

Annual Financial Report

City of Cannon Falls

Cannon Falls, Minnesota

For the Year Ended
December 31, 2019

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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, 2019

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City of Cannon Falls, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Althoff	Mayor	12/31/20
Morris Mattson	Council Member	12/31/20
Matt Montgomery	Council Member	12/31/20
Derek Lundell	Council Member	12/31/20
Steve Gesme	Council Member	12/31/20
Bill Duncan	Council Member	12/31/20
Mary Jill Bringgold	Council Member	12/31/20

APPOINTED

<u>Name</u>	<u>Title</u>
David Maroney	City Administrator
Lanell Endres	Finance Director
Mike Althoff	Public Works Director
Nicole Miller	Library Director
Jeff McCormick	Chief of Police
Campbell, Knutson, P.A.	City Attorney
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, 2019

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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, 2019, 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, 2019, 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

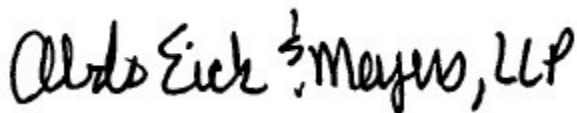
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 28, 2020, 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 28, 2020

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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, 2019.

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 \$31,777,531 (net position). Of this amount, \$5,262,451 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$816,140. This increase is due to governmental activities and business-type activities, which increased \$218,722 and \$597,418, respectively. The increase from Governmental activities primarily due to an increase in intergovernmental revenues. The business-type activities increased due to increased Ambulance fund revenues.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,594,734, an increase of \$775,675 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$2,585,657 or 78.2 percent of 2019 General fund budget expenditures.
- The City's outstanding debt decreased by \$1,948,049 during the current fiscal year due to scheduled debt payments.

Overview of the Financial Statements

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

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

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

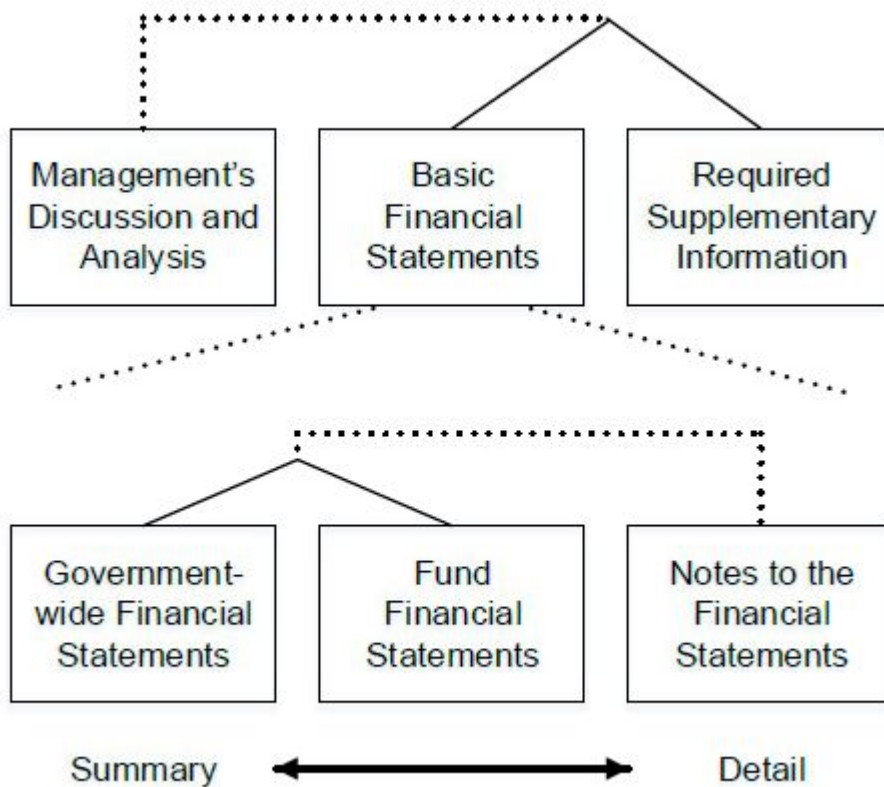


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

The City adopts an annual appropriated budget for its General fund 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 86 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 \$31,777,531 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		
	2019	Restated 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 7,258,404	\$ 7,058,904	\$ 199,500	\$ 4,884,898	\$ 4,563,503	\$ 321,395
Capital assets	15,830,526	16,570,223	(739,697)	21,530,194	22,572,008	(1,041,814)
Total Assets	23,088,930	23,629,127	(540,197)	26,415,092	27,135,511	(720,419)
Deferred Outflows of Resources	971,140	1,170,995	(199,855)	33,772	72,013	(38,241)
Liabilities						
Long-term						
liabilities outstanding	6,826,574	9,193,272	(2,366,698)	8,008,310	9,690,156	(1,681,846)
Other liabilities	2,085,395	414,418	1,670,977	517,678	171,868	345,810
Total Liabilities	8,911,969	9,607,690	(695,721)	8,525,988	9,862,024	(1,336,036)
Deferred Inflows of Resources	1,218,607	1,481,660	(263,053)	74,839	94,881	(20,042)
Net Position						
Net investment in capital assets	9,471,389	9,591,515	(120,126)	13,783,546	13,578,320	205,226
Restricted	3,260,145	3,282,450	(22,305)	-	-	-
Unrestricted	1,197,960	836,807	361,153	4,064,491	3,672,299	392,192
Total Net Position	\$ 13,929,494	\$ 13,710,772	\$ 218,722	\$ 17,848,037	\$ 17,250,619	\$ 597,418

