

Annual Financial Report

City of Cannon Falls

Cannon Falls, Minnesota

For the Year Ended
December 31, 2018

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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, 2018

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City of Cannon Falls, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyman (Robby) Robinson	Mayor	12/31/18
Morris Mattson	Council Member	12/31/20
Derek Lundell	Council Member	12/31/18
Cedar Abadie	Council Member	12/31/18
Ken Carpenter	Council Member	12/31/18
Bill Duncan	Council Member	12/31/18
John Althoff	Council Member	12/31/18

APPOINTED

<u>Name</u>	<u>Title</u>
Lanell Endres	Interim City Administrator/Finance Director
Mike Althoff	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
Mike Althoff	Fire Chief

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FINANCIAL SECTION
CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018, 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, 2018, 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, the Schedules of Employer's Contributions and the related note disclosures 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

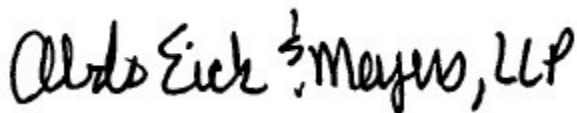
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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, 2019, 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 solely 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 effectiveness of the City's 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, 2019

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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, 2018.

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 \$30,961,391 (net position). Of this amount, \$4,509,106 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,349,734. This increase is due to governmental activities and business-type activities, which increased \$969,986 and \$379,748, respectively. The increase from Governmental activities primarily due to special assessment revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,819,059, an increase of \$502,807 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$2,286,783 or 67.0% percent of 2019 General fund budget expenditures.
- The City's outstanding debt increased by \$2,369,621 during the current fiscal year due to issuance of the 2018A Bonds and 2018B Equipment Certificates.

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

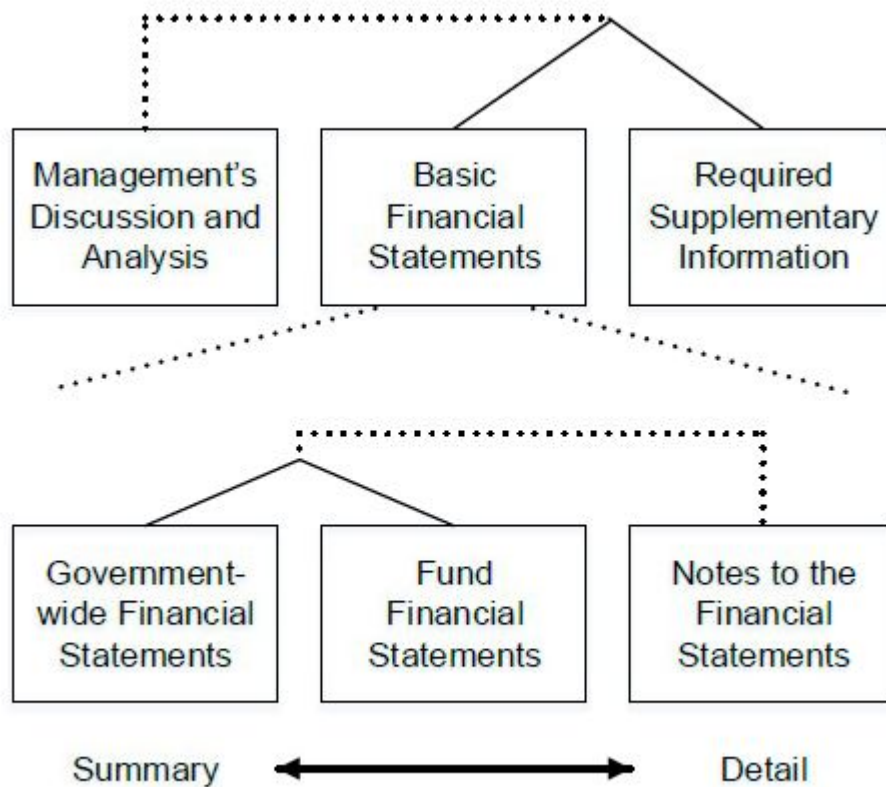


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 2018 Street Improvement - Eastside 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 88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$30,961,391 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		
	2018	Restated 2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Assets						
Current and other assets	\$ 7,058,904	\$ 6,198,637	\$ 860,267	\$ 4,563,503	\$ 4,451,918	\$ 111,585
Capital assets	16,570,223	14,675,372	1,894,851	22,572,008	21,780,989	791,019
Total Assets	<u>23,629,127</u>	<u>20,874,009</u>	<u>2,755,118</u>	<u>27,135,511</u>	<u>26,232,907</u>	<u>902,604</u>
Deferred Outflows of Resources	<u>1,170,995</u>	<u>1,508,007</u>	<u>(337,012)</u>	<u>72,013</u>	<u>96,496</u>	<u>(24,483)</u>
Liabilities						
Long-term						
liabilities outstanding	9,193,272	7,633,790	1,559,482	9,690,156	9,142,670	547,486
Other liabilities	414,418	390,366	24,052	171,868	222,994	(51,126)
Total Liabilities	<u>9,607,690</u>	<u>8,024,156</u>	<u>1,583,534</u>	<u>9,862,024</u>	<u>9,365,664</u>	<u>496,360</u>
Deferred Inflows of Resources	<u>1,481,660</u>	<u>1,617,074</u>	<u>(135,414)</u>	<u>94,881</u>	<u>92,868</u>	<u>2,013</u>
Net Position						
Net investment in capital assets	9,591,515	9,296,281	295,234	13,578,320	13,112,985	465,335
Restricted	3,282,450	2,767,450	515,000	-	-	-
Unrestricted	<u>836,807</u>	<u>677,055</u>	<u>159,752</u>	<u>3,672,299</u>	<u>3,757,886</u>	<u>(85,587)</u>
Total Net Position	<u>\$ 13,710,772</u>	<u>\$ 12,740,786</u>	<u>\$ 969,986</u>	<u>\$ 17,250,619</u>	<u>\$ 16,870,871</u>	<u>\$ 379,748</u>

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The increase in long-term liabilities was a result of a the issuance of the 2018A Bonds and 2018B Equipment Certificates.

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

City of Cannon Falls' Changes in Net Position

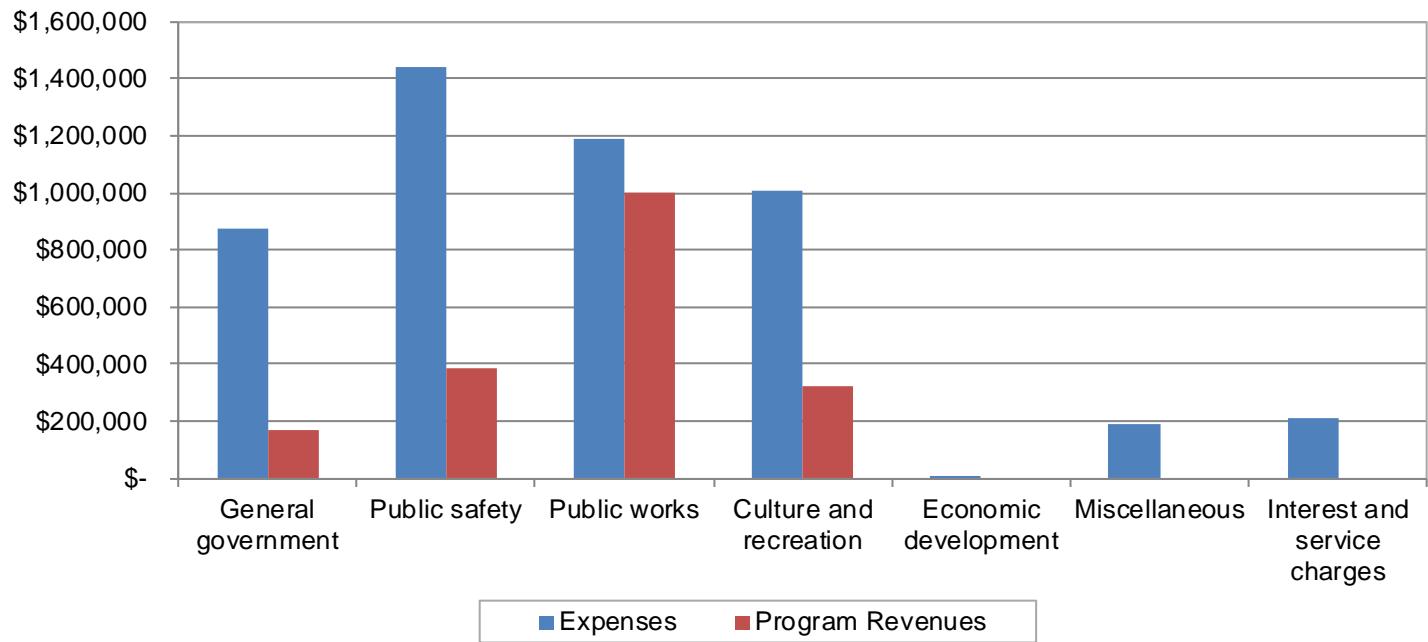
	Governmental Activities			Business-type Activities		
	2018	Restated 2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 615,419	\$ 711,652	\$ (96,233)	\$ 3,498,681	\$ 3,345,796	\$ 152,885
Operating grants and contributions	425,684	264,334	161,350	13,213	32,994	(19,781)
Capital grants and contributions	840,296	150,076	690,220	119,897	83,837	36,060
General Revenues						
Taxes	3,138,001	3,016,639	121,362	-	-	-
Grants and Contributions not Restricted to Specific Programs	657,250	600,378	56,872	-	-	-
Investment Earnings	44,547	22,185	22,362	39,988	25,016	14,972
Miscellaneous Revenue	-	-	-	-	-	-
Gain on Sale of Capital Assets	50,000	7,210	42,790	-	-	-
Total Revenues	<u>5,771,197</u>	<u>4,772,474</u>	<u>998,723</u>	<u>3,671,779</u>	<u>3,487,643</u>	<u>184,136</u>
Expenses						
General government	871,203	798,158	73,045	-	-	-
Public safety	1,441,754	1,658,710	(216,956)	-	-	-
Public works	1,190,478	1,103,863	86,615	-	-	-
Culture and recreation	1,010,033	981,823	28,210	-	-	-
Economic development	6,735	4,490	2,245	-	-	-
Miscellaneous	192,015	101,352	90,663	-	-	-
Interest and service charges	213,518	106,311	107,207	-	-	-
Water utility	-	-	-	757,963	774,883	(16,920)
Disposal	-	-	-	1,218,821	1,222,329	(3,508)
Storm water	-	-	-	66,884	94,326	(27,442)
Recycling program	-	-	-	70,273	65,370	4,903
Ambulance	-	-	-	923,610	815,938	107,672
Deputy registrar	-	-	-	129,955	142,951	(12,996)
Total Expenses	<u>4,925,736</u>	<u>4,754,707</u>	<u>171,029</u>	<u>3,167,506</u>	<u>3,115,797</u>	<u>51,709</u>
Change in Net Position before Transfers	845,461	17,767	827,694	504,273	371,846	132,427
Transfers	<u>124,525</u>	<u>128,690</u>	<u>(4,165)</u>	<u>(124,525)</u>	<u>(128,690)</u>	<u>4,165</u>
Change in Net Position	969,986	146,457	823,529	379,748	243,156	136,592
Net Position, January 1	<u>12,740,786</u>	<u>12,594,329</u>	<u>146,457</u>	<u>16,870,871</u>	<u>16,627,715</u>	<u>243,156</u>
Net Position, December 31	<u>\$ 13,710,772</u>	<u>\$ 12,740,786</u>	<u>\$ 969,986</u>	<u>\$ 17,250,619</u>	<u>\$ 16,870,871</u>	<u>\$ 379,748</u>

The increase in capital grants and contributions relates to special assessments assessed on the 2018 street project.

