	1,201	499	1,809
Total skating	<u>7,175</u>	<u>7,175</u>	<u>5,709</u>	<u>1,466</u>	<u>9,061</u>
Cannon Valley Trail					
Personnel services	172,825	172,825	172,020	805	164,380
Supplies	50	50	22	28	22
Other services and charges	14,716	14,716	14,110	606	13,855
Total Cannon Valley Trail	<u>187,591</u>	<u>187,591</u>	<u>186,152</u>	<u>1,439</u>	<u>178,257</u>
Total culture and recreation	<u>436,131</u>	<u>436,131</u>	<u>414,450</u>	<u>21,681</u>	<u>435,009</u>
Miscellaneous					
Unallocated					
Personnel services	1,350	1,350	2,146	(796)	333
Other services and charges	87,900	87,900	99,206	(11,306)	94,914
Total miscellaneous	<u>89,250</u>	<u>89,250</u>	<u>101,352</u>	<u>(12,102)</u>	<u>95,247</u>
Total current	<u>2,977,476</u>	<u>2,977,476</u>	<u>2,985,165</u>	<u>(7,689)</u>	<u>2,892,554</u>

City of Cannon Falls, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 3,900	\$ 3,900	\$ 1,556	\$ 2,344	\$ 1,402
Public safety	5,000	5,000	1,089	3,911	3,819
Public works	5,500	5,500	15,315	(9,815)	1,750
Total capital outlay	<u>14,400</u>	<u>14,400</u>	<u>17,960</u>	<u>(3,560)</u>	<u>6,971</u>
Debt service					
Capital lease					
Principal	7,975	7,975	7,364	611	7,055
Interest	1,400	1,400	1,983	(583)	2,292
Total debt service	<u>9,375</u>	<u>9,375</u>	<u>9,347</u>	<u>28</u>	<u>9,347</u>
Total Expenditures	<u>3,001,251</u>	<u>3,001,251</u>	<u>3,012,472</u>	<u>(11,221)</u>	<u>2,908,872</u>
Excess of Revenues Over Expenditures	<u>68,635</u>	<u>68,635</u>	<u>383,883</u>	<u>315,248</u>	<u>256,165</u>
Other Financing Sources (Uses)					
Transfers in	16,450	16,450	-	(16,450)	23,660
Sale of capital assets	-	-	5,500	5,500	-
Transfers out	(123,085)	(123,085)	(123,085)	-	(371,475)
Total Other Financing Sources (Uses)	<u>(106,635)</u>	<u>(106,635)</u>	<u>(117,585)</u>	<u>(10,950)</u>	<u>(347,815)</u>
Net Change in Fund Balances	(38,000)	(38,000)	266,298	304,298	(91,650)
Fund Balances, January 1	<u>2,075,364</u>	<u>2,075,364</u>	<u>2,075,364</u>	<u>-</u>	<u>2,167,014</u>
Fund Balances, December 31	<u>\$ 2,037,364</u>	<u>\$ 2,037,364</u>	<u>\$ 2,341,662</u>	<u>\$ 304,298</u>	<u>\$ 2,075,364</u>

City of Cannon Falls, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2017

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and temporary investments	\$ 413,298	\$ 194,636	\$ 49,769
Receivables			
Accrued interest	13	-	-
Accounts	-	-	7,373
Special assessments	<u>381,520</u>	<u>-</u>	<u>378,336</u>
Total Assets	<u><u>\$ 794,831</u></u>	<u><u>\$ 194,636</u></u>	<u><u>\$ 435,478</u></u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 363,298	\$ -	\$ 318,879
Fund Balances			
Restricted for debt service	<u>431,533</u>	<u>194,636</u>	<u>116,599</u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 794,831</u></u>	<u><u>\$ 194,636</u></u>	<u><u>\$ 435,478</u></u>