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

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

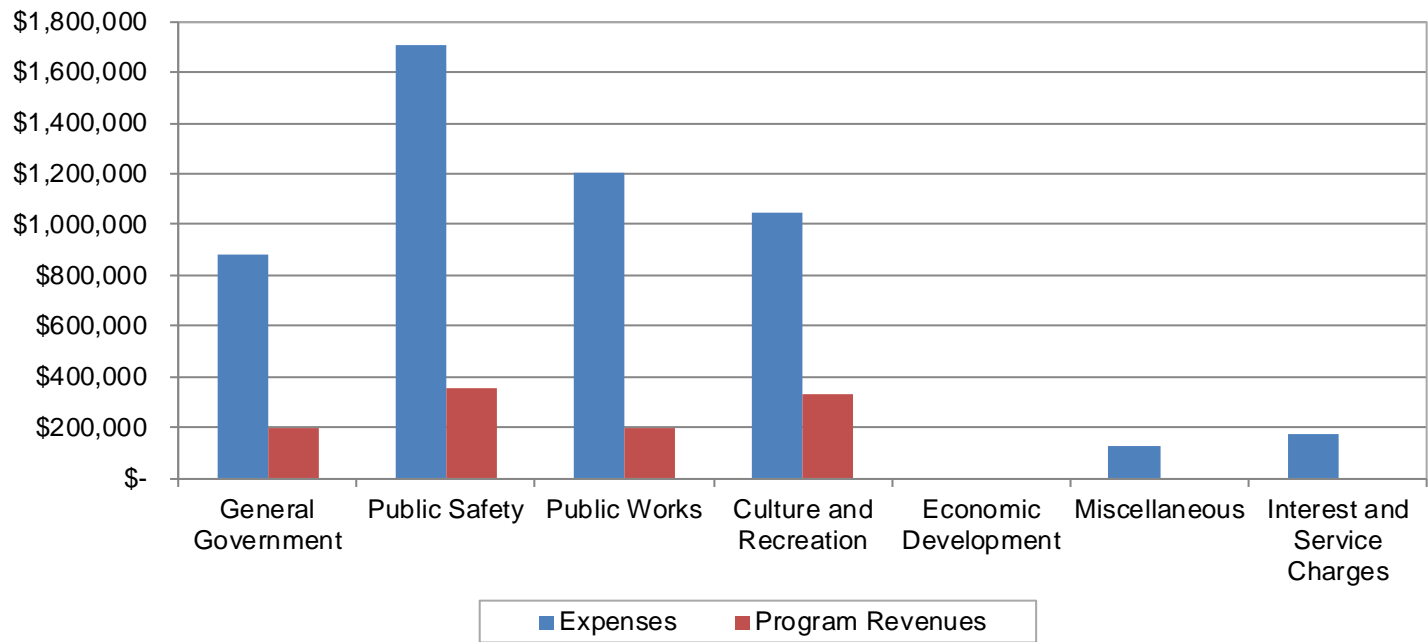
City of Cannon Falls' Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	Restated 2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 614,414	\$ 615,419	\$ (1,005)	\$ 3,724,520	\$ 3,498,681	\$ 225,839
Operating grants and contributions	438,374	425,684	12,690	15,990	13,213	2,777
Capital grants and contributions	34,842	840,296	(805,454)	91,176	119,897	(28,721)
General Revenues						
Taxes	3,405,412	3,138,001	267,411	-	-	-
Grants and Contributions not Restricted to Specific Programs	657,963	657,250	713	-	-	-
Investment Earnings	90,201	44,547	45,654	55,818	39,988	15,830
Gain on Sale of Capital Assets	-	50,000	(50,000)	9,270	-	9,270
Total Revenues	<u>5,241,206</u>	<u>5,771,197</u>	<u>(529,991)</u>	<u>3,896,774</u>	<u>3,671,779</u>	<u>224,995</u>
Expenses						
General government	880,085	871,203	8,882	-	-	-
Public safety	1,705,200	1,441,754	263,446	-	-	-
Public works	1,205,092	1,190,478	14,614	-	-	-
Culture and recreation	1,044,140	1,010,033	34,107	-	-	-
Economic development	-	6,735	(6,735)	-	-	-
Miscellaneous	128,958	192,015	(63,057)	-	-	-
Interest and service charges	178,459	213,518	(35,059)	-	-	-
Water utility	-	-	-	748,212	757,963	(9,751)
Disposal	-	-	-	1,164,198	1,218,821	(54,623)
Storm water	-	-	-	82,628	66,884	15,744
Recycling program	-	-	-	65,351	70,273	(4,922)
Ambulance	-	-	-	974,425	923,610	50,815
Deputy registrar	-	-	-	145,092	129,955	15,137
Total Expenses	<u>5,141,934</u>	<u>4,925,736</u>	<u>216,198</u>	<u>3,179,906</u>	<u>3,167,506</u>	<u>12,400</u>
Change in Net Position before Transfers	99,272	845,461	(746,189)	716,868	504,273	212,595
Transfers	<u>119,450</u>	<u>124,525</u>	<u>(5,075)</u>	<u>(119,450)</u>	<u>(124,525)</u>	<u>5,075</u>
Change in Net Position	218,722	969,986	(751,264)	597,418	379,748	217,670
Net Position, January 1	<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>
Net Position, December 31	<u>\$ 13,929,494</u>	<u>\$ 13,710,772</u>	<u>\$ 218,722</u>	<u>\$ 17,848,037</u>	<u>\$ 17,250,619</u>	<u>\$ 597,418</u>

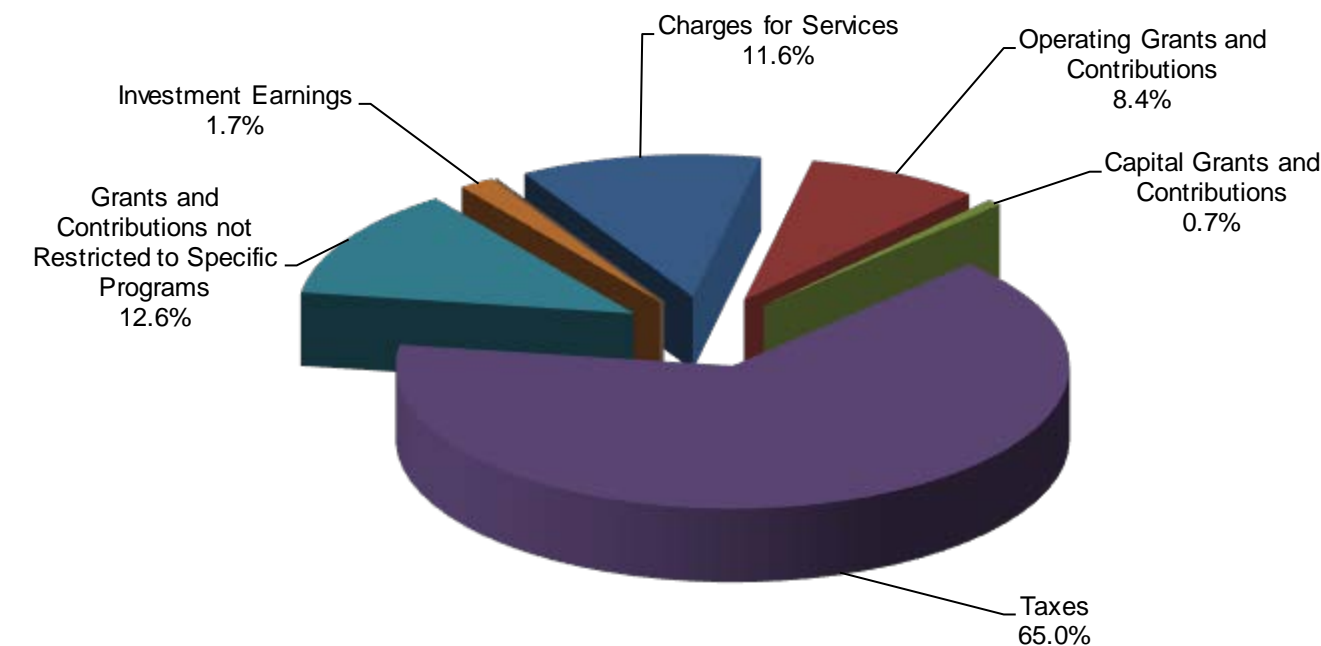
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Governmental Activities. Net position in the governmental activities increased \$218,722.