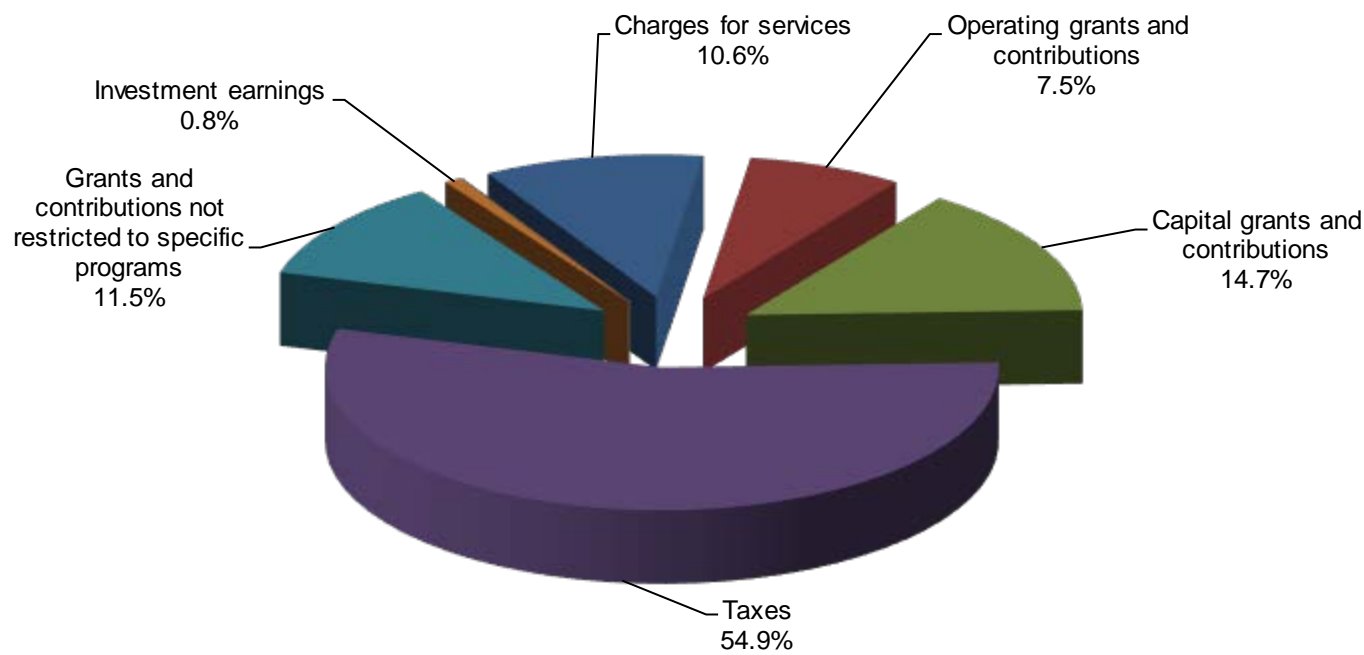
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Governmental Activities. Net position in the governmental activities increased \$969,986.

Expenses and Program Revenues - Governmental Activities

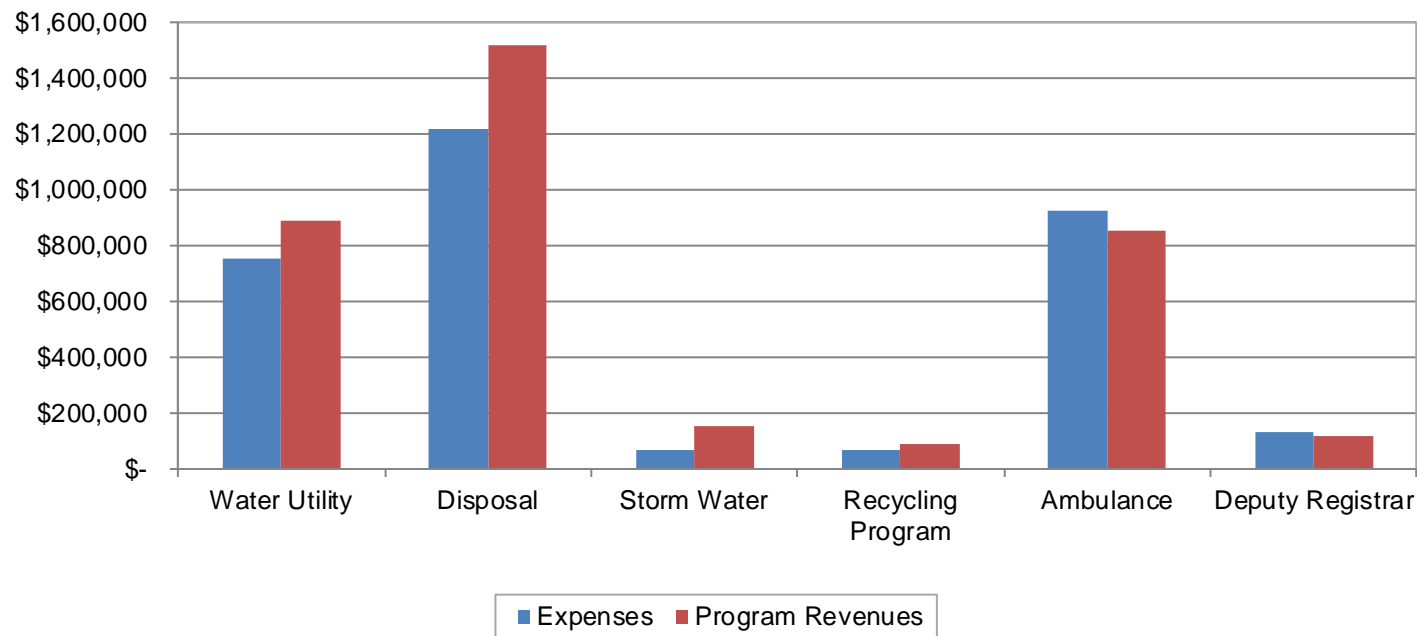


Revenues by Source - Governmental Activities

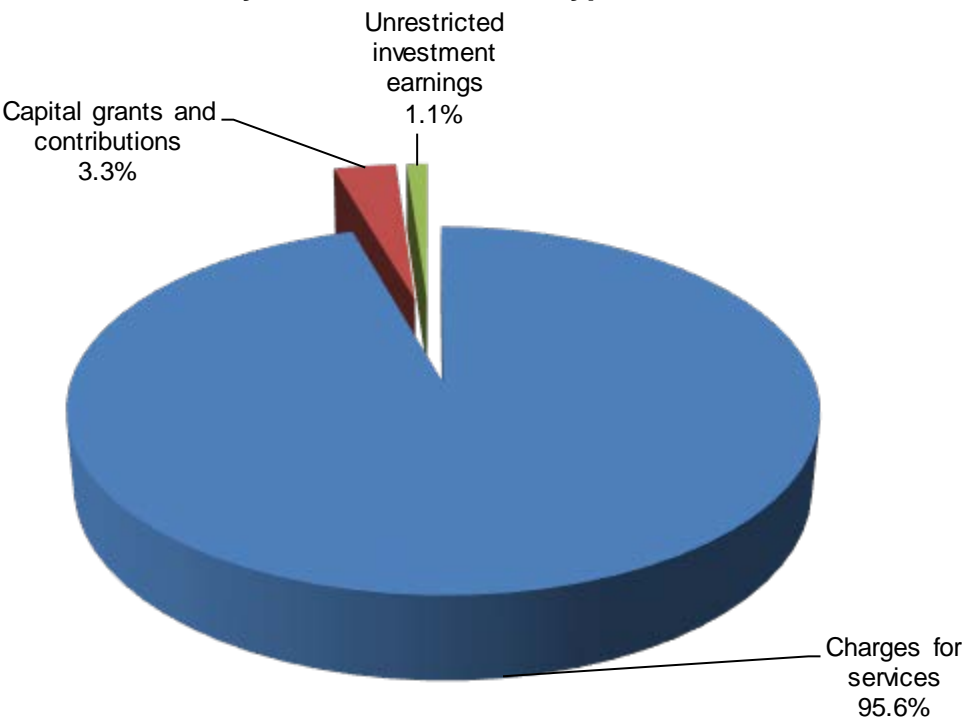


Business-type Activities. Net position in business-type activities increased by \$379,748.

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 \$4,819,059, an increase of \$502,807 in comparison with the prior year. Approximately 41.6 percent of this total amount (\$2,002,953) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$2,816,106) is not available for new spending because it is either 1) nonspendable (\$46,799) 2) restricted (\$1,980,442), 3) committed (\$471,633), or 4) assigned (\$317,232). 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)
	2018	2017	
General	\$ 2,286,783	\$ 2,295,061	\$ (8,278)
Fund balance decreased \$8,278 after the prior period adjustment was subtracted. This was due to capital expenditures being over budget by \$250,214. This overage was caused by the City reimbursing the EDA for a previous land purchase, the purchase of property for the Historical Society, and the purchase of one other property.			
Debt Service	\$ 1,611,483	\$ 1,388,902	\$ 222,581
The Debt Service funds increased due to taxes revenue, assessment revenue, and transfers in 2018 totaling more than the debt service requirements.			
2018 Street Project	\$ 219,695	\$ (15,489)	\$ 235,184
The 2018 Street Project fund balance increased due to bond proceeds in excess of capital outlay expenditures in 2018.			

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 \$3,672,299. 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 2018. Compared to the final budget, revenues were over budget by \$157,058 and expenditures were over budget by \$207,982.

- The largest revenue variance was from fines and forfeitures primarily a result of proceeds from the sale of a forfeited vehicle (\$32,000). The revenue amount was \$61,207 which was over budget by \$35,207
- The largest variance in expenditures was in the capital outlay category where expenditures were over budget by \$250,214. This was due to the reimbursement to the EDA for previously purchased land, the purchase of property for the Historical Society, and the purchase of one other property.

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, 2018, amounts to \$39,142,231 (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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 1,102,792	\$ 914,346	\$ 188,446	\$ 87,816	\$ 87,816	\$ -
Construction in Progress	-	220,870	(220,870)	-	33,891	(33,891)
Buildings and Improvements	3,187,775	3,299,185	(111,410)	4,864	5,398	(534)
System Improvements/Infrastructure	10,554,542	8,891,321	1,663,221	21,794,700	21,029,964	764,736
Machinery and Equipment	592,452	681,171	(88,719)	312,048	362,614	(50,566)
Vehicles	1,132,662	668,479	464,183	372,580	261,306	111,274
Total	<u>\$ 16,570,223</u>	<u>\$ 14,675,372</u>	<u>\$ 1,894,851</u>	<u>\$ 22,572,008</u>	<u>\$ 21,780,989</u>	<u>\$ 791,019</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$16,416,716. 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Capital Lease Payable	\$ 16,403	\$ 24,091	\$ (7,688)	\$ 16,403	\$ 24,092	\$ (7,689)
General Obligation Revenue Bonds	6,823,000	5,355,000	1,468,000	9,201,910	8,643,912	557,998
General Obligation Equipment Certificates	359,000	-	359,000	-	-	-
Total	<u>\$ 7,198,403</u>	<u>\$ 5,379,091</u>	<u>\$ 1,819,312</u>	<u>\$ 9,218,313</u>	<u>\$ 8,668,004</u>	<u>\$ 550,309</u>

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, 2018

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City of Cannon Falls, Minnesota

Statement of Net Position

December 31, 2018

	Primary Government			Component Unit
	Governmental	Business-type		Economic
	Activities	Activities	Total	Development
				Authority
Assets				
Cash and temporary investments	\$ 4,717,802	\$ 3,050,338	\$ 7,768,140	\$ 501,838
Receivables				
Accrued interest	532	754	1,286	161
Taxes	81,658	-	81,658	-
Accounts, net of allowance	184,691	503,569	688,260	-
Special assessments	1,854,506	980,831	2,835,337	-
Loans	-	-	-	278,888
Contract for deed	2,245	-	2,245	-
Inventories, at cost	-	3,592	3,592	-
Prepaid items	46,799	24,419	71,218	162
Net pension asset	170,671	-	170,671	-
Capital assets				
Land and construction in progress	1,102,792	87,816	1,190,608	734,124
Depreciable buildings, property and equipment, net	15,467,431	22,484,192	37,951,623	-
Total Assets	<u>23,629,127</u>	<u>27,135,511</u>	<u>50,764,638</u>	<u>1,515,173</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>1,170,995</u>	<u>72,013</u>	<u>1,243,008</u>	<u>8,893</u>
Liabilities				
Accounts and contracts payable	276,859	54,751	331,610	6,207
Accrued interest payable	81,364	113,028	194,392	-
Due to other governments	-	1,900	1,900	-
Accrued salaries payable	5,173	2,189	7,362	1,308
Deposits payable	51,022	-	51,022	-
Unearned revenue	-	-	-	75,000
Noncurrent liabilities				
Due within one year	700,104	1,328,521	2,028,625	6,407
Due in more than one year	8,493,168	8,361,635	16,854,803	66,871
Total Liabilities	<u>9,607,690</u>	<u>9,862,024</u>	<u>19,469,714</u>	<u>155,793</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>1,481,660</u>	<u>94,881</u>	<u>1,576,541</u>	<u>11,717</u>
Net Position				
Net investment in capital assets	9,591,515	13,578,320	23,169,835	734,124
Restricted for				
Debt service	3,133,186	-	3,133,186	-
Cable television	124,218	-	124,218	-
Park improvements	25,046	-	25,046	-
Unrestricted	<u>836,807</u>	<u>3,672,299</u>	<u>4,509,106</u>	<u>622,432</u>
Total Net Position	<u>\$ 13,710,772</u>	<u>\$ 17,250,619</u>	<u>\$ 30,961,391</u>	<u>\$ 1,356,556</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 871,203	\$ 172,447	\$ 200	\$ -
Public safety	1,441,754	240,728	144,580	1,313
Public works	1,190,478	123	160,780	838,983
Culture and recreation	1,010,033	202,121	120,124	-
Economic development	6,735	-	-	-
Miscellaneous	192,015	-	-	-
Interest on long-term debt	213,518	-	-	-
Total Governmental Activities	<u>4,925,736</u>	<u>615,419</u>	<u>425,684</u>	<u>840,296</u>
Business-type Activities				
Water utility	757,963	819,575	-	70,415
Disposal	1,218,821	1,471,699	-	49,482
Storm water	66,884	153,320	-	-
Recycling program	70,273	91,320	-	-
Ambulance	923,610	840,381	13,213	-
Deputy registrar	129,955	122,386	-	-
Total Business-type Activities	<u>3,167,506</u>	<u>3,498,681</u>	<u>13,213</u>	<u>119,897</u>
Total Primary Government	<u>\$ 8,093,242</u>	<u>\$ 4,114,100</u>	<u>\$ 438,897</u>	<u>\$ 960,193</u>
Component Unit				
Economic Development Authority	<u>\$ 193,128</u>	<u>\$ 65,527</u>	<u>\$ 2,472</u>	<u>\$ -</u>