529 2013A G.O. Improvement Bond	530 2016A G.O. Bond	Total
\$ 374,609	\$ 236,138	\$ 1,268,450
10	12	35
-	-	7,373
<u>274,616</u>	<u>333,725</u>	<u>1,368,197</u>
<u><u>\$ 649,235</u></u>	<u><u>\$ 569,875</u></u>	<u><u>\$ 2,644,055</u></u>
\$ 257,503	\$ 315,473	\$ 1,255,153
<u>391,732</u>	<u>254,402</u>	<u>1,388,902</u>
<u><u>\$ 649,235</u></u>	<u><u>\$ 569,875</u></u>	<u><u>\$ 2,644,055</u></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, 2017

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond
Revenues			
Taxes	\$ 89,000	\$ 41,850	\$ 208,000
Special assessments	43,990	-	103,346
Interest on investments	333	288	-
Miscellaneous	-	8,708	-
Total Revenues	<u>133,323</u>	<u>50,846</u>	<u>311,346</u>
Expenditures			
Debt service			
Principal	90,000	75,000	475,000
Interest and other charges	28,208	11,064	20,685
Total Expenditures	<u>118,208</u>	<u>86,064</u>	<u>495,685</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,115	(35,218)	(184,339)
Other Financing Sources			
Transfers in	-	-	136,400
Net Change in Fund Balances	15,115	(35,218)	(47,939)
Fund Balances, January 1	<u>416,418</u>	<u>229,854</u>	<u>164,538</u>
Fund Balances, December 31	<u>\$ 431,533</u>	<u>\$ 194,636</u>	<u>\$ 116,599</u>

529 2013A G.O. Improvement Bond	530 2016A G.O. Bond	Total
\$ 88,400	\$ 85,000	\$ 512,250
56,048	43,792	247,176
283	194	1,098
-	-	8,708
<u>144,731</u>	<u>128,986</u>	<u>769,232</u>
90,000	-	730,000
37,895	29,775	127,627
<u>127,895</u>	<u>29,775</u>	<u>857,627</u>
16,836	99,211	(88,395)
-	-	136,400
16,836	99,211	48,005
<u>374,896</u>	<u>155,191</u>	<u>1,340,897</u>
<u>\$ 391,732</u>	<u>\$ 254,402</u>	<u>\$ 1,388,902</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2017

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 61,229	\$ 143,610	\$ 204,839
Receivables			
Accounts	-	14,300	14,300
Accrued interest	-	4	4
Loans	-	282,467	282,467
Contract for deed	-	175,612	175,612
Prepaid items	177	-	177
 Total Assets	 \$ 61,406	 \$ 615,993	 \$ 677,399
Liabilities			
Accounts and contracts payable	\$ 379	\$ -	\$ 379
Accrued salaries payable	4,232	-	4,232
Total Liabilities	4,611	-	4,611
Deferred Inflows of Resources			
Unavailable revenue - contract for deed receivable	-	175,612	175,612
Fund Balances			
Nonspendable			
Prepaid items	177	-	177
Committed			
Economic development	56,618	-	56,618
Revolving loan program	-	440,381	440,381
Total Fund Balances	56,795	440,381	497,176
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 61,406	 \$ 615,993	 \$ 677,399

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

Total Fund Balances Reported above	\$ 497,176
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	(17,381)
Pension liability	(55,482)
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	175,612
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	13,235
Deferred inflows of pension resources	(12,738)
Total Net Position - Economic Development Authority	\$ 1,334,546

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, 2017

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 140,525	\$ -	\$ 140,525
Interest on investments	-	180	180
Miscellaneous	-	34,964	34,964
Total Revenues	140,525	35,144	175,669
Expenditures			
Current			
Economic development	143,289	-	143,289
Net Change in Fund Balances	(2,764)	35,144	32,380
Fund Balances, January 1	59,559	405,237	464,796
Fund Balances, December 31	\$ 56,795	\$ 440,381	\$ 497,176

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

Net Changes in Fund Balances - Economic Development Authority	\$ 32,380
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	(13,183)
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	4,239
Long-term pension activity is not reported in governmental funds.	
Pension expense	(3,046)
Pension revenue	20
Change in Net Position - Economic Development Authority	\$ 20,410