Expenses and Program Revenues - Governmental Activities

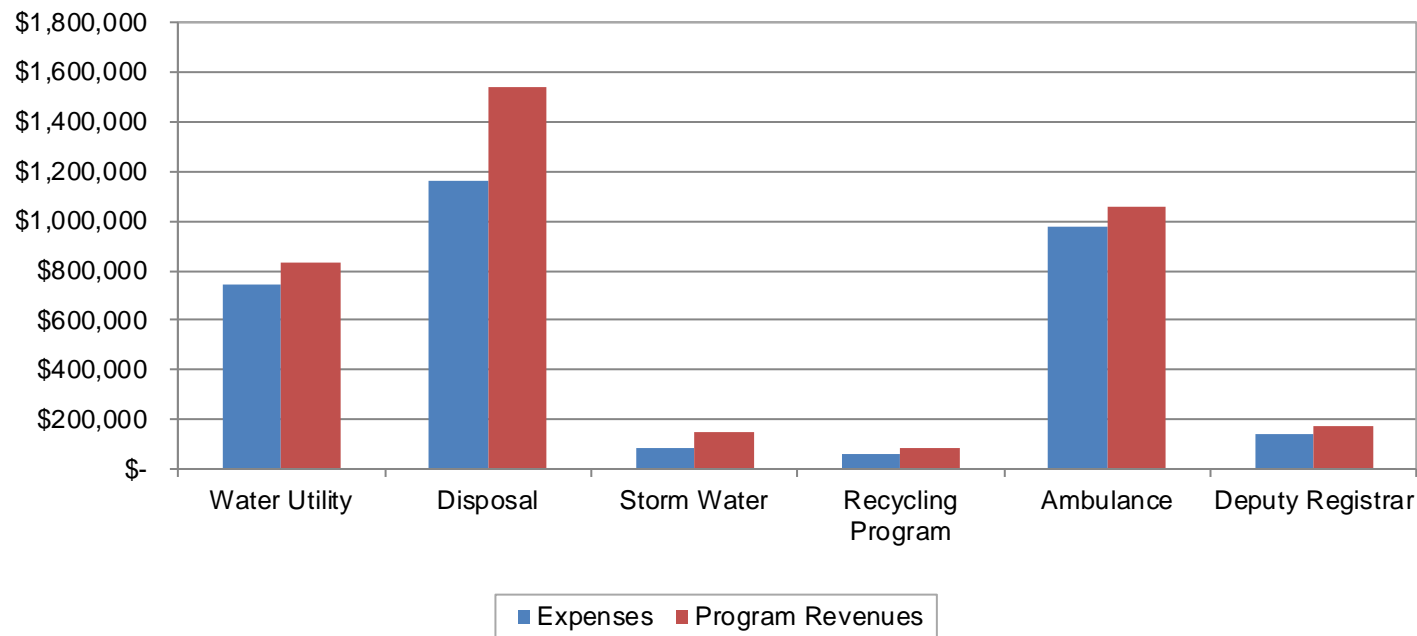


Revenues by Source - Governmental Activities

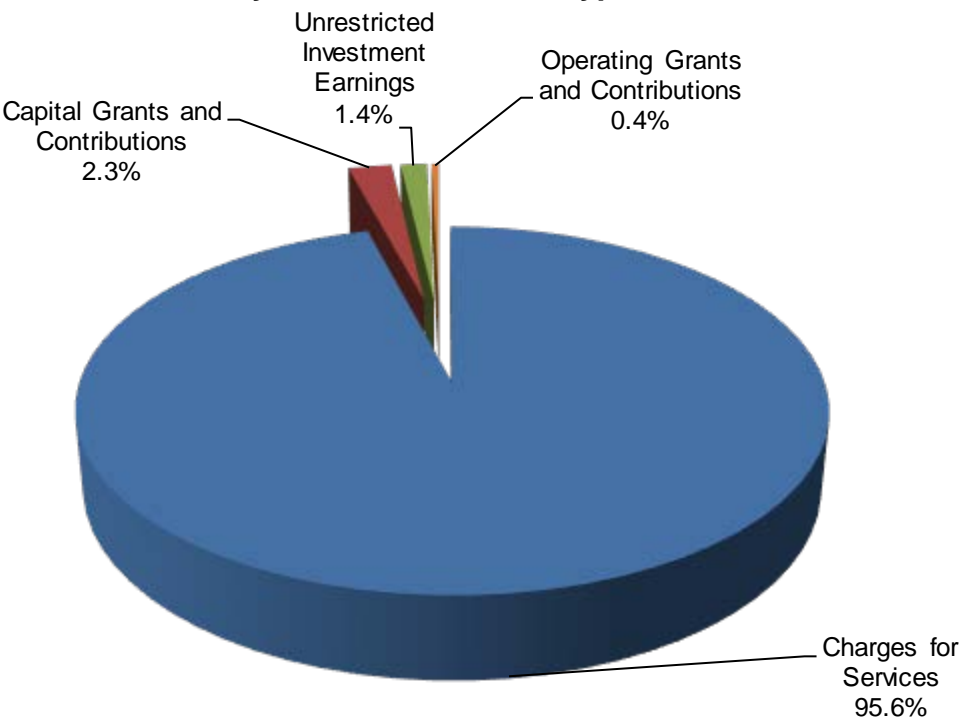


Business-type Activities. Net position in business-type activities increased by \$597,418.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,594,734, an increase of \$775,675 in comparison with the prior year. Approximately 41.5 percent of this total amount (\$2,320,348) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$3,274,386) is not available for new spending because it is either 1) nonspendable (\$47,963) 2) restricted (\$2,224,180), 3) committed (\$659,940), or 4) assigned (\$342,303). For further classification refer to Note 3F on page 64 of this report.

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2019	2018	
General	\$ 2,585,657	\$ 2,286,783	\$ 298,874

Fund balance increased \$298,874. This was due to a positive revenue variance of \$266,929 due to the city receiving funds from the state for disaster aid and other miscellaneous revenues due to tornado repair reimbursements.