General Revenues and Transfers

Taxes

Property taxes, levied for general purpose

Property taxes, levied for debt service

Property taxes, levied for economic development

Property taxes, levied for library

Property taxes, levied 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, restated

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
\$ (698,556)	\$ -	\$ (698,556)	\$ -
(1,055,133)	-	(1,055,133)	-
(190,592)	-	(190,592)	-
(687,788)	-	(687,788)	-
(6,735)	-	(6,735)	-
(192,015)	-	(192,015)	-
(213,518)	-	(213,518)	-
<u>(3,044,337)</u>	<u>-</u>	<u>(3,044,337)</u>	<u>-</u>
-	132,027	132,027	-
-	302,360	302,360	-
-	86,436	86,436	-
-	21,047	21,047	-
-	(70,016)	(70,016)	-
-	(7,569)	(7,569)	-
<u>-</u>	<u>464,285</u>	<u>464,285</u>	<u>-</u>
<u>(3,044,337)</u>	<u>464,285</u>	<u>(2,580,052)</u>	<u>-</u>
1,658,432	-	1,658,432	-
436,250	-	436,250	-
-	-	-	146,275
329,235	-	329,235	-
120,144	-	120,144	-
560,321	-	560,321	-
33,619	-	33,619	-
657,250	-	657,250	-
44,547	39,988	84,535	864
50,000	-	50,000	-
124,525	(124,525)	-	-
<u>4,014,323</u>	<u>(84,537)</u>	<u>3,929,786</u>	<u>147,139</u>
969,986	379,748	1,349,734	22,010
<u>12,740,786</u>	<u>16,870,871</u>	<u>29,611,657</u>	<u>1,334,546</u>
<u>\$ 13,710,772</u>	<u>\$ 17,250,619</u>	<u>\$ 30,961,391</u>	<u>\$ 1,356,556</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, 2018

City of Cannon Falls, Minnesota

Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	2018 Street Project	Other Governmental	Total Governmental
Assets					
Cash and temporary investments	\$ 2,160,323	\$ 1,467,699	\$ 345,400	\$ 744,380	\$ 4,717,802
Receivables					
Accrued interest	357	56	-	119	532
Taxes	81,658	-	-	-	81,658
Accounts	174,666	1,784	-	8,241	184,691
Special assessments	96,849	1,745,011	-	12,646	1,854,506
Contract for deed	2,245	-	-	-	2,245
Due from other funds	21,149	-	-	-	21,149
Prepaid items	40,413	-	-	6,386	46,799
Total Assets	\$ 2,577,660	\$ 3,214,550	\$ 345,400	\$ 771,772	\$ 6,909,382
Liabilities					
Accounts and contracts payable	\$ 113,330	\$ -	\$ 125,705	\$ 37,824	\$ 276,859
Due to other funds	-	-	-	21,149	21,149
Accrued salaries payable	4,276	-	-	897	5,173
Deposits payable	51,022	-	-	-	51,022
Total Liabilities	168,628	-	125,705	59,870	354,203
Deferred Inflows of Resources					
Unavailable revenue - property taxes	38,906	-	-	-	38,906
Unavailable revenue - special assessments	83,343	1,603,067	-	10,804	1,697,214
Total Deferred Inflows of Resources	122,249	1,603,067	-	10,804	1,736,120
Fund Balances					
Nonspendable	40,413	-	-	6,386	46,799
Restricted	-	1,611,483	219,695	149,264	1,980,442
Committed	-	-	-	471,633	471,633
Assigned	-	-	-	317,232	317,232
Unassigned	2,246,370	-	-	(243,417)	2,002,953
Total Fund Balances	2,286,783	1,611,483	219,695	701,098	4,819,059
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,577,660	\$ 3,214,550	\$ 345,400	\$ 771,772	\$ 6,909,382

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, 2018

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

Total Fund Balances - Governmental Funds	\$ 4,819,059
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	25,870,184
Less: accumulated depreciation	(9,299,961)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	170,671
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(7,182,000)
Capital lease payable	(16,403)
Compensated absences payable	(236,317)
Pension liability	(1,758,552)
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	38,906
Special assessments receivable	1,697,214
Contract for deed receivable	-
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,170,995
Deferred inflows of pension resources	(1,481,660)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(81,364)</u>
Total Net Position - Governmental Activities	<u><u>\$ 13,710,772</u></u>

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

City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Debt Service	2018 Street Project	Other Governmental	Total Governmental
Revenues					
Taxes	\$ 2,228,777	\$ 436,250	\$ -	\$ 482,998	\$ 3,148,025
Licenses and permits	112,466	-	-	-	112,466
Intergovernmental	766,755	-	-	180,242	946,997
Charges for services	53,482	-	-	91,969	145,451
Fines and forfeitures	61,207	-	-	5,928	67,135
Special assessments	19,827	419,494	-	44,058	483,379
Interest on investments	16,377	8,685	13,105	6,380	44,547
Miscellaneous	274,170	123	-	176,363	450,656
Total Revenues	<u>3,533,061</u>	<u>864,552</u>	<u>13,105</u>	<u>987,938</u>	<u>5,398,656</u>
Expenditures					
Current					
General government	760,945	-	-	-	760,945
Public safety	1,087,984	-	-	269,668	1,357,652
Public works	641,491	-	-	-	641,491
Culture and recreation	453,607	-	-	424,267	877,874
Miscellaneous	192,015	-	-	-	192,015
Capital outlay					
General government	253,811	-	-	-	253,811
Public safety	3,682	-	-	546,051	549,733
Public works	5,021	-	1,841,419	150,747	1,997,187
Culture and recreation	-	-	-	77,345	77,345
Debt service					
Principal	7,688	632,000	-	-	639,688
Interest and other charges	1,660	139,471	36,502	4,000	181,633
Total Expenditures	<u>3,407,904</u>	<u>771,471</u>	<u>1,877,921</u>	<u>1,472,078</u>	<u>7,529,374</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>125,157</u>	<u>93,081</u>	<u>(1,864,816)</u>	<u>(484,140)</u>	<u>(2,130,718)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	50,000	50,000
Transfers in	-	125,000	-	132,960	257,960
Bonds issued	-	4,500	2,100,000	354,500	2,459,000
Transfers out	(133,435)	-	-	-	(133,435)
Total Other Financing Sources (Uses)	<u>(133,435)</u>	<u>129,500</u>	<u>2,100,000</u>	<u>537,460</u>	<u>2,633,525</u>
Net Change in Fund Balances	(8,278)	222,581	235,184	53,320	502,807
Fund Balances, January 1	2,341,662	1,388,902	(15,489)	647,778	4,362,853
Prior Period Adjustment	<u>(46,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,601)</u>
Fund Balances, December 31	<u>\$ 2,286,783</u>	<u>\$ 1,611,483</u>	<u>\$ 219,695</u>	<u>\$ 701,098</u>	<u>\$ 4,819,059</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, 2018

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

Net Change in Fund Balances - Governmental Funds	\$ 502,807
Capital outlays and sales are reported in governmental funds as expenditures and proceeds. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense and the proceeds are reported as reductions of net position and gains or losses on sales.	
Capital outlays	2,647,092
Depreciation expense	(746,511)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposal of land	(5,730)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments	632,000
Capital lease principal payments	7,688
Bonds issued	(2,459,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(31,885)
Long-term pension activity is not reported in governmental funds.	
Pension expense	136,929
Direct aid contributions	13,894
Certain revenues are recognized as soon as earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(10,024)
Special assessments	332,565
Contract for deed	(6,735)
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	(43,104)
Change in Net Position - Governmental Activities	<u>\$ 969,986</u>

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

City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,197,764	\$ 2,197,764	\$ 2,228,777	\$ 31,013
Licenses and permits	61,450	61,450	112,466	51,016
Intergovernmental	750,264	750,264	766,755	16,491
Charges for services	58,750	58,750	53,482	(5,268)
Fines and forfeitures	26,000	26,000	61,207	35,207
Special assessments	18,400	18,400	19,827	1,427
Interest on investments	11,000	11,000	16,377	5,377
Miscellaneous	252,375	252,375	274,170	21,795
Total Revenues	<u>3,376,003</u>	<u>3,376,003</u>	<u>3,533,061</u>	<u>157,058</u>
Expenditures				
Current				
General government	844,450	844,450	760,945	83,505
Public safety	1,115,750	1,115,750	1,087,984	27,766
Public works	647,675	647,675	641,491	6,184
Culture and recreation	472,372	472,372	453,607	18,765
Miscellaneous	98,000	98,000	192,015	(94,015)
Capital outlay	12,300	12,300	262,514	(250,214)
Debt service				
Capital lease				
Principal	8,300	8,300	7,688	612
Interest	1,075	1,075	1,660	(585)
Total Expenditures	<u>3,199,922</u>	<u>3,199,922</u>	<u>3,407,904</u>	<u>(207,982)</u>
Excess of Revenues Over Expenditures	<u>176,081</u>	<u>176,081</u>	<u>125,157</u>	<u>(50,924)</u>
Other Financing Sources (Uses)				
Transfers in	18,850	18,850	-	(18,850)
Transfers out	(194,931)	(194,931)	(133,435)	61,496
Total Other Financing Sources (Uses)	<u>(176,081)</u>	<u>(176,081)</u>	<u>(133,435)</u>	<u>42,646</u>
Net Change in Fund Balances	-	-	(8,278)	(8,278)
Fund Balances, January 1	2,341,662	2,341,662	2,341,662	-
Prior Period Adjustment	-	-	(46,601)	(46,601)
Fund Balances, December 31	<u>\$ 2,341,662</u>	<u>\$ 2,341,662</u>	<u>\$ 2,286,783</u>	<u>\$ (54,879)</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, 2018

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	Totals
Assets					
Current Assets					
Cash and temporary investments	\$ 1,454,426	\$ 763,312	\$ 218,271	\$ 614,329	\$ 3,050,338
Receivables					
Accrued interest	452	160	-	142	754
Accounts, net of allowance	76,097	130,399	272,542	24,531	503,569
Special assessments	118,307	127,971	-	9,302	255,580
Inventories, at cost	1,796	1,796	-	-	3,592
Prepaid items	2,793	5,917	15,473	236	24,419
Total Current Assets	1,653,871	1,029,555	506,286	648,540	3,838,252
Noncurrent Assets					
Special assessments receivable	397,151	328,100	-	-	725,251
Capital assets					
Land and construction in progress	87,816	-	-	-	87,816
Depreciable buildings, property, and equipment	14,471,318	20,785,649	821,142	1,419,130	37,497,239
Accumulated depreciation	(6,194,300)	(8,252,728)	(357,907)	(208,112)	(15,013,047)
Total Net Capital Assets	8,364,834	12,532,921	463,235	1,211,018	22,572,008
Total Noncurrent Assets	8,761,985	12,861,021	463,235	1,211,018	23,297,259
Total Assets	10,415,856	13,890,576	969,521	1,859,558	27,135,511
Deferred Outflows of Resources					
Deferred pension resources	11,029	13,986	37,188	9,810	72,013
Liabilities					
Current Liabilities					
Accounts and contracts payable	10,777	30,156	13,818	-	54,751
Accrued interest payable	41,706	60,609	-	10,713	113,028
Due to other governments	1,900	-	-	-	1,900
Accrued salaries payable	355	567	849	418	2,189
Compensated absences payable	3,068	3,951	12,217	2,260	21,496
Capital lease payable	-	-	-	8,025	8,025
Bonds payable	418,640	851,373	-	28,987	1,299,000
Total Current Liabilities	476,446	946,656	26,884	50,403	1,500,389
Noncurrent Liabilities					
Compensated absences payable	9,203	11,853	36,650	6,779	64,485
Capital lease payable	-	-	-	8,378	8,378
Bonds payable	2,787,252	4,374,897	-	740,761	7,902,910
Pension liability	59,096	74,943	199,255	52,568	385,862
Total Noncurrent Liabilities	2,855,551	4,461,693	235,905	808,486	8,361,635
Total Liabilities	3,331,997	5,408,349	262,789	858,889	9,862,024
Deferred Inflows of Resources					
Deferred pension resources	14,532	18,428	48,995	12,926	94,881
Net Position					
Net investment in capital assets	5,248,792	7,414,471	463,235	451,822	13,578,320
Unrestricted	1,831,564	1,063,314	231,690	545,731	3,672,299
Total Net Position	\$ 7,080,356	\$ 8,477,785	\$ 694,925	\$ 997,553	\$ 17,250,619