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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 140,525	\$ 140,525	\$ 140,525	\$ -	\$ 137,625
Expenditures					
Current					
Economic development					
Personnel services	131,475	131,475	135,665	(4,190)	130,807
Supplies	100	100	77	23	22
Other services and charges	8,950	8,950	7,547	1,403	17,267
Total Expenditures	<u>140,525</u>	<u>140,525</u>	<u>143,289</u>	<u>(2,764)</u>	<u>148,096</u>
Net Change in Fund Balances	-	-	(2,764)	(2,764)	(10,471)
Fund Balances, January 1	<u>59,559</u>	<u>59,559</u>	<u>59,559</u>	-	<u>70,030</u>
Fund Balances, December 31	<u>\$ 59,559</u>	<u>\$ 59,559</u>	<u>\$ 56,795</u>	<u>\$ (2,764)</u>	<u>\$ 59,559</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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest on investments	\$ 300	\$ 300	\$ 180	\$ (120)	\$ 227
Miscellaneous	12,300	12,300	34,964	22,664	26,656
Total Revenues	<u>12,600</u>	<u>12,600</u>	<u>35,144</u>	<u>22,544</u>	<u>26,883</u>
Expenditures					
Current					
Economic development					
Other services and charges	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>3,859</u>
Net Change in Fund Balances	7,600	7,600	35,144	27,544	23,024
Fund Balances, January 1	<u>405,237</u>	<u>405,237</u>	<u>405,237</u>	<u>-</u>	<u>382,213</u>
Fund Balances, December 31	<u><u>\$ 412,837</u></u>	<u><u>\$ 412,837</u></u>	<u><u>\$ 440,381</u></u>	<u><u>\$ 27,544</u></u>	<u><u>\$ 405,237</u></u>

City of Cannon Falls, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2017 and 2016

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 3,018,576	\$ 2,829,149	6.70 %
Special assessments	271,044	524,045	(48.28)
Licenses and permits	167,534	57,622	190.75
Intergovernmental	975,498	870,985	12.00
Charges for services	170,168	147,707	15.21
Fines and forfeits	41,882	35,472	18.07
Investment earnings	22,212	30,536	(27.26)
Miscellaneous	346,783	319,072	8.68
Total Revenues	<u>\$ 5,013,697</u>	<u>\$ 4,814,588</u>	4.14 %
Per Capita	<u>\$ 1,228</u>	<u>\$ 1,170</u>	4.95 %
Expenditures			
Current			
General government	\$ 751,635	\$ 708,330	6.11 %
Public safety	1,422,239	1,257,807	13.07
Public works	596,812	631,962	(5.56)
Culture and recreation	851,399	859,102	(0.90)
Miscellaneous	101,352	95,247	6.41
Capital outlay			
General government	9,781	1,402	597.65
Public safety	52,568	47,154	11.48
Public works	383,341	1,223,124	(68.66)
Culture and recreation	39,651	33,672	17.76
Debt service			
Principal	737,364	736,055	0.18
Interest and other charges	129,610	107,073	21.05
Total Expenditures	<u>\$ 5,075,752</u>	<u>\$ 5,700,928</u>	(10.97) %
Per Capita	<u>\$ 1,243</u>	<u>\$ 1,385</u>	(10.27) %
Total Long-term Indebtedness	\$ 5,379,091	\$ 6,116,455	(12.06) %
Per Capita	1,317	1,486	(11.37)
General Fund Balance - December 31	\$ 2,341,662	\$ 2,075,364	12.83 %
Per Capita	574	504	13.72

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, 2017

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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, 2017, 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 23, 2018.

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.

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 23, 2018

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, 2017, 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 23, 2018.

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 Finding and Response as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

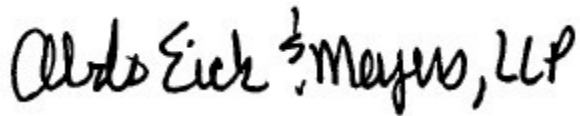
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Finding and Response. 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 23, 2018

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City of Cannon Falls, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
2017-001	Preparation of Financial Statements
<i>Condition:</i>	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.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.
<i>Management Response:</i>	
	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.