Debt Service	\$ 1,887,226	\$ 1,611,483	\$ 275,743
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The Debt Service funds increased due to taxes revenue and assessment revenue than the debt service requirements. to

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,064,491.

General Fund Budgetary Highlights

The City's General fund budget was not amended during 2019. Compared to the final budget, revenues were over budget by \$295,100 and expenditures were under budget by \$6,174.

- The largest revenue variance was from intergovernmental revenues primarily a result of proceeds from state disaster aid. The revenue amount was \$901,277 which was over budget by \$187,553
- The largest variance in expenditures was in the culture and recreation category where expenditures were under budget by \$46,954. This was due to less than expected costs related to the cannon valley trail, parks and tree maintenance.

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, 2019, amounts to \$37,360,720 (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 3C starting on page 57 of this report.

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 1,102,792	\$ 1,102,792	\$ -	\$ 87,816	\$ 87,816	\$ -
Buildings and Improvements	3,077,502	3,187,775	(110,273)	4,326	4,864	(538)
System Improvements/Infrastructure	10,085,942	10,554,542	(468,600)	20,877,359	21,794,700	(917,341)
Machinery and Equipment	574,293	592,452	(18,159)	258,108	312,048	(53,940)
Vehicles	989,997	1,132,662	(142,665)	302,585	372,580	(69,995)
Total	<u>\$ 15,830,526</u>	<u>\$ 16,570,223</u>	<u>\$ (739,697)</u>	<u>\$ 21,530,194</u>	<u>\$ 22,572,008</u>	<u>\$ (1,041,814)</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$14,468,667. 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Capital Lease Payable	\$ 8,378	\$ 16,403	\$ (8,025)	\$ 8,378	\$ 16,403	\$ (8,025)
General Obligation						
Revenue Bonds	6,190,000	6,823,000	(633,000)	7,902,911	9,201,910	(1,298,999)
General Obligation						
Equipment Certificates	359,000	359,000	-	-	-	-
Total	<u>\$ 6,557,378</u>	<u>\$ 7,198,403</u>	<u>\$ (641,025)</u>	<u>\$ 7,911,289</u>	<u>\$ 9,218,313</u>	<u>\$ (1,307,024)</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 3E 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, 2019

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City of Cannon Falls, Minnesota

Statement of Net Position

December 31, 2019

	Primary Government			Component Unit
	Governmental	Business-type		Economic
	Activities	Activities	Total	Development
				Authority
Assets				
Cash and temporary investments	\$ 5,431,846	\$ 3,404,821	\$ 8,836,667	\$ 404,007
Receivables				
Accrued interest	12,007	-	12,007	-
Taxes	83,300	-	83,300	-
Accounts, net of allowance	113,589	671,116	784,705	-
Special assessments	1,531,116	776,317	2,307,433	-
Loans, net	-	-	-	434,874
Due from other governments	8,614	236	8,850	-
Inventories, at cost	-	14,052	14,052	-
Prepaid items	47,963	18,356	66,319	154
Net pension asset	29,969	-	29,969	-
Capital assets				
Land and construction in progress	1,102,792	87,816	1,190,608	734,124
Depreciable buildings, property and equipment, net	14,727,734	21,442,378	36,170,112	-
Total Assets	<u>23,088,930</u>	<u>26,415,092</u>	<u>49,504,022</u>	<u>1,573,159</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>971,140</u>	<u>33,772</u>	<u>1,004,912</u>	<u>757</u>
Liabilities				
Accounts and contracts payable	122,687	55,393	178,080	821
Accrued interest payable	73,666	97,301	170,967	-
Due to other governments	-	2,027	2,027	-
Accrued salaries payable	12,587	4,290	16,877	-
Deposits payable	55,722	-	55,722	-
Unearned revenue	-	-	-	61,526
Noncurrent liabilities				
Due within one year	874,677	1,429,633	2,304,310	-
Due in more than one year	5,951,897	6,578,677	12,530,574	-
Pension liability	1,820,733	358,667	2,179,400	8,241
Total Liabilities	<u>8,911,969</u>	<u>8,525,988</u>	<u>17,437,957</u>	<u>70,588</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>1,218,607</u>	<u>74,839</u>	<u>1,293,446</u>	<u>1,700</u>
Net Position				
Net investment in capital assets	9,471,389	13,783,546	23,254,935	734,124
Restricted for				
Debt service	3,121,432	-	3,121,432	-
Cable television	115,895	-	115,895	-
Park improvements	20,968	-	20,968	-
Economic development	1,850	-	1,850	-
Unrestricted	<u>1,197,960</u>	<u>4,064,491</u>	<u>5,262,451</u>	<u>767,504</u>
Total Net Position	<u>\$ 13,929,494</u>	<u>\$ 17,848,037</u>	<u>\$ 31,777,531</u>	<u>\$ 1,501,628</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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 880,085	\$ 197,877	\$ -	\$ -
Public safety	1,705,200	208,481	148,556	-
Public works	1,205,092	97	164,221	34,842
Culture and recreation	1,044,140	207,959	125,597	-
Miscellaneous	128,958	-	-	-
Interest on long-term debt	178,459	-	-	-
Total Governmental Activities	<u>5,141,934</u>	<u>614,414</u>	<u>438,374</u>	<u>34,842</u>
Business-type Activities				
Water utility	748,212	791,472	-	41,326
Disposal	1,164,198	1,485,862	-	49,850
Storm water	82,628	150,551	-	-
Recycling program	65,351	85,332	-	-
Ambulance	974,425	1,038,871	15,990	-
Deputy registrar	145,092	172,432	-	-
Total Business-type Activities	<u>3,179,906</u>	<u>3,724,520</u>	<u>15,990</u>	<u>91,176</u>
Total Primary Government	<u>\$ 8,321,840</u>	<u>\$ 4,338,934</u>	<u>\$ 454,364</u>	<u>\$ 126,018</u>
Component Unit				
Economic Development Authority	<u>\$ 32,698</u>	<u>\$ 14,378</u>	<u>\$ 17,119</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