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, 2018

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	Totals
Operating Revenues					
Charges for services	\$ 819,575	\$ 1,471,699	\$ 840,381	\$ 361,157	\$ 3,492,812
Operating Expenses					
Personnel services	146,550	198,098	648,942	124,532	1,118,122
Supplies	27,929	53,032	59,185	4,443	144,589
Repairs and maintenance	18,121	47,671	33,813	451	100,056
Depreciation	359,714	524,796	97,777	39,171	1,021,458
Insurance	2,531	11,905	2,753	-	17,189
Utilities	73,510	128,212	16,897	-	218,619
Other services and charges	39,116	100,171	64,243	78,201	281,731
Total Operating Expenses	667,471	1,063,885	923,610	246,798	2,901,764
Operating Income (Loss)	152,104	407,814	(83,229)	114,359	591,048
Nonoperating Revenues (Expenses)					
Interest on investments	19,629	14,483	4,126	1,750	39,988
Intergovernmental	-	-	600	-	600
Other income	-	-	12,613	5,869	18,482
Interest expense	(90,492)	(154,936)	-	(20,314)	(265,742)
Total Nonoperating Revenues (Expenses)	(70,863)	(140,453)	17,339	(12,695)	(206,672)
Income (Loss) Before Contributions and Transfers	81,241	267,361	(65,890)	101,664	384,376
Capital Contributions	70,415	49,482	-	-	119,897
Transfers In	-	-	6,600	13,875	20,475
Transfers Out	(110,000)	(35,000)	-	-	(145,000)
Change in Net Position	41,656	281,843	(59,290)	115,539	379,748
Net Position, January 1	7,038,700	8,195,942	754,215	882,014	16,870,871
Net Position, December 31	\$ 7,080,356	\$ 8,477,785	\$ 694,925	\$ 997,553	\$ 17,250,619

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, 2018

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 819,806	\$ 1,464,157	\$ 803,159	\$ 367,141	\$ 3,454,263
Payments to suppliers	(161,268)	(322,072)	(208,252)	(102,101)	(793,693)
Payments to employees	(158,743)	(204,555)	(626,055)	(132,025)	(1,121,378)
Net Cash Provided (Used) by Operating Activities	499,795	937,530	(31,148)	133,015	1,539,192
Cash Flows from Noncapital and Related Financing Activities					
Transfers in	-	-	6,600	13,875	20,475
Transfers out	(110,000)	(35,000)	-	-	(145,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(110,000)	(35,000)	6,600	13,875	(124,525)
Cash Flows from Capital and Related Financing Activities					
Permits and connection fees received	10,604	7,346	-	-	17,950
Special assessments received	156,138	137,702	-	-	293,840
Acquisition of capital assets	(638,150)	(772,980)	(209,903)	(191,444)	(1,812,477)
Proceeds from bonds issued	728,000	873,600	-	218,400	1,820,000
Principal paid on capital leases	-	-	-	(7,689)	(7,689)
Principal paid on bonds	(406,377)	(827,644)	-	(27,981)	(1,262,002)
Interest paid on bonds and capital leases	(84,144)	(150,634)	-	(17,608)	(252,386)
Net Cash Used by Capital and Related Financing Activities	(233,929)	(732,610)	(209,903)	(26,322)	(1,202,764)
Cash Flows from Investing Activities					
Interest received from investments	20,559	17,385	4,126	2,177	44,247
Net Increase (Decrease) in Cash and Cash Equivalents	176,425	187,305	(230,325)	122,745	256,150
Cash and Cash Equivalents, January 1	1,278,001	576,007	448,596	491,584	2,794,188
Cash and Cash Equivalents, December 31	<u>\$ 1,454,426</u>	<u>\$ 763,312</u>	<u>\$ 218,271</u>	<u>\$ 614,329</u>	<u>\$ 3,050,338</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 152,104	\$ 407,814	\$ (83,229)	\$ 114,359	\$ 591,048
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income	-	-	13,213	5,869	19,082
Depreciation	359,714	524,796	97,777	39,171	1,021,458
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	231	(7,542)	(50,435)	(1,187)	(58,933)
Interest receivable	-	-	-	(31)	(31)
Special assessments receivable	-	-	-	1,333	1,333
Inventory	5,192	5,192	-	-	10,384
Prepaid items	(218)	(591)	(3,682)	151	(4,340)
Deferred pension resources	6,162	6,064	7,433	4,824	24,483
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	(5,045)	14,318	(27,679)	(19,157)	(37,563)
Due to other governments	10	-	-	-	10
Accrued salaries payable	(4,230)	(4,875)	(14,361)	(3,463)	(26,929)
Compensated absences payable	859	2,332	11,555	1,084	15,830
Deferred pension resources	(2,013)	(869)	6,053	(1,158)	2,013
Pension liability	(12,971)	(9,109)	12,207	(8,780)	(18,653)
Net Cash Provided (Used) by Operating Activities	<u>\$ 499,795</u>	<u>\$ 937,530</u>	<u>\$ (31,148)</u>	<u>\$ 133,015</u>	<u>\$ 1,539,192</u>
Noncash Capital and Related Financing Activities					
Net disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,540</u>	<u>\$ -</u>	<u>\$ 21,540</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, 2018

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 116.

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, 2018

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, 2018

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 *2018 Street Project* fund accounts for the costs associated with the 2018 Eastside street project.

The City reports the following major proprietary funds:

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

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

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

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

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

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, 2018

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, 2018:

- Negotiable certificates of deposits of \$2,871,352 are values 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 2018. 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 as of December 31, 2018.

Property Taxes

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

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

Special Assessments

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

Interfund Receivables and Payables

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

Inventories and Prepaid Items

Inventories 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, 2018

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 \$322,298 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 \$25,628.

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 two sources: property taxes and special assessments. 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, 2018

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 2018.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$ 3,199,922	\$ 3,407,904	\$ 207,982
Nonmajor			
Fire Department Operations fund	262,144	276,856	14,712
Component Unit			
Economic Development fund	146,075	155,359	9,284
Industrial Revolving Loan fund	5,000	34,033	29,033

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, 2018:

Fund	Amount
Capital Project	
Police Capital	\$ 9,838
3rd Street Bridge	280
TIF 2-6.2	11,638
TIF 2-7	9,510
2016 Street Improvement Westside Phase II	20,230
Alexander Court	191,921
Enterprise Fund	
Deputy Registrar	84,884

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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 \$1,326,786 and the bank balance was \$2,343,746. The bank balance was covered by federal depository insurance totaling \$1,318,746, 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, 2018

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	\$ 4,071,285			
Non-pooled Investments at Fair Value						
Negotiable CDs	N/A	Less than 6 months	614,998	\$ -	\$ 614,998	\$ -
Negotiable CDs	N/A	6 months to 1 year	345,005	-	345,005	-
Negotiable CDs	N/A	1 to 3 years	222,310	-	222,310	-
Negotiable CDs	N/A	More than 3 years	958,006	-	958,006	-
U.S. Government Agencies	AAA	1 to 3 years	731,033	-	731,033	-
Total Investments			\$ 6,942,637	\$ -	\$ 2,871,352	\$ -

(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, 2018

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:

	<u>Amount</u>
Carrying Amount of Deposits	\$ 1,326,786
Investments	6,942,637
Cash on Hand	<u>555</u>
 Total	 <u><u>\$ 8,269,978</u></u>
 As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 7,768,140
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>501,838</u>
 Total	 <u><u>\$ 8,269,978</u></u>

B. Loans Receivable

Economic Development Authority

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 \$1,036 are due beginning December 29, 2012. The outstanding balance as of December 31, 2018 was \$96,723.

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, 2018 was \$117,763.

On December 12, 2018, the EDA loaned \$25,000 to Aqualand Aquarium Center, Inc. at the rate of 3 percent a year. The loan is due December 12, 2023. Monthly payments of \$138 are due beginning January 12, 2019. \$5,000 of the loan will not be subject to interest and will be forgiven provided that the borrower is still operating in Cannon Falls. The outstanding balance of at December 31, 2018 was \$25,000.

On September 19, 2018, the EDA loaned \$50,000 to Interstate Building Supply at the rate of 3 percent a year. The loan is due October 19, 2023. Monthly payments of \$932 are due beginning October 19, 2018. \$5,000 of the loan will not be subject to interest and will be forgiven provided that the borrower is still operating in Cannon Falls. The outstanding balance of at December 31, 2018 was \$49,403.

The total loan receivable balance as of December 31, 2018 was \$278,888.

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, 2018 was \$2,245.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 914,346	\$ 194,176	\$ (5,730)	\$ 1,102,792
Construction in progress	220,870	-	(220,870)	-
Total Capital Assets not being Depreciated	1,135,216	194,176	(226,600)	1,102,792
Capital Assets being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	12,832,544	2,070,624	-	14,903,168
Machinery and equipment	1,875,772	-	(5,150)	1,870,622
Vehicles	2,727,405	603,162	(209,526)	3,121,041
Total Capital Assets being Depreciated	22,308,282	2,673,786	(214,676)	24,767,392
Less Accumulated Depreciation for				
Buildings and improvements	(1,573,376)	(111,410)	-	(1,684,786)
System improvements/infrastructure	(3,941,223)	(407,403)	-	(4,348,626)
Machinery and equipment	(1,194,601)	(171,788)	88,219	(1,278,170)
Vehicles	(2,058,926)	(55,910)	126,457	(1,988,379)
Total Accumulated Depreciation	(8,768,126)	(746,511)	214,676	(9,299,961)
Total Capital Assets being Depreciated, Net	13,540,156	1,927,275	-	15,467,431
Governmental Activities Capital Assets, Net	<u>\$ 14,675,372</u>	<u>\$ 2,121,451</u>	<u>\$ (226,600)</u>	<u>\$ 16,570,223</u>

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

Governmental Activities	
General government	\$ 43,735
Public safety	175,481
Public works	447,335
Culture and recreation	79,960
Total Depreciation Expense - Governmental Activities	<u>\$ 746,511</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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	33,891	-	(33,891)	-
Total Capital Assets not being Depreciated	<u>121,707</u>	<u>-</u>	<u>(33,891)</u>	<u>87,816</u>
Capital Assets being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	34,093,469	1,636,465	-	35,729,934
Machinery and equipment	1,096,840	15,903	(21,540)	1,091,203
Vehicles	660,052	194,000	(193,930)	660,122
Total Capital Assets being Depreciated	<u>35,866,341</u>	<u>1,846,368</u>	<u>(215,470)</u>	<u>37,497,239</u>
Less Accumulated Depreciation for				
Buildings and improvements	(10,582)	(534)	-	(11,116)
System improvements/infrastructure	(13,063,505)	(871,729)	-	(13,935,234)
Machinery and equipment	(734,226)	(66,469)	21,540	(779,155)
Vehicles	(398,746)	(82,726)	193,930	(287,542)
Total Accumulated Depreciation	<u>(14,207,059)</u>	<u>(1,021,458)</u>	<u>215,470</u>	<u>(15,013,047)</u>
Total Capital Assets being Depreciated, Net	<u>21,659,282</u>	<u>824,910</u>	<u>-</u>	<u>22,484,192</u>
Business-type Activities Capital Assets, Net	<u>\$ 21,780,989</u>	<u>\$ 824,910</u>	<u>\$ (33,891)</u>	<u>\$ 22,572,008</u>

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

Business-type Activities	
Water Utility	\$ 359,714
Disposal	524,796
Ambulance	97,777
Storm Water	<u>39,171</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,021,458</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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, 2018 was as follows:

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

E. Transfers

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2018 is as follows:

Fund	Transfers in				Total
	Debt Service Fund	Nonmajor Governmental Funds	Ambulance Fund	Nonmajor Enterprise Funds	
Transfer Out					
General	\$ -	\$ 129,270	\$ 200	\$ 3,965	\$ 133,435
Water Utility	100,000	3,690	2,700	3,610	110,000
Disposal	25,000	-	3,700	6,300	35,000
Total	\$ 125,000	\$ 132,960	\$ 6,600	\$ 13,875	\$ 278,435

During the year, transfers are used to 1) move General fund resources to provide funds for future capital purchases and 2) move enterprise fund resources to debt service funds for debt service requirements.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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	\$ 2,220,000
G.O. Improvement Bonds of 2012A	932,000	.75 - 2.50	05/01/12	02/01/22	303,000
G.O. Refunding Permanent Bonds of 2012B	3,085,000	1.00 - 1.65	11/28/12	02/01/23	1,165,000
G.O. Improvement Bonds of 2013A	2,575,000	2.00 - 4.00	08/07/13	02/01/34	2,080,000
G.O. Improvement Bonds of 2016A	2,480,000	2.00 - 3.00	06/30/16	02/01/37	2,350,000
G.O. Improvement Bonds of 2018A	3,920,000	3.00 - 3.50	07/18/18	02/01/39	3,920,000
Total G.O. Improvement Bonds					<u>\$ 12,038,000</u>

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 633,000	\$ 167,481	\$ 800,481	\$ 175,000	\$ 155,514	\$ 330,514
2020	765,000	153,131	918,131	245,000	148,743	393,743
2021	642,000	139,048	781,048	255,000	142,691	397,691
2022	663,000	124,585	787,585	255,000	136,274	391,274
2023	600,000	110,074	710,074	260,000	129,624	389,624
2024 - 2028	2,090,000	364,769	2,454,769	1,435,000	532,760	1,967,760
2029 - 2033	1,260,000	110,547	1,370,547	1,555,000	296,414	1,851,414
2034 - 2038	170,000	2,763	172,763	915,000	88,847	1,003,847
2039	-	-	-	120,000	2,100	122,100
Total	<u>\$ 6,823,000</u>	<u>\$ 1,172,398</u>	<u>\$ 7,995,398</u>	<u>\$ 5,215,000</u>	<u>\$ 1,632,967</u>	<u>\$ 6,847,967</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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 2018, principal and interest paid and total customer revenues for the Water fund were \$490,521 and \$819,575, respectively. For 2018, principal and interest paid and total customer revenues for the Disposal fund were \$978,278 and \$1,471,699, 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	\$ 915,000
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	8,021,909	2.86	11/20/01	08/20/22	2,016,909
G.O. Water Revenue Refunding Bonds - Series 2010A	3,560,000	1.00 - 3.50	12/09/10	08/01/21	<u>1,055,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 3,986,909</u></u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
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	<u>525,909</u>	<u>15,041</u>	<u>540,950</u>
Total	<u><u>\$ 3,986,909</u></u>	<u><u>\$ 274,574</u></u>	<u><u>\$ 4,261,483</u></u>

General Obligation Equipment Certificates

The following bonds were issued to purchase capital equipment and will be repaid from future tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2018B G.O. Equipment Certificates	\$ 359,000	4.00 %	07/18/18	02/01/28	<u><u>\$ 359,000</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

The annual service requirements to maturity for the general obligation equipment certificates are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ -	\$ 14,879	\$ 14,879
2020	34,000	13,680	47,680
2021	35,000	12,300	47,300
2022	37,000	10,860	47,860
2023	38,000	9,360	47,360
2024 - 2028	215,000	22,140	237,140
Total	<u>\$ 359,000</u>	<u>\$ 83,219</u>	<u>\$ 442,219</u>

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>\$ 32,806</u>

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 16,403</u>	<u>\$ 2,290</u>	<u>\$ 18,693</u>	<u>\$ 16,403</u>	<u>\$ 2,290</u>	<u>\$ 18,693</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	(43,529)	(43,529)
Total	<u>\$ 40,722</u>	<u>\$ 40,721</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2018, 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	\$ 5,355,000	\$ 2,100,000	\$ (632,000)	\$ 6,823,000	\$ 633,000
General obligation Equipment certificates	-	359,000	-	359,000	-
Capital Leases Payable	24,091	-	(7,688)	16,403	8,025
Compensated Absences Payable	193,213	91,407	(48,303)	236,317	59,079
Pension Liability					
GERF	1,359,424	-	(178,588)	1,180,836	-
PEPFF	702,062	-	(124,346)	577,716	-
	<u>\$ 7,633,790</u>	<u>\$ 2,550,407</u>	<u>\$ (990,925)</u>	<u>\$ 9,193,272</u>	<u>\$ 700,104</u>
Governmental Activity Long-term Liabilities					
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 5,078,910	\$ -	\$ (1,092,000)	\$ 3,986,910	\$ 1,124,000
General obligation improvement bonds	3,565,002	1,820,000	(170,002)	5,215,000	175,000
Capital Leases Payable	24,092	-	(7,689)	16,403	8,025
Compensated Absences Payable	70,151	33,368	(17,538)	85,981	21,496
Pension Liability					
GERF	404,515	41,487	(60,140)	385,862	-
	<u>\$ 9,142,670</u>	<u>\$ 1,894,855</u>	<u>\$ (1,347,369)</u>	<u>\$ 9,690,156</u>	<u>\$ 1,328,521</u>
Business-type Activity Long-term Liabilities					
Component Unit - EDA					
Compensated Absences Payable	\$ 17,381	\$ 12,600	\$ (4,353)	\$ 25,628	\$ 6,407
Pension Liability					
GERF	55,482	-	(7,832)	47,650	-
	<u>\$ 72,863</u>	<u>\$ 12,600</u>	<u>\$ (12,185)</u>	<u>\$ 73,278</u>	<u>\$ 6,407</u>
Component Unit Long-term Liabilities					

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance

At December 31, 2018, 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	2018 Street Project	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	<u>\$ 40,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,386</u>	<u>\$ 46,799</u>
Restricted for					
Debt service	\$ -	\$ 1,611,483	\$ -	\$ -	\$ 1,611,483
Street project	-	-	219,695	-	219,695
Cable television	-	-	-	124,218	124,218
Park capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,046</u>	<u>25,046</u>
Total Restricted	<u>\$ -</u>	<u>\$ 1,611,483</u>	<u>\$ 219,695</u>	<u>\$ 149,264</u>	<u>\$ 1,980,442</u>
Committed for					
Fire operations	\$ -	\$ -	\$ -	\$ 5,708	\$ 5,708
Street capital	-	-	-	32,372	32,372
Public works capital	-	-	-	170,885	170,885
Fire capital	-	-	-	99,363	99,363
Administration capital	-	-	-	70,157	70,157
Park capital	-	-	-	47,469	47,469
Library capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,679</u>	<u>45,679</u>
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,633</u>	<u>\$ 471,633</u>
Assigned					
Library operations	\$ -	\$ -	\$ -	\$ 167,236	\$ 167,236
Eastside improvement	-	-	-	21,550	21,550
Public improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,446</u>	<u>128,446</u>
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,232</u>	<u>\$ 317,232</u>
Unassigned	<u>\$ 2,246,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (243,417)</u>	<u>\$ 2,002,953</u>

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

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 Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the year ending December 31, 2018, 2017 and 2016 were \$148,746, \$140,461 and \$136,240, respectively. The City's contributions were equal to the 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 2018. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were \$94,884, \$87,838 and \$86,782, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$1,614,349 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 \$16 million to the fund in 2018. 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 \$52,857. The net pension liability was measured as of June 30, 2018, 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 proportionate share 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0291 percent which was an increase of 0.0006 percent as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$ 1,614,349
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>52,857</u>
Total	<u><u>\$ 1,667,206</u></u>

For the year ended December 31, 2018, the City recognized pension expense of \$162,866 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$11,963 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF in the primary government, and \$363 in the discretely presented component unit.

At December 31, 2018, 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	\$ 42,719	\$ 51,668
Changes in Actuarial Assumptions	155,218	181,389
Net Difference Between Projected and Actual Earnings on Plan Investments	-	160,854
Changes in Proportion	28,983	3,049
Contributions to GERF Subsequent to the Measurement Date	<u>74,357</u>	<u>-</u>
Total	<u><u>\$ 301,277</u></u>	<u><u>\$ 396,960</u></u>

Deferred outflows of resources totaling \$74,357 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2019	\$ 61,136
2020	(78,849)
2021	(118,632)
2022	(33,695)

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$577,716 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0542 percent which was an increase of 0.0022 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized pension expense of \$25,775 for its proportionate share of PEPFF's pension expense. The City also recognized \$4,878 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.

At December 31, 2018, 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	\$ 23,473	\$ 145,551
Changes in Actuarial Assumptions	751,665	850,473
Net Difference Between Projected and Actual Earnings on Plan Investments	-	123,739
Changes in Proportion	70,126	17,888
Contributions to PEPFF Subsequent to the Measurement Date	<u>49,952</u>	<u>-</u>
Total	<u><u>\$ 895,216</u></u>	<u><u>\$ 1,137,651</u></u>

Deferred outflows of resources totaling \$49,952 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2019	\$ 15,585
2020	(34,301)
2021	(65,694)
2022	(212,808)
2023	4,831

Total Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2018, was \$272,183.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 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 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for GERF and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERF plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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 GERP and PEPFF were 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	\$ 2,623,523	\$ 1,614,348	\$ 781,304
PEPFF	1,238,660	577,716	31,143

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, 2018

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, 2017, the plan covered 30 active firefighters and 3 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 \$51,993 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2017 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, 2018 were \$51,993. 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, 2018

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

D. Pension Costs

At December 31, 2018, the City reported a net pension liability (asset) of \$(170,671) for the plan. The net pension asset was measured as of December 31, 2017. 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, 2017. 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)
Beginning Balance January 1, 2016	\$ 574,658	\$ 695,842	\$ (121,184)
Changes for the Year			
Service cost	28,860	-	28,860
Interest on pension liability (asset)	34,228	-	34,228
Change of benefit terms	40,593	-	40,593
Net investment income	-	103,115	(103,115)
Contributions (State)	-	51,349	(51,349)
Benefit payouts	(66,100)	(66,100)	-
Administrative costs	-	(1,296)	1,296
Total Net Changes	37,581	87,068	(49,487)
Ending Balance December 31, 2016	<u>\$ 612,239</u>	<u>\$ 782,910</u>	<u>\$ (170,671)</u>

For the year ended December 31, 2018, the City recognized pension expense of \$66,701.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, 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	\$ -	\$ 23,036
Changes in Actuarial Assumptions	3,413	4,685
Net Difference Between Projected and Actual Earnings on Plan Investments	-	25,926
Contributions to Plan Subsequent to the Measurement Date	51,995	-
	<u>51,995</u>	<u>-</u>
Total	<u>\$ 55,408</u>	<u>\$ 53,647</u>

Deferred outflows of resources totaling \$51,995 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, 2019. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2019	\$ 919
2020	(4,258)
2021	(19,004)
2022	(16,116)
2023	(3,133)
Thereafter	(8,642)

E. Actuarial Assumptions

The total pension liability at December 31, 2018 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	3.31%

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, 2018

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	50.00 %	5.39 %
International Equity	20.00	5.20
Fixed Income	15.00	1.98
Real Estate	-	4.25
Cash	<u>15.00</u>	0.79
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	\$ (153,000)	\$ (170,671)	\$ (187,759)

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, 2018

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 \$375,403 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 2018 was \$652,555. This accounted for 18.5% 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.

Note 9: Prior Period Adjustment

During 2017 a receivable related to taxes had been improperly recorded in the General fund. This caused an adjustment to fund balance in the General fund \$46,601 in 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Cannon Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2018

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 Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0291 %	\$ 1,614,349	\$ 52,857	\$1,667,206	\$1,953,259	85.36 %	79.5 %
06/30/17	0.0285	1,819,421	22,872	1,842,293	1,835,533	99.12	75.9
06/30/16	0.0286	2,322,178	30,356	2,352,534	1,774,875	130.84	68.9
06/30/15	0.0286	1,482,200	-	1,482,200	1,680,063	88.22	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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 148,746	\$ 148,746	\$ -	\$ 1,983,286	7.50 %
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, 2018

Notes to the Required Supplementary Information - General Employees Retirement Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

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, 2018

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 Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/18	0.0542 %	\$ 577,716	\$ -	\$ 577,716	\$ 570,962	101.2 %	88.8 %
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 Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/18	\$ 94,884	\$ 94,884	\$ -	\$ 585,702	16.2 %
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, 2018

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

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

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 28,860	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	34,228	37,821	35,024	34,669
Changes of benefit terms	-	-	18,597	-
Differences between expected and actual experience	-	(28,496)	-	-
Changes of assumptions	40,593	4,223	(7,109)	-
Benefit payments	(66,100)	(88,050)	(74,667)	(40,242)
Net Change in Total Pension Liability	37,581	(43,641)	803	22,610
Total Pension Liability - January 1	574,658	618,299	617,496	594,886
Total Pension Liability - December 31 (a)	\$ 612,239	\$ 574,658	\$ 618,299	\$ 617,496
Plan Fiduciary Net Position				
Employer contributions	\$ 51,349	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	-	-	-	137
Projected investment return	103,115	52,076	(32,964)	15,287
Benefit payments	(66,100)	(88,050)	(74,667)	(40,242)
Administrative expenses	(1,296)	(1,155)	(239)	(232)
Other	-	-	-	3,000
Net Change in Plan Fiduciary Net Position	87,068	15,812	(56,910)	26,742
Plan Fiduciary Net Position - January 1	695,842	680,030	736,940	710,198
Plan Fiduciary Net Position - December 31 (b)	\$ 782,910	\$ 695,842	\$ 680,030	\$ 736,940
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (170,671)	\$ (121,184)	\$ (61,731)	\$ (119,444)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	127.88%	121.09%	109.98%	119.34%
Covered-employee Payroll	N/A	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	N/A

Notes to the Required Supplementary Information - Fire Relief Association

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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2018

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/18	\$ 51,993	\$ 51,993	\$ -
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.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 302,339	\$ 442,041	\$ 744,380
Receivables			
Accrued interest	85	34	119
Accounts	8,241	-	8,241
Special assessments	-	12,646	12,646
Prepaid items	6,386	-	6,386
	<u>6,386</u>	<u>-</u>	<u>6,386</u>
Total Assets	<u>\$ 317,051</u>	<u>\$ 454,721</u>	<u>\$ 771,772</u>
Liabilities			
Accounts payable	\$ 12,606	\$ 25,218	\$ 37,824
Accrued salaries payable	897	-	897
Due to other funds	-	21,149	21,149
Total Liabilities	<u>13,503</u>	<u>46,367</u>	<u>59,870</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>10,804</u>	<u>10,804</u>
Fund Balances			
Nonspendable	6,386	-	6,386
Restricted	124,218	25,046	149,264
Committed	5,708	465,925	471,633
Assigned	167,236	149,996	317,232
Unassigned	-	(243,417)	(243,417)
Total Fund Balances	<u>303,548</u>	<u>397,550</u>	<u>701,098</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 317,051</u>	<u>\$ 454,721</u>	<u>\$ 771,772</u>