Tax increments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (682,208)	\$ -	\$ (682,208)	\$ -
(1,348,163)	-	(1,348,163)	-
(1,005,932)	-	(1,005,932)	-
(710,584)	-	(710,584)	-
(128,958)	-	(128,958)	-
(178,459)	-	(178,459)	-
<u>(4,054,304)</u>	<u>-</u>	<u>(4,054,304)</u>	<u>-</u>
-	84,586	84,586	-
-	371,514	371,514	-
-	67,923	67,923	-
-	19,981	19,981	-
-	80,436	80,436	-
-	27,340	27,340	-
<u>-</u>	<u>651,780</u>	<u>651,780</u>	<u>-</u>
<u>(4,054,304)</u>	<u>651,780</u>	<u>(3,402,524)</u>	<u>-</u>
1,638,282	-	1,638,282	-
634,450	-	634,450	-
-	-	-	138,700
353,255	-	353,255	-
135,294	-	135,294	-
571,527	-	571,527	-
26,709	-	26,709	-
45,895	-	45,895	-
657,963	-	657,963	-
90,201	55,818	146,019	7,573
-	9,270	9,270	-
119,450	(119,450)	-	-
<u>4,273,026</u>	<u>(54,362)</u>	<u>4,218,664</u>	<u>146,273</u>
218,722	597,418	816,140	145,072
<u>13,710,772</u>	<u>17,250,619</u>	<u>30,961,391</u>	<u>1,356,556</u>
<u>\$ 13,929,494</u>	<u>\$ 17,848,037</u>	<u>\$ 31,777,531</u>	<u>\$ 1,501,628</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, 2019

City of Cannon Falls, Minnesota

Balance Sheet Governmental Funds December 31, 2019

	General	Debt Service	Other Governmental	Total Governmental
Assets				
Cash and temporary investments	\$ 2,490,699	\$ 1,755,259	\$ 1,185,888	\$ 5,431,846
Receivables				
Accrued interest	12,007	-	-	12,007
Taxes	83,300	-	-	83,300
Accounts	112,839	-	750	113,589
Special assessments	83,343	1,439,839	7,934	1,531,116
Due from other funds	20,081	-	-	20,081
Due from other governments	8,614	-	-	8,614
Prepaid items	41,707	-	6,256	47,963
Total Assets	<u>\$ 2,852,590</u>	<u>\$ 3,195,098</u>	<u>\$ 1,200,828</u>	<u>\$ 7,248,516</u>
Liabilities				
Accounts and contracts payable	\$ 73,746	\$ -	\$ 48,941	\$ 122,687
Due to other funds	-	-	20,081	20,081
Accrued salaries payable	10,566	-	2,021	12,587
Deposits payable	55,722	-	-	55,722
Total Liabilities	<u>140,034</u>	<u>-</u>	<u>71,043</u>	<u>211,077</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	57,737	-	-	57,737
Unavailable revenue - special assessments	69,162	1,307,872	7,934	1,384,968
Total Deferred Inflows of Resources	<u>126,899</u>	<u>1,307,872</u>	<u>7,934</u>	<u>1,442,705</u>
Fund Balances				
Nonspendable	41,707	-	6,256	47,963
Restricted	-	1,887,226	336,954	2,224,180
Committed	-	-	659,940	659,940
Assigned	-	-	342,303	342,303
Unassigned	2,543,950	-	(223,602)	2,320,348
Total Fund Balances	<u>2,585,657</u>	<u>1,887,226</u>	<u>1,121,851</u>	<u>5,594,734</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,852,590</u>	<u>\$ 3,195,098</u>	<u>\$ 1,200,828</u>	<u>\$ 7,248,516</u>

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

City of Cannon Falls, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
December 31, 2019

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

Total Fund Balances - Governmental Funds	\$ 5,594,734
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	25,913,806
Less: accumulated depreciation	(10,083,280)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	29,969
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	(6,549,000)
Capital lease payable	(8,378)
Compensated absences payable	(269,196)
Pension liability	(1,820,733)
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	57,737
Special assessments receivable	1,384,968
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	971,140
Deferred inflows of pension resources	(1,218,607)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(73,666)</u>
Total Net Position - Governmental Activities	<u><u>\$ 13,929,494</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, 2019

	General	Debt Service	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 2,190,978	\$ 634,450	\$ 561,153	\$ 3,386,581
Licenses and permits	107,594	-	-	107,594
Intergovernmental	901,277	-	184,083	1,085,360
Charges for services	63,408	-	93,991	157,399
Fines and forfeitures	30,912	-	4,033	34,945
Special assessments	19,023	330,139	2,981	352,143
Interest on investments	78,637	3,923	7,671	90,231
Miscellaneous	303,241	67	17,060	320,368
Total Revenues	<u>3,695,070</u>	<u>968,579</u>	<u>870,972</u>	<u>5,534,621</u>
Expenditures				
Current				
General government	843,298	-	-	843,298
Public safety	1,178,505	-	225,050	1,403,555
Public works	640,187	-	-	640,187
Culture and recreation	440,996	-	449,973	890,969
Miscellaneous	128,958	-	-	128,958
Capital outlay				
General government	902	-	7,732	8,634
Public safety	2,632	-	13,839	16,471
Public works	7,447	-	55,522	62,969
Culture and recreation	-	-	56,173	56,173
Debt service				
Principal	8,025	633,000	-	641,025
Interest and other charges	1,321	184,836	-	186,157
Total Expenditures	<u>3,252,271</u>	<u>817,836</u>	<u>808,289</u>	<u>4,878,396</u>
Excess of Revenues Over Expenditures	<u>442,799</u>	<u>150,743</u>	<u>62,683</u>	<u>656,225</u>
Other Financing Sources (Uses)				
Transfers in	-	125,000	138,375	263,375
Transfers out	(143,925)	-	-	(143,925)
Total Other Financing Sources (Uses)	<u>(143,925)</u>	<u>125,000</u>	<u>138,375</u>	<u>119,450</u>
Net Change in Fund Balances	298,874	275,743	201,058	775,675
Fund Balances, January 1	<u>2,286,783</u>	<u>1,611,483</u>	<u>920,793</u>	<u>4,819,059</u>
Fund Balances, December 31	<u>\$ 2,585,657</u>	<u>\$ 1,887,226</u>	<u>\$ 1,121,851</u>	<u>\$ 5,594,734</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, 2019

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

Net Change in Fund Balances - Governmental Funds	\$ 775,675
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	35,216
Depreciation expense	(801,172)
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.	
	26,259
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	633,000
Capital lease principal payments	8,025
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.	
	7,698
Long-term pension activity is not reported in governmental funds.	
Pension expense	(150,317)
Direct aid contributions	10,632
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	18,831
Special assessments	(312,246)
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	(32,879)
Change in Net Position - Governmental Activities	<u>\$ 218,722</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,257,771	\$ 2,257,771	\$ 2,190,978	\$ (66,793)
Licenses and permits	62,650	62,650	107,594	44,944
Intergovernmental	713,724	713,724	901,277	187,553
Charges for services	51,850	51,850	63,408	11,558
Fines and forfeitures	27,000	27,000	30,912	3,912
Special assessments	18,300	18,300	19,023	723
Interest on investments	14,000	14,000	78,637	64,637
Miscellaneous	254,675	254,675	303,241	48,566
Total Revenues	<u>3,399,970</u>	<u>3,399,970</u>	<u>3,695,070</u>	<u>295,100</u>
Expenditures				
Current				
General government	843,525	843,525	843,298	227
Public safety	1,156,495	1,156,495	1,178,505	(22,010)
Public works	640,300	640,300	640,187	113
Culture and recreation	487,950	487,950	440,996	46,954
Miscellaneous	107,000	107,000	128,958	(21,958)
Capital outlay	13,800	13,800	10,981	2,819
Debt service				
Capital lease				
Principal	8,650	8,650	8,025	625
Interest	725	725	1,321	(596)
Total Expenditures	<u>3,258,445</u>	<u>3,258,445</u>	<u>3,252,271</u>	<u>6,174</u>
Excess of Revenues Over Expenditures	<u>141,525</u>	<u>141,525</u>	<u>442,799</u>	<u>301,274</u>
Other Financing Sources (Uses)				
Transfers in	2,400	2,400	-	(2,400)
Transfers out	(143,925)	(143,925)	(143,925)	-
Total Other Financing Sources (Uses)	<u>(141,525)</u>	<u>(141,525)</u>	<u>(143,925)</u>	<u>(2,400)</u>
Net Change in Fund Balances	-	-	298,874	298,874
Fund Balances, January 1	<u>2,286,783</u>	<u>2,286,783</u>	<u>2,286,783</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,286,783</u>	<u>\$ 2,286,783</u>	<u>\$ 2,585,657</u>	<u>\$ 298,874</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, 2019

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	Totals
Assets					
Current Assets					
Cash and temporary investments	\$ 1,508,264	\$ 838,394	\$ 285,364	\$ 772,799	\$ 3,404,821
Receivables					
Accounts, net of allowance	88,838	146,887	410,888	24,503	671,116
Special assessments	99,313	108,606	-	7,696	215,615
Due from other governments	236	-	-	-	236
Inventories, at cost	7,026	7,026	-	-	14,052
Prepaid items	2,856	5,882	9,378	240	18,356
Total Current Assets	1,706,533	1,106,795	705,630	805,238	4,324,196
Noncurrent Assets					
Special assessments receivable	307,626	253,076	-	-	560,702
Capital assets					
Land and construction in progress	87,816	-	-	-	87,816
Depreciable buildings, property, and equipment	14,473,973	20,792,071	821,142	1,419,130	37,506,316
Accumulated depreciation	(6,572,431)	(8,795,344)	(441,713)	(254,450)	(16,063,938)
Total Net Capital Assets	7,989,358	11,996,727	379,429	1,164,680	21,530,194
Total Noncurrent Assets	8,296,984	12,249,803	379,429	1,164,680	22,090,896
Total Assets	10,003,517	13,356,598	1,085,059	1,969,918	26,415,092
Deferred Outflows of Resources					
Deferred pension resources	4,547	5,519	18,875	4,831	33,772
Liabilities					
Current Liabilities					
Accounts and contracts payable	20,043	13,057	22,133	160	55,393
Accrued interest payable	35,643	51,539	-	10,119	97,301
Due to other governments	2,027	-	-	-	2,027
Accrued salaries payable	508	612	2,264	906	4,290
Compensated absences payable	3,596	4,187	13,394	3,078	24,255
Capital lease payable	-	-	-	8,378	8,378
Bonds payable	451,041	908,572	-	37,387	1,397,000
Total Current Liabilities	512,858	977,967	37,791	60,028	1,588,644
Noncurrent Liabilities					
Compensated absences payable	10,789	12,561	40,181	9,235	72,766
Bonds payable	2,336,210	3,466,327	-	703,374	6,505,911
Pension liability	48,326	58,680	200,357	51,304	358,667
Total Noncurrent Liabilities	2,395,325	3,537,568	240,538	763,913	6,937,344
Total Liabilities	2,908,183	4,515,535	278,329	823,941	8,525,988
Deferred Inflows of Resources					
Deferred pension resources	10,080	12,238	41,814	10,707	74,839
Net Position					
Net investment in capital assets	5,267,963	7,700,856	379,429	435,298	13,783,546
Unrestricted	1,821,838	1,133,488	404,362	704,803	4,064,491
Total Net Position	\$ 7,089,801	\$ 8,834,344	\$ 783,791	\$ 1,140,101	\$ 17,848,037

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, 2019

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
Operating Revenues					
Charges for services	\$ 791,472	\$ 1,485,862	\$ 1,038,871	\$ 370,955	\$ 3,687,160
Operating Expenses					
Personnel services	138,653	159,604	700,355	144,130	1,142,742
Supplies	20,610	31,014	69,555	3,315	124,494
Repairs and maintenance	24,338	42,894	38,458	451	106,141
Depreciation	379,583	544,787	84,383	46,338	1,055,091
Insurance	2,705	12,107	2,951	-	17,763
Utilities	67,939	131,304	17,360	-	216,603
Other services and charges	22,637	95,813	61,363	75,531	255,344
Total Operating Expenses	656,465	1,017,523	974,425	269,765	2,918,178
Operating Income	135,007	468,339	64,446	101,190	768,982
Nonoperating Revenues (Expenses)					
Interest on investments	31,487	14,147	1,330	8,854	55,818
Other income	-	-	15,990	37,360	53,350
Gain on disposal of assets	3,372	5,898	-	-	9,270
Interest expense	(91,747)	(146,675)	-	(23,306)	(261,728)
Total Nonoperating Revenues (Expenses)	(56,888)	(126,630)	17,320	22,908	(143,290)
Income Before Contributions and Transfers	78,119	341,709	81,766	124,098	625,692
Capital Contributions	41,326	49,850	-	-	91,176
Transfers In	-	-	7,100	18,450	25,550
Transfers Out	(110,000)	(35,000)	-	-	(145,000)
Change in Net Position	9,445	356,559	88,866	142,548	597,418
Net Position, January 1	7,080,356	8,477,785	694,925	997,553	17,250,619
Net Position, December 31	\$ 7,089,801	\$ 8,834,344	\$ 783,791	\$ 1,140,101	\$ 17,848,037