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 449,379	\$ -	\$ 449,379
Franchise taxes	33,619	-	33,619
Intergovernmental	180,242	-	180,242
Charges for services	91,969	-	91,969
Fines and forfeitures	5,928	-	5,928
Special assessments	-	44,058	44,058
Interest on investments	3,392	2,988	6,380
Miscellaneous	12,322	164,041	176,363
Total Revenues	<u>776,851</u>	<u>211,087</u>	<u>987,938</u>
Expenditures			
Current			
Public safety	269,668	-	269,668
Culture and recreation	424,267	-	424,267
Capital outlay			
Public safety	7,188	538,863	546,051
Public works	-	150,747	150,747
Culture and recreation	63,574	13,771	77,345
Debt service			
Interest and other charges	-	4,000	4,000
Total Expenditures	<u>764,697</u>	<u>707,381</u>	<u>1,472,078</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,154</u>	<u>(496,294)</u>	<u>(484,140)</u>
Other Financing Sources			
Sale of capital assets	-	50,000	50,000
Transfers in	-	132,960	132,960
Bonds issued	-	354,500	354,500
Total Other Financing Sources	<u>-</u>	<u>537,460</u>	<u>537,460</u>
Net Change in Fund Balances	12,154	41,166	53,320
Fund Balances, January 1	<u>291,394</u>	<u>356,384</u>	<u>647,778</u>
Fund Balances, December 31	<u>\$ 303,548</u>	<u>\$ 397,550</u>	<u>\$ 701,098</u>

City of Cannon Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2018

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 174,177	\$ 117,209	\$ 10,953	\$ 302,339
Accrued interest	51	34	-	85
Accounts receivable	169	7,822	250	8,241
Prepaid items	1,218	31	5,137	6,386
	<u>1,218</u>	<u>31</u>	<u>5,137</u>	<u>6,386</u>
Total Assets	<u>\$ 175,615</u>	<u>\$ 125,096</u>	<u>\$ 16,340</u>	<u>\$ 317,051</u>
Liabilities				
Accounts payable	\$ 6,309	\$ 802	\$ 5,495	\$ 12,606
Accrued salaries payable	852	45	-	897
Total Liabilities	<u>7,161</u>	<u>847</u>	<u>5,495</u>	<u>13,503</u>
Fund Balances				
Nonspendable	1,218	31	5,137	6,386
Restricted	-	124,218	-	124,218
Committed	-	-	5,708	5,708
Assigned	167,236	-	-	167,236
Total Fund Balances	<u>168,454</u>	<u>124,249</u>	<u>10,845</u>	<u>303,548</u>
Total Liabilities and Fund Balances	<u>\$ 175,615</u>	<u>\$ 125,096</u>	<u>\$ 16,340</u>	<u>\$ 317,051</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, 2018

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 329,235	\$ -	\$ 120,144	\$ 449,379
Franchise taxes	-	33,619	-	33,619
Intergovernmental				
State	-	-	62,653	62,653
County	117,589	-	-	117,589
Charges for services	1,496	28	90,445	91,969
Fines and forfeitures	5,928	-	-	5,928
Interest on investments	51	685	2,656	3,392
Miscellaneous				
Contributions and donations	2,160	-	2,150	4,310
Other	-	-	8,012	8,012
Total Revenues	<u>456,459</u>	<u>34,332</u>	<u>286,060</u>	<u>776,851</u>
Expenditures				
Current				
Public safety	-	-	269,668	269,668
Culture and recreation	399,826	24,441	-	424,267
Capital outlay				
Public safety	-	-	7,188	7,188
Culture and recreation	30,048	33,526	-	63,574
Total Expenditures	<u>429,874</u>	<u>57,967</u>	<u>276,856</u>	<u>764,697</u>
Net Change in Fund Balances	26,585	(23,635)	9,204	12,154
Fund Balances, January 1	<u>141,869</u>	<u>147,884</u>	<u>1,641</u>	<u>291,394</u>
Fund Balances, December 31	<u>\$ 168,454</u>	<u>\$ 124,249</u>	<u>\$ 10,845</u>	<u>\$ 303,548</u>

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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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 329,235	\$ 329,235	\$ 329,235	\$ -	\$ 328,700
Intergovernmental					
County	117,590	117,590	117,589	(1)	114,621
Charges for services	1,250	1,250	1,496	246	1,296
Fines and forfeitures	6,000	6,000	5,928	(72)	6,465
Interest on investments	-	-	51	51	
Miscellaneous					
Contributions and donations	-	-	2,160	2,160	615
Total Revenues	<u>454,075</u>	<u>454,075</u>	<u>456,459</u>	<u>2,384</u>	<u>451,697</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	347,675	347,675	329,035	18,640	290,961
Supplies	6,100	6,100	5,543	557	5,755
Other services and charges	70,300	70,300	65,248	5,052	67,275
Capital outlay					
Culture and recreation	<u>30,000</u>	<u>30,000</u>	<u>30,048</u>	<u>(48)</u>	<u>33,075</u>
Total Expenditures	<u>454,075</u>	<u>454,075</u>	<u>429,874</u>	<u>24,201</u>	<u>397,066</u>
Net Change in Fund Balances	-	-	26,585	26,585	54,631
Fund Balances, January 1	<u>141,869</u>	<u>141,869</u>	<u>141,869</u>	<u>-</u>	<u>87,238</u>
Fund Balances, December 31	<u>\$ 141,869</u>	<u>\$ 141,869</u>	<u>\$ 168,454</u>	<u>\$ 26,585</u>	<u>\$ 141,869</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Franchise taxes	\$ 32,000	\$ 32,000	\$ 33,619	\$ 1,619	\$ 33,886
Charges for services	-	-	28	28	-
Interest on investments	-	-	685	685	7
Miscellaneous	-	-	-	-	60,000
Total Revenue	<u>32,000</u>	<u>32,000</u>	<u>34,332</u>	<u>2,332</u>	<u>93,893</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	17,275	17,275	17,252	23	18,274
Supplies	2,100	2,100	4,607	(2,507)	1,683
Other services and charges	8,050	8,050	2,582	5,468	5,859
Capital outlay					
Culture and recreation	80,000	80,000	33,526	46,474	47,142
Total Expenditures	<u>107,425</u>	<u>107,425</u>	<u>57,967</u>	<u>49,458</u>	<u>72,958</u>
Net Change in Fund Balances	(75,425)	(75,425)	(23,635)	51,790	20,935
Fund Balances, January 1	<u>147,884</u>	<u>147,884</u>	<u>147,884</u>	-	<u>126,949</u>
Fund Balances, December 31	<u>\$ 72,459</u>	<u>\$ 72,459</u>	<u>\$ 124,249</u>	<u>\$ 51,790</u>	<u>\$ 147,884</u>

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 120,144	\$ 120,144	\$ 120,144	\$ -	\$ 118,084
Intergovernmental revenue					
State	51,000	51,000	62,653	11,653	59,826
Charges for services	91,000	91,000	90,445	(555)	94,436
Interest on investments	-	-	2,656	2,656	-
Miscellaneous					
Contributions and donations	-	-	2,150	2,150	5,250
Other	-	-	8,012	8,012	8,248
Total Revenues	<u>262,144</u>	<u>262,144</u>	<u>286,060</u>	<u>23,916</u>	<u>285,844</u>
Expenditures					
Current					
Public safety					
Personnel services	65,950	65,950	62,303	3,647	64,927
Supplies	22,900	22,900	52,175	(29,275)	45,294
Other services and charges	164,494	164,494	155,190	9,304	191,102
Capital outlay					
Public safety	8,800	8,800	7,188	1,612	3,631
Total Expenditures	<u>262,144</u>	<u>262,144</u>	<u>276,856</u>	<u>(14,712)</u>	<u>304,954</u>
Net Change in Fund Balances	-	-	9,204	9,204	(19,110)
Fund Balances, January 1	<u>1,641</u>	<u>1,641</u>	<u>1,641</u>	<u>-</u>	<u>20,751</u>
Fund Balances, December 31	<u>\$ 1,641</u>	<u>\$ 1,641</u>	<u>\$ 10,845</u>	<u>\$ 9,204</u>	<u>\$ 1,641</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2018

	502	504	505	506	507
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Assets					
Cash and temporary investments	\$ 126,604	\$ 32,372	\$ 185,851	\$ (9,838)	\$ 99,363
Receivables					
Accrued interest	-	-	34	-	-
Special assessments	12,646	-	-	-	-
Total Assets	\$ 139,250	\$ 32,372	\$ 185,885	\$ (9,838)	\$ 99,363
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ 15,000	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	15,000	-	-
Deferred Inflows of Resources					
Unavailable revenue - special assessments	10,804	-	-	-	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	32,372	170,885	-	99,363
Assigned	128,446	-	-	-	-
Unassigned	-	-	-	(9,838)	-
Total Fund Balances	128,446	32,372	170,885	(9,838)	99,363
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 139,250	\$ 32,372	\$ 185,885	\$ (9,838)	\$ 99,363

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ 70,157	\$ 47,469	\$ 45,679	\$ 21,550	\$ 25,046
-	-	-	-	-
-	-	-	-	-
<u>\$ 70,157</u>	<u>\$ 47,469</u>	<u>\$ 45,679</u>	<u>\$ 21,550</u>	<u>\$ 25,046</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	25,046
70,157	47,469	45,679	-	-
-	-	-	21,550	-
-	-	-	-	-
<u>70,157</u>	<u>47,469</u>	<u>45,679</u>	<u>21,550</u>	<u>25,046</u>
<u>\$ 70,157</u>	<u>\$ 47,469</u>	<u>\$ 45,679</u>	<u>\$ 21,550</u>	<u>\$ 25,046</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2018

	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	\$ (280)	\$ -	\$ 1	\$ (20,230)
Receivables				
Accrued interest	-	-	-	-
Special assessments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (20,230)</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	11,638	9,511	-
Total Liabilities	<u> </u>	<u>11,638</u>	<u>9,511</u>	<u> </u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(280)	(11,638)	(9,510)	(20,230)
Total Fund Balances	<u>(280)</u>	<u>(11,638)</u>	<u>(9,510)</u>	<u>(20,230)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ (280)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (20,230)</u>

406	407	
Alexander Court	Limestone Road Repair Project	Total
\$ (181,703)	\$ -	\$ 442,041
-	-	34
-	-	12,646
<u>\$ (181,703)</u>	<u>\$ -</u>	<u>\$ 454,721</u>
\$ 10,218	\$ -	\$ 25,218
-	-	21,149
<u>10,218</u>	<u>-</u>	<u>46,367</u>
-	-	10,804
-	-	25,046
-	-	465,925
-	-	149,996
<u>(191,921)</u>	<u>-</u>	<u>(243,417)</u>
<u>(191,921)</u>	<u>-</u>	<u>397,550</u>
<u>\$ (181,703)</u>	<u>\$ -</u>	<u>\$ 454,721</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, 2018

	502	504	505	506	507
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Revenues					
Special assessments	\$ 2,058	\$ -	\$ -	\$ -	\$ -
Interest on investments	1,221	-	34	-	1,730
Miscellaneous	-	-	-	761	2,500
Total Revenues	<u>3,279</u>	<u>-</u>	<u>34</u>	<u>761</u>	<u>4,230</u>
Expenditures					
Capital outlay					
Public safety	-	-	-	40,052	498,811
Public works	-	-	64,299	-	-
Culture and recreation	-	-	-	-	-
Debt service					
Interest and other charges	-	-	-	-	4,000
Total Expenditures	<u>-</u>	<u>-</u>	<u>64,299</u>	<u>40,052</u>	<u>502,811</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,279</u>	<u>-</u>	<u>(64,265)</u>	<u>(39,291)</u>	<u>(498,581)</u>
Other Financing Sources					
Sale of capital assets	-	-	40,000	-	10,000
Transfers in	-	5,550	55,350	27,800	19,150
Bonds issued	-	-	-	-	354,500
Total Other Financing Sources	<u>-</u>	<u>5,550</u>	<u>95,350</u>	<u>27,800</u>	<u>383,650</u>
Net Change in Fund Balances	3,279	5,550	31,085	(11,491)	(114,931)
Fund Balances, January 1	<u>125,167</u>	<u>26,822</u>	<u>139,800</u>	<u>1,653</u>	<u>214,294</u>
Fund Balances, December 31	<u>\$ 128,446</u>	<u>\$ 32,372</u>	<u>\$ 170,885</u>	<u>\$ (9,838)</u>	<u>\$ 99,363</u>

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City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures And
Changes in Fund Balances (Continued)
For the Year Ended December 31, 2018

	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	-	-	-	3
Miscellaneous	160,780	-	-	-
Total Revenues	<u>160,780</u>	<u>-</u>	<u>-</u>	<u>3</u>
Expenditures				
Capital outlay				
Public safety	-	-	-	-
Public works	69,610	2,388	4,450	-
Culture and recreation	-	-	-	-
Debt service				
Interest and other charges	-	-	-	-
Total Expenditures	<u>69,610</u>	<u>2,388</u>	<u>4,450</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>91,170</u>	<u>(2,388)</u>	<u>(4,450)</u>	<u>3</u>
Other Financing Sources				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Bond proceeds	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	91,170	(2,388)	(4,450)	3
Fund Balances, January 1	<u>(91,450)</u>	<u>(9,250)</u>	<u>(5,060)</u>	<u>(20,233)</u>
Fund Balances, December 31	<u>\$ (280)</u>	<u>\$ (11,638)</u>	<u>\$ (9,510)</u>	<u>\$ (20,230)</u>

406	407	
Alexander Court	Limestone Road Repair Project	Total
\$ 42,000	\$ -	\$ 44,058
-	-	2,988
-	-	164,041
<u>42,000</u>	<u>-</u>	<u>211,087</u>
-	-	538,863
10,000	-	150,747
-	-	13,771
-	-	4,000
<u>10,000</u>	<u>-</u>	<u>707,381</u>
<u>32,000</u>	<u>-</u>	<u>(496,294)</u>
-	-	50,000
-	2,810	132,960
-	-	354,500
<u>-</u>	<u>2,810</u>	<u>537,460</u>
32,000	2,810	41,166
<u>(223,921)</u>	<u>(2,810)</u>	<u>356,384</u>
<u>\$ (191,921)</u>	<u>\$ -</u>	<u>\$ 397,550</u>

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City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Net Position
December 31, 2018

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 503,756	\$ (21,574)	\$ 132,147	\$ 614,329
Receivables				
Accrued interest	108	-	34	142
Accounts	15,771	259	8,501	24,531
Special assessments	6,373	-	2,929	9,302
Prepaid items	61	175	-	236
Total Current Assets	<u>526,069</u>	<u>(21,140)</u>	<u>143,611</u>	<u>648,540</u>
Noncurrent Assets				
Capital assets				
Depreciable buildings, property, and equipment	1,419,130	-	-	1,419,130
Accumulated depreciation	<u>(208,112)</u>	<u>-</u>	<u>-</u>	<u>(208,112)</u>
Total Noncurrent Assets	<u>1,211,018</u>	<u>-</u>	<u>-</u>	<u>1,211,018</u>
Total Assets	<u>1,737,087</u>	<u>(21,140)</u>	<u>143,611</u>	<u>1,859,558</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>246</u>	<u>9,564</u>	<u>-</u>	<u>9,810</u>
Liabilities				
Current Liabilities				
Accrued interest payable	10,713	-	-	10,713
Accrued salaries payable	-	418	-	418
Compensated absences payable	-	2,260	-	2,260
Capital lease payable	8,025	-	-	8,025
Bonds payable	<u>28,987</u>	<u>-</u>	<u>-</u>	<u>28,987</u>
Total Current Liabilities	<u>47,725</u>	<u>2,678</u>	<u>-</u>	<u>50,403</u>
Noncurrent Liabilities				
Compensated absences payable	-	6,779	-	6,779
Capital lease payable	8,378	-	-	8,378
Bonds payable	740,761	-	-	740,761
Pension liability	<u>1,319</u>	<u>51,249</u>	<u>-</u>	<u>52,568</u>
Total Noncurrent Liabilities	<u>750,458</u>	<u>58,028</u>	<u>-</u>	<u>808,486</u>
Total Liabilities	<u>798,183</u>	<u>60,706</u>	<u>-</u>	<u>858,889</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>324</u>	<u>12,602</u>	<u>-</u>	<u>12,926</u>
Net Position				
Net investment in capital assets	451,822	-	-	451,822
Unrestricted	<u>487,004</u>	<u>(84,884)</u>	<u>143,611</u>	<u>545,731</u>
Total Net Position	<u>\$ 938,826</u>	<u>\$ (84,884)</u>	<u>\$ 143,611</u>	<u>\$ 997,553</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, 2018

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Operating Revenues				
Charges for services	\$ 153,320	\$ 122,386	\$ 85,451	\$ 361,157
Operating Expenses				
Personnel services	3,201	120,242	1,089	124,532
Supplies	3,128	1,315	-	4,443
Repairs and maintenance	-	451	-	451
Depreciation	39,171	-	-	39,171
Other services and charges	1,070	7,947	69,184	78,201
Total Operating Expenses	46,570	129,955	70,273	246,798
Operating Income (Loss)	106,750	(7,569)	15,178	114,359
Nonoperating Revenues (Expenses)				
Interest on investments	1,198	-	552	1,750
Other income	-	-	5,869	5,869
Interest expense	(20,314)	-	-	(20,314)
Total Nonoperating Revenues (Expenses)	(19,116)	-	6,421	(12,695)
Income (Loss) Before Transfers	87,634	(7,569)	21,599	101,664
Transfers In	-	13,875		13,875
Change in Net Position	87,634	6,306	21,599	115,539
Net Position, January 1	851,192	(91,190)	122,012	882,014
Net Position, December 31	\$ 938,826	\$ (84,884)	\$ 143,611	\$ 997,553

City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 152,709	\$ 122,127	\$ 92,305	\$ 367,141
Payments to suppliers	(23,161)	(9,756)	(69,184)	(102,101)
Payments to employees	(3,415)	(127,521)	(1,089)	(132,025)
Net Cash Provided (Used) by Operating Activities	126,133	(15,150)	22,032	133,015
Cash Flows from Noncapital and Related Financing Activities				
Transfers in	-	13,875	-	13,875
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(191,444)	-	-	(191,444)
Proceeds from bonds issued	218,400	-	-	218,400
Principal paid on capital lease	(7,689)	-	-	(7,689)
Principal paid on long-term debt	(27,981)	-	-	(27,981)
Interest paid on long-term debt	(17,608)	-	-	(17,608)
Net Cash Used by Capital and Related Financing Activities	(26,322)	-	-	(26,322)
Cash Flows from Investing Activities				
Interest received from investments	1,625	-	552	2,177
Net Increase in Cash and Cash Equivalents	101,436	(1,275)	22,584	122,745
Cash and Cash Equivalents, January 1	402,320	(20,299)	109,563	491,584
Cash and Cash Equivalents, December 31	<u>\$ 503,756</u>	<u>\$ (21,574)</u>	<u>\$ 132,147</u>	<u>\$ 614,329</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 106,750	\$ (7,569)	\$ 15,178	\$ 114,359
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	5,869	5,869
Depreciation	39,171	-	-	39,171
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(1,015)	(259)	87	(1,187)
Interest receivable	-	-	(31)	(31)
Special assessments receivable	404	-	929	1,333
Prepaid items	136	15	-	151
Deferred pension resources	142	4,682	-	4,824
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	(19,099)	(58)	-	(19,157)
Accrued salaries payable	-	(3,463)	-	(3,463)
Compensated absences payable	-	1,084	-	1,084
Deferred pension resources	(49)	(1,109)	-	(1,158)
Pension liability	(307)	(8,473)	-	(8,780)
Net Cash Provided (Used) by Operating Activities	<u>\$ 126,133</u>	<u>\$ (15,150)</u>	<u>\$ 22,032</u>	<u>\$ 133,015</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
Property taxes	\$ 2,197,764	\$ 2,197,764	\$ 2,228,777	\$ 2,025,656
Licenses and permits				
Business	20,000	20,000	35,925	32,115
Nonbusiness	41,450	41,450	76,541	135,419
Total licenses and permits	61,450	61,450	112,466	167,534
Intergovernmental				
Disaster aid	-	-	-	51,197
State				
Local government aid	652,555	652,555	652,555	640,873
Market value agricultural credits	-	-	239	237
Police and police training	57,600	57,600	73,632	69,022
PERA aid	4,456	4,456	4,456	4,456
Small cities assistance program	-	-	31,520	32,153
Disaster aid			1,313	
Other	32,153	32,153	-	1,413
County				
Police grant	3,500	3,500	3,040	1,700
Total intergovernmental	750,264	750,264	766,755	801,051
Charges for services				
General government	6,100	6,100	5,158	5,965
Public safety	7,050	7,050	11,112	9,120
Public works	9,500	9,500	5,860	24,705
Culture and recreation	36,100	36,100	31,352	34,646
Total charges for services	58,750	58,750	53,482	74,436
Fines and forfeitures	26,000	26,000	61,207	35,417
Special assessments	18,400	18,400	19,827	20,903
Interest on investments	11,000	11,000	16,377	19,196
Miscellaneous				
Rents	55,400	55,400	57,068	55,526
Contributions and donations	-	-	1,180	1,500
Reimbursements	178,775	178,775	162,436	171,860
Other	18,200	18,200	53,486	23,276
Total miscellaneous	252,375	252,375	274,170	252,162
Total Revenues	3,376,003	3,376,003	3,533,061	3,396,355

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	\$ 29,050	\$ 29,050	\$ 25,299	\$ 3,751	\$ 27,423
Supplies	100	100	24	76	31
Other services and charges	9,400	9,400	8,243	1,157	9,261
Total mayor and council	<u>38,550</u>	<u>38,550</u>	<u>33,566</u>	<u>4,984</u>	<u>36,715</u>
Elections					
Personnel services	21,775	21,775	14,834	6,941	28
Supplies	200	200	35	165	-
Other services and charges	3,200	3,200	2,220	980	813
Total elections	<u>25,175</u>	<u>25,175</u>	<u>17,089</u>	<u>8,086</u>	<u>841</u>
Administrative					
Personnel services	473,150	473,150	423,139	50,011	458,852
Supplies	2,100	2,100	2,782	(682)	2,088
Other services and charges	53,225	53,225	39,712	13,513	40,014
Total administrative	<u>528,475</u>	<u>528,475</u>	<u>465,633</u>	<u>62,842</u>	<u>500,954</u>
Audit and consulting fees					
Other services and charges	<u>24,100</u>	<u>24,100</u>	<u>28,500</u>	<u>(4,400)</u>	<u>24,020</u>
Planning and zoning					
Other services and charges	<u>34,150</u>	<u>34,150</u>	<u>35,118</u>	<u>(968)</u>	<u>27,726</u>
Legal					
Other services and charges	<u>63,200</u>	<u>63,200</u>	<u>69,271</u>	<u>(6,071)</u>	<u>64,671</u>
Information and technology					
Supplies	-	-	-	-	89
Other services and charges	47,600	47,600	21,124	26,476	21,544
Total information and technology	<u>47,600</u>	<u>47,600</u>	<u>21,124</u>	<u>26,476</u>	<u>21,633</u>
General government building					
Personnel services	40,300	40,300	40,724	(424)	38,760
Supplies	5,400	5,400	4,703	697	3,626
Other services and charges	37,500	37,500	45,217	(7,717)	32,689
Total general government building	<u>83,200</u>	<u>83,200</u>	<u>90,644</u>	<u>(7,444)</u>	<u>75,075</u>
Total general government	<u>844,450</u>	<u>844,450</u>	<u>760,945</u>	<u>83,505</u>	<u>751,635</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Public safety				
Police protection				
Personnel services	\$ 934,975	\$ 934,975	\$ 907,575	\$ 865,921
Supplies	41,525	41,525	35,892	34,021
Other services and charges	99,000	99,000	81,562	101,981
Total police protection	<u>1,075,500</u>	<u>1,075,500</u>	<u>1,025,029</u>	<u>1,001,923</u>
Building inspection				
Personnel services	4,250	4,250	4,034	3,979
Other services and charges	35,000	35,000	57,921	114,014
Total building inspection	<u>39,250</u>	<u>39,250</u>	<u>61,955</u>	<u>117,993</u>
Animal control				
Other services and charges	1,000	1,000	1,000	1,000
Total public safety	<u>1,115,750</u>	<u>1,115,750</u>	<u>1,087,984</u>	<u>1,120,916</u>
Public works				
Public works administration				
Personnel services	234,550	234,550	258,721	223,105
Supplies	31,900	31,900	30,381	23,136
Other services and charges	23,700	23,700	27,598	28,416
Total public works administration	<u>290,150</u>	<u>290,150</u>	<u>316,700</u>	<u>274,657</u>
Streets and highways				
Personnel services	61,450	61,450	59,983	86,376
Supplies	39,500	39,500	20,997	39,754
Other services and charges	16,500	16,500	24,285	24,583
Total streets and highways	<u>117,450</u>	<u>117,450</u>	<u>105,265</u>	<u>150,713</u>
Snow and ice removal				
Personnel services	34,800	34,800	52,735	27,141
Supplies	19,200	19,200	19,955	9,612
Other services and charges	4,500	4,500	9,243	463
Total snow and ice removal	<u>58,500</u>	<u>58,500</u>	<u>81,933</u>	<u>37,216</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Public works (continued)				
Road equipment and garage				
Personnel services	\$ 27,600	\$ 27,600	\$ 21,944	\$ 22,190
Supplies	10,400	10,400	6,283	7,313
Other services and charges	16,800	16,800	10,617	7,783
Total road equipment and garage	54,800	54,800	38,844	37,286
Garage building				
Personnel services	12,775	12,775	9,239	9,119
Supplies	3,200	3,200	3,857	3,522
Other services and charges	12,600	12,600	8,765	8,273
Total garage building	28,575	28,575	21,861	20,914
Street lighting				
Supplies	500	500	400	1,735
Other services and charges	61,700	61,700	71,284	62,486
Total street lighting	62,200	62,200	71,684	64,221
Engineering				
Other services and charges	36,000	36,000	5,204	11,805
Total public works	647,675	647,675	641,491	596,812
Culture and recreation				
Tree maintenance				
Personnel services	19,475	19,475	47,202	25,420
Supplies	2,300	2,300	229	535
Other services and charges	13,450	13,450	6,788	8,814
Total tree maintenance	35,225	35,225	54,219	34,769
Parks				
Personnel services	43,650	43,650	34,336	46,076
Supplies	10,850	10,850	9,347	11,850
Other services and charges	20,800	20,800	23,670	23,337
Total parks	75,300	75,300	67,353	81,263