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, 2019

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 778,731	\$ 1,469,374	\$ 916,515	\$ 409,983	\$ 3,574,603
Payments to suppliers	(134,365)	(335,426)	(175,277)	(79,141)	(724,209)
Payments to employees	(145,126)	(172,601)	(681,998)	(138,872)	(1,138,597)
Net Cash Provided by Operating Activities	499,240	961,347	59,240	191,970	1,711,797
Cash Flows from Noncapital and Related Financing Activities					
Transfers in	-	-	7,100	18,450	25,550
Transfers out	(110,000)	(35,000)	-	-	(145,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(110,000)	(35,000)	7,100	18,450	(119,450)
Cash Flows from Capital and Related Financing Activities					
Permits and connection fees received	14,804	11,546	-	-	26,350
Special assessments received	135,041	132,693	-	-	267,734
Acquisition of capital assets	(735)	(2,695)	(577)	-	(4,007)
Principal paid on capital leases	-	-	-	(8,025)	(8,025)
Principal paid on bonds	(418,641)	(851,371)	-	(28,987)	(1,298,999)
Interest paid on bonds and capital leases	(97,810)	(155,745)	-	(23,900)	(277,455)
Net Cash Used by Capital and Related Financing Activities	(367,341)	(865,572)	(577)	(60,912)	(1,294,402)
Cash Flows from Investing Activities					
Interest received from investments	31,939	14,307	1,330	8,962	56,538
Net Increase in Cash and Cash Equivalents	53,838	75,082	67,093	158,470	354,483
Cash and Cash Equivalents, January 1	1,454,426	763,312	218,271	614,329	3,050,338
Cash and Cash Equivalents, December 31	<u>\$ 1,508,264</u>	<u>\$ 838,394</u>	<u>\$ 285,364</u>	<u>\$ 772,799</u>	<u>\$ 3,404,821</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 135,007	\$ 468,339	\$ 64,446	\$ 101,190	\$ 768,982
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income	-	-	15,990	37,360	53,350
Depreciation	379,583	544,787	84,383	46,338	1,055,091
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(12,741)	(16,488)	(138,346)	28	(167,547)
Interest receivable	-	-	-	34	34
Due from other governments	(236)	-	-	-	(236)
Special assessments receivable	-	-	-	1,606	1,606
Inventory	(5,230)	(5,230)	-	-	(10,460)
Prepaid items	(63)	35	6,095	(4)	6,063
Deferred pension resources	6,482	8,467	18,313	4,979	38,241
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	9,266	(17,099)	8,315	160	642
Due to other governments	127	-	-	-	127
Accrued salaries payable	153	45	1,415	488	2,101
Compensated absences payable	2,114	944	4,708	3,274	11,040
Deferred pension resources	(4,452)	(6,190)	(7,181)	(2,219)	(20,042)
Pension liability	(10,770)	(16,263)	1,102	(1,264)	(27,195)
Net Cash Provided (Used) by Operating Activities	<u>\$ 499,240</u>	<u>\$ 961,347</u>	<u>\$ 59,240</u>	<u>\$ 191,970</u>	<u>\$ 1,711,797</u>
Noncash Capital and Related Financing Activities					
Net disposal of capital assets	<u>\$ 3,372</u>	<u>\$ 5,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,270</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, 2019

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.

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

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

The 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2019:

- Negotiable certificates of deposits of \$1,568,341 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 2019. 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 \$146,745 as of December 31, 2019.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

The total pension expense for the GERP, PEPFP and Cannon Fall Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
Pension Expense	\$ 306,084	\$ 132,409	\$ 94,170	\$ 532,663

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 \$366,217 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. The recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of 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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 2019.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Component Unit			
Industrial Revolving Loan fund	\$ -	\$ 39,497	\$ 39,497

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, 2019:

Fund	Amount
Capital Project	
3rd Street Bridge	\$ 580
TIF 2-6.2	1,297
2016 Street Improvement Westside Phase II	20,230
Alexander Court	201,495
Enterprise Fund	
Deputy Registrar	39,094

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

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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, which 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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$3,032,617 and the bank balance was \$3,153,864. The bank balance was covered by federal depository insurance totaling \$3,153,864.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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	\$ 3,552,881			
Money market fund	N/A	Less than 6 months	1,288			
Non-pooled Investments at Fair Value						
Negotiable CDs	N/A	Less then 1 year	1,525,013	\$ -	\$ 614,998	\$ -
Negotiable CDs	N/A	1 to 5 years	1,128,320	-	222,310	-
Total Investments			\$ 6,207,502	\$ -	\$ 1,568,341	\$ -

(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.

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

	Amount
Carrying Amount of Deposits	\$ 3,032,617
Investments	6,207,502
Cash on Hand	<u>555</u>
Total	<u>\$ 9,240,674</u>
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 8,836,667
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>404,007</u>
Total	<u>\$ 9,240,674</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

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, 2019 was \$88,773.

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, 2019 was \$103,720.

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 at December 31, 2019 was \$23,928.

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 at December 31, 2019 was \$46,972.

On January 15, 2019 the EDA loaned \$125,000 to Raw Bistro at the rate of 3 percent a year. The loan is due on January 15, 2024. Monthly payments of \$829 are due beginning February 15, 2019. The final payment will be a balloon payment of \$86,651 on January 15, 2024. \$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 at December 31, 2019 was \$118,026.

On August 5, 2019 the EDA loaned \$75,000 to Keith Meyers at the rate of 3 percent a year. The loan is due on July 18, 2024. Monthly payments of \$483 are due beginning on August 18, 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 at December 31, 2019 was \$73,455.

The total net loan receivable balance as of December 31, 2019 was \$434,874 after taking into account \$20,000 worth of allowances described above.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,102,792	\$ -	\$ -	\$ 1,102,792
Capital Assets being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	14,903,168	-	-	14,903,168
Machinery and equipment	1,870,622	73,704	(30,082)	1,914,244
Vehicles	3,121,041	-	-	3,121,041
Total Capital Assets being Depreciated	24,767,392	73,704	(30,082)	24,811,014
Less Accumulated Depreciation for				
Buildings and improvements	(1,684,786)	(110,273)	-	(1,795,059)
System improvements/infrastructure	(4,348,626)	(468,600)	-	(4,817,226)
Machinery and equipment	(1,278,170)	(79,634)	17,853	(1,339,951)
Vehicles	(1,988,379)	(142,665)	-	(2,131,044)
Total Accumulated Depreciation	(9,299,961)	(801,172)	17,853	(10,083,280)
Total Capital Assets being Depreciated, Net	15,467,431	(727,468)	(12,229)	14,727,734
Governmental Activities Capital Assets, Net	<u>\$ 16,570,223</u>	<u>\$ (727,468)</u>	<u>\$ (12,229)</u>	<u>\$ 15,830,526</u>