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Culture and recreation (continued)				
Swimming pool				
Personnel services	\$ 72,700	\$ 72,700	\$ 71,995	\$ 61,188
Supplies	6,400	6,400	2,887	4,718
Other services and charges	16,650	16,650	12,840	13,452
Total swimming pool	95,750	95,750	87,722	79,358
Athletic fields				
Personnel services	14,175	14,175	12,866	12,502
Supplies	3,900	3,900	4,199	2,144
Other services and charges	13,100	13,100	11,905	12,553
Total athletic fields	31,175	31,175	28,970	27,199
Skating				
Personnel services	6,275	6,275	5,999	4,496
Supplies	400	400	8	12
Other services and charges	1,700	1,700	1,109	1,201
Total skating	8,375	8,375	7,116	5,709
Cannon Valley Trail				
Personnel services	176,725	176,725	160,074	172,020
Supplies	50	50	-	22
Other services and charges	49,772	49,772	48,153	14,110
Total Cannon Valley Trail	226,547	226,547	208,227	186,152
Total culture and recreation	472,372	472,372	453,607	414,450
Miscellaneous				
Unallocated				
Personnel services	2,400	2,400	2,022	2,146
Other services and charges	95,600	95,600	189,993	99,206
Total miscellaneous	98,000	98,000	192,015	101,352
Total current	3,178,247	3,178,247	3,136,042	2,985,165

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Capital outlay					
General government	\$ 1,800	\$ 1,800	\$ 253,811	\$ (252,011)	\$ 1,556
Public safety	5,000	5,000	3,682	1,318	1,089
Public works	5,500	5,500	5,021	479	15,315
Total capital outlay	<u>12,300</u>	<u>12,300</u>	<u>262,514</u>	<u>(250,214)</u>	<u>17,960</u>
Debt service					
Capital lease					
Principal	8,300	8,300	7,688	612	7,364
Interest	1,075	1,075	1,660	(585)	1,983
Total debt service	<u>9,375</u>	<u>9,375</u>	<u>9,348</u>	<u>27</u>	<u>9,347</u>
Total Expenditures	<u>3,199,922</u>	<u>3,199,922</u>	<u>3,407,904</u>	<u>(207,982)</u>	<u>3,012,472</u>
Excess of Revenues					
Over Expenditures	<u>176,081</u>	<u>176,081</u>	<u>125,157</u>	<u>(50,924)</u>	<u>383,883</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	5,500
Transfers in	18,850	18,850	-	(18,850)	-
Transfers out	<u>(194,931)</u>	<u>(194,931)</u>	<u>(133,435)</u>	<u>61,496</u>	<u>(123,085)</u>
Total Other Financing Sources (Uses)	<u>(176,081)</u>	<u>(176,081)</u>	<u>(133,435)</u>	<u>42,646</u>	<u>(117,585)</u>
Net Change in Fund Balances	-	-	(8,278)	(8,278)	266,298
Fund Balances, January 1	2,341,662	2,341,662	2,341,662	-	2,075,364
Prior Period Adjustment (Note 9)	<u>-</u>	<u>-</u>	<u>(46,601)</u>	<u>(46,601)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,341,662</u>	<u>\$ 2,341,662</u>	<u>\$ 2,286,783</u>	<u>\$ (54,879)</u>	<u>\$ 2,341,662</u>

City of Cannon Falls, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2018

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond
Assets			
Cash and temporary investments	\$ 410,991	\$ 158,152	\$ 91,828
Receivables			
Accrued interest	56	-	-
Accounts	-	-	1,784
Special assessments	364,042	-	312,972
	<u>364,042</u>	<u>-</u>	<u>312,972</u>
 Total Assets	 <u>\$ 775,089</u>	 <u>\$ 158,152</u>	 <u>\$ 406,584</u>
 Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 344,164	\$ -	\$ 248,369
 Fund Balances			
Restricted for debt service	<u>430,925</u>	<u>158,152</u>	<u>158,215</u>
 Total Deferred Inflows of Resources and Fund Balances	 <u>\$ 775,089</u>	 <u>\$ 158,152</u>	 <u>\$ 406,584</u>

529 2013A G.O. Improvement Bond	530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	Total
\$ 389,894	\$ 259,550	\$ 157,284	\$ -	\$ 1,467,699
-	-	-	-	56
-	-	-	-	1,784
236,843	305,754	525,400	-	1,745,011
<u>\$ 626,737</u>	<u>\$ 565,304</u>	<u>\$ 682,684</u>	<u>\$ -</u>	<u>\$ 3,214,550</u>
\$ 221,326	\$ 287,242	\$ 501,966	\$ -	\$ 1,603,067
405,411	278,062	180,718	-	1,611,483
<u>\$ 626,737</u>	<u>\$ 565,304</u>	<u>\$ 682,684</u>	<u>\$ -</u>	<u>\$ 3,214,550</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, 2018

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond
Revenues			
Taxes	\$ 89,000	\$ 41,850	\$ 135,000
Special assessments	29,201	-	98,426
Interest on investments	2,549	1,167	-
Miscellaneous	-	-	-
Total Revenues	<u>120,750</u>	<u>43,017</u>	<u>233,426</u>
Expenditures			
Debt service			
Principal	95,000	72,000	300,000
Interest and other charges	26,358	7,501	16,810
Total Expenditures	<u>121,358</u>	<u>79,501</u>	<u>316,810</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(608)	(36,484)	(83,384)
Other Financing Sources			
Transfers in	-	-	125,000
Bonds issued	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>125,000</u>
Net Change in Fund Balances	(608)	(36,484)	41,616
Fund Balances, January 1	<u>431,533</u>	<u>194,636</u>	<u>116,599</u>
Fund Balances, December 31	<u>\$ 430,925</u>	<u>\$ 158,152</u>	<u>\$ 158,215</u>

529 2013A G.O. Improvement Bond	530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	Total
\$ 88,400	\$ 82,000	\$ -	\$ -	\$ 436,250
48,112	40,538	203,217	-	419,494
3,262	1,707	-	-	8,685
-	123	-	-	123
<u>139,774</u>	<u>124,368</u>	<u>203,217</u>	<u>-</u>	<u>864,552</u>
90,000	75,000	-	-	632,000
36,095	25,708	22,499	4,500	139,471
<u>126,095</u>	<u>100,708</u>	<u>22,499</u>	<u>4,500</u>	<u>771,471</u>
13,679	23,660	180,718	(4,500)	93,081
-	-	-	-	125,000
-	-	-	4,500	4,500
-	-	-	4,500	129,500
13,679	23,660	180,718	-	222,581
<u>391,732</u>	<u>254,402</u>	<u>-</u>	<u>-</u>	<u>1,388,902</u>
<u>\$ 405,411</u>	<u>\$ 278,062</u>	<u>\$ 180,718</u>	<u>\$ -</u>	<u>\$ 1,611,483</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2018

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 132,536	\$ 369,302	\$ 501,838
Receivables			
Accrued interest	40	121	161
Loans	-	278,888	278,888
Prepaid items	162	-	162
	<u>162</u>	<u>-</u>	<u>162</u>
Total Assets	<u><u>\$ 132,738</u></u>	<u><u>\$ 648,311</u></u>	<u><u>\$ 781,049</u></u>
Liabilities			
Accounts and contracts payable	\$ 6,207	\$ -	\$ 6,207
Accrued salaries payable	1,308	-	1,308
Unearned revenue	75,000	-	75,000
Total Liabilities	<u>82,515</u>	<u>-</u>	<u>82,515</u>
Fund Balances			
Nonspendable			
Prepaid items	162	-	162
Committed			
Economic development	50,061	-	50,061
Revolving loan program	-	648,311	648,311
Total Fund Balances	<u>50,223</u>	<u>648,311</u>	<u>698,534</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 132,738</u></u>	<u><u>\$ 648,311</u></u>	<u><u>\$ 781,049</u></u>

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

Total Fund Balances Reported above	\$ 698,534
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	(25,628)
Pension liability	(47,650)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	8,893
Deferred inflows of pension resources	<u>(11,717)</u>
Total Net Position - Economic Development Authority	<u><u>\$ 1,356,556</u></u>

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, 2018

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 146,275	\$ -	\$ 146,275
Interest on investments	1,405	824	2,229
Miscellaneous	-	241,139	241,139
Contributions and donations	1,107	-	1,107
Total Revenues	<u>148,787</u>	<u>241,963</u>	<u>390,750</u>
Expenditures			
Current			
Economic development	<u>155,359</u>	<u>34,033</u>	<u>189,392</u>
Net Change in Fund Balances	(6,572)	207,930	201,358
Fund Balances, January 1	<u>56,795</u>	<u>440,381</u>	<u>497,176</u>
Fund Balances, December 31	<u>\$ 50,223</u>	<u>\$ 648,311</u>	<u>\$ 698,534</u>

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

Net Changes in Fund Balances - Economic Development Authority	\$ 201,358
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	(175,612)
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	(8,247)
Long-term pension activity is not reported in governmental funds.	
Pension expense	4,148
Pension revenue	<u>363</u>
Change in Net Position - Economic Development Authority	<u>\$ 22,010</u>

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 146,275	\$ 146,275	\$ 146,275	\$ -	\$ 140,525
Contributions and donations	-	-	1,107	1,107	-
Interest on investments	-	-	1,405	1,405	-
Total Revenues	<u>146,275</u>	<u>146,275</u>	<u>148,787</u>	<u>2,512</u>	<u>140,525</u>
Expenditures					
Current					
Economic development					
Personnel services	134,425	134,425	139,991	(5,566)	135,665
Supplies	100	100	315	(215)	77
Other services and charges	11,550	11,550	15,053	(3,503)	7,547
Total Expenditures	<u>146,075</u>	<u>146,075</u>	<u>155,359</u>	<u>(9,284)</u>	<u>143,289</u>
Net Change in Fund Balances	200	200	(6,572)	(6,772)	(2,764)
Fund Balances, January 1	<u>56,795</u>	<u>56,795</u>	<u>56,795</u>	<u>-</u>	<u>59,559</u>
Fund Balances, December 31	<u>\$ 56,995</u>	<u>\$ 56,995</u>	<u>\$ 50,223</u>	<u>\$ (6,772)</u>	<u>\$ 56,795</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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest on investments	\$ 300	\$ 300	\$ 824	\$ 524	\$ 180
Miscellaneous	15,000	15,000	241,139	226,139	34,964
Total Revenues	15,300	15,300	241,963	226,663	35,144
Expenditures					
Current					
Economic development					
Other services and charges	5,000	5,000	34,033	(29,033)	-
Net Change in Fund Balances	10,300	10,300	207,930	197,630	35,144
Fund Balances, January 1	440,381	440,381	440,381	-	405,237
Fund Balances, December 31	<u>\$ 450,681</u>	<u>\$ 450,681</u>	<u>\$ 648,311</u>	<u>\$ 197,630</u>	<u>\$ 440,381</u>

City of Cannon Falls, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 3,148,025	\$ 3,018,576	4.29 %
Special assessments	483,379	271,044	78.34
Licenses and permits	112,466	167,534	(32.87)
Intergovernmental	946,997	975,498	(2.92)
Charges for services	145,451	170,168	(14.53)
Fines and forfeits	67,135	41,882	60.30
Investment earnings	44,547	22,212	100.55
Miscellaneous	450,656	346,783	29.95
Total Revenues	<u>\$ 5,398,656</u>	<u>\$ 5,013,697</u>	7.68 %
Per Capita	<u>\$ 1,314</u>	<u>\$ 1,228</u>	7.02 %
Expenditures			
Current			
General government	\$ 760,945	\$ 751,635	1.24 %
Public safety	1,357,652	1,422,239	(4.54)
Public works	641,491	596,812	7.49
Culture and recreation	877,874	851,399	3.11
Miscellaneous	192,015	101,352	89.45
Capital outlay			
General government	253,811	9,781	2,494.94
Public safety	549,733	52,568	945.76
Public works	1,997,187	383,341	420.99
Culture and recreation	77,345	39,651	95.06
Debt service			
Principal	639,688	737,364	(13.25)
Interest and other charges	181,633	129,610	40.14
Total Expenditures	<u>\$ 7,529,374</u>	<u>\$ 5,075,752</u>	48.34 %
Per Capita	<u>\$ 1,833</u>	<u>\$ 1,243</u>	47.44 %
Total Long-term Indebtedness	\$ 7,198,403	\$ 5,379,091	33.82 %
Per Capita	1,752	1,317	33.01
General Fund Balance - December 31	\$ 2,286,783	\$ 2,341,662	(2.34) %
Per Capita	557	574	(2.94)

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

OTHER REQUIRED REPORTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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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, 2018, 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, 2019.

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, 2019

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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, 2018, 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, 2019.

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 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

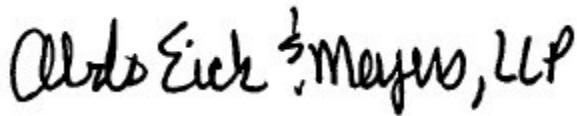
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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, 2019

City of Cannon Falls, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2018

<u>Finding</u>	<u>Description</u>
2018-001	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. 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.	