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

Governmental Activities	
General government	\$ 43,739
Public safety	175,761
Public works	504,187
Culture and recreation	77,485
Total Depreciation Expense - Governmental Activities	<u>\$ 801,172</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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
Capital Assets being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	35,729,934	-	-	35,729,934
Machinery and equipment	1,091,203	18,177	(9,100)	1,100,280
Vehicles	660,122	-	-	660,122
Total Capital Assets being Depreciated	37,497,239	18,177	(9,100)	37,506,316
Less Accumulated Depreciation for				
Buildings and improvements	(11,116)	(538)	-	(11,654)
System improvements/infrastructure	(13,935,234)	(917,341)	-	(14,852,575)
Machinery and equipment	(779,155)	(67,217)	4,200	(842,172)
Vehicles	(287,542)	(69,995)	-	(357,537)
Total Accumulated Depreciation	(15,013,047)	(1,055,091)	4,200	(16,063,938)
Total Capital Assets being Depreciated, Net	22,484,192	(1,036,914)	(4,900)	21,442,378
Business-type Activities Capital Assets, Net	<u>\$ 22,572,008</u>	<u>\$ (1,036,914)</u>	<u>\$ (4,900)</u>	<u>\$ 21,530,194</u>

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

Business-type Activities	
Water Utility	\$ 379,583
Disposal	544,787
Ambulance	84,383
Storm Water	46,338
Total Depreciation Expense - Business-type Activities	<u>\$ 1,055,091</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2019 was as follows:

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

D. Transfers

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2019 is as follows:

Fund	Transfers in				Total
	Debt Service Fund	Nonmajor Governmental Funds	Ambulance Fund	Nonmajor Enterprise Funds	
Transfer Out					
General	\$ -	\$ 118,375	\$ 7,100	\$ 18,450	\$ 143,925
Water Utility	100,000	10,000	-	-	110,000
Disposal	25,000	10,000	-	-	35,000
Total	\$ 125,000	\$ 138,375	\$ 7,100	\$ 18,450	\$ 288,925

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, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. 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	\$ 2,050,000
G.O. Improvement Bonds of 2012A	932,000	.75 - 2.50	05/01/12	02/01/22	230,000
G.O. Refunding Permanent Bonds of 2012B	3,085,000	1.00 - 1.65	11/28/12	02/01/23	865,000
G.O. Improvement Bonds of 2013A	2,575,000	2.00 - 4.00	08/07/13	02/01/34	1,945,000
G.O. Improvement Bonds of 2016A	2,480,000	2.00 - 3.00	06/30/16	02/01/37	2,220,000
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>\$ 11,230,000</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
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	415,000	97,456	512,456	270,000	122,593	392,593
2025 - 2029	2,030,000	304,650	2,334,650	1,480,000	490,230	1,970,230
2030 - 2034	1,075,000	75,972	1,150,972	1,485,000	246,783	1,731,783
2035 - 2039	-	-	-	790,000	60,516	850,516
Total	<u>\$ 6,190,000</u>	<u>\$ 1,004,916</u>	<u>\$ 7,194,916</u>	<u>\$ 5,040,000</u>	<u>\$ 1,477,454</u>	<u>\$ 6,517,454</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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 2019, principal and interest paid and total customer revenues for the Water fund were \$516,451 and \$791,472, respectively. For 2019, principal and interest paid and total customer revenues for the Disposal fund were \$1,007,116 and \$1,485,862, 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	\$ 619,000
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	8,021,909	2.86	11/20/01	08/20/22	1,533,911
G.O. Water Revenue Refunding Bonds - Series 2010A	3,560,000	1.00 - 3.50	12/09/10	08/01/21	<u>710,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 2,862,911</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
2020	\$ 1,152,000	\$ 87,023	\$ 1,239,023
2021	1,185,000	51,891	1,236,891
2022	<u>525,911</u>	<u>15,041</u>	<u>540,952</u>
Total	<u><u>\$ 2,862,911</u></u>	<u><u>\$ 153,955</u></u>	<u><u>\$ 3,016,866</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, 2019

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
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	40,000	7,800	47,800
2025 - 2028	175,000	14,340	189,340
Total	<u>\$ 359,000</u>	<u>\$ 68,340</u>	<u>\$ 427,340</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>\$ 16,756</u>

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

Year Ending December 31,	Capital Leases Governmental Activities			Capital Leases Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	<u>\$ 8,378</u>	<u>\$ 969</u>	<u>9,347</u>	<u>\$ 8,378</u>	<u>\$ 969</u>	<u>\$ 9,347</u>

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

Asset	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 84,251	\$ 84,250
Less: Accumulated depreciation	<u>(49,146)</u>	<u>(49,146)</u>
Total	<u>\$ 35,105</u>	<u>\$ 35,104</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2019, the following changes in long-term liabilities occurred:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 6,823,000	\$ -	\$ (633,000)	\$ 6,190,000	\$ 765,000
General obligation Equipment certificates	359,000	-	-	359,000	34,000
Capital Leases Payable	16,403	-	(8,025)	8,378	8,378
Compensated Absences Payable	<u>236,317</u>	<u>91,958</u>	<u>(59,079)</u>	<u>269,196</u>	<u>67,299</u>
 Governmental Activity Long-term Liabilities	 <u><u>\$ 7,434,720</u></u>	 <u><u>\$ 91,958</u></u>	 <u><u>\$ (700,104)</u></u>	 <u><u>\$ 6,826,574</u></u>	 <u><u>\$ 874,677</u></u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 3,986,910	\$ -	\$ (1,123,999)	\$ 2,862,911	\$ 1,152,000
General obligation improvement bonds	5,215,000	-	(175,000)	5,040,000	245,000
Capital Leases Payable	16,403	-	(8,025)	8,378	8,378
Compensated Absences Payable	<u>85,981</u>	<u>32,535</u>	<u>(21,495)</u>	<u>97,021</u>	<u>24,255</u>
 Business-type Activity Long-term Liabilities	 <u><u>\$ 9,304,294</u></u>	 <u><u>\$ 32,535</u></u>	 <u><u>\$ (1,328,519)</u></u>	 <u><u>\$ 8,008,310</u></u>	 <u><u>\$ 1,429,633</u></u>
Component Unit - EDA					
Compensated Absences Payable	<u>\$ 25,628</u>	<u>\$ -</u>	<u>\$ (25,628)</u>	<u>\$ -</u>	<u>\$ -</u>
 Component Unit Long-term Liabilities	 <u><u>\$ 25,628</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (25,628)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

F. Fund Balance

At December 31, 2019, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for				
Prepaid items	\$ 41,707	\$ -	\$ 6,256	\$ 47,963
Restricted for				
Debt service	\$ -	\$ 1,887,226	\$ -	\$ 1,887,226
Street project	-	-	198,241	198,241
Cable television	-	-	115,895	115,895
Tax increment financing	-	-	1,850	1,850
Park capital	-	-	20,968	20,968
Total Restricted	\$ -	\$ 1,887,226	\$ 336,954	\$ 2,224,180
Committed for				
Fire operations	\$ -	\$ -	\$ 81,409	\$ 81,409
Street capital	-	-	38,322	38,322
Public works capital	-	-	231,113	231,113
Police capital	-	-	20,162	20,162
Fire capital	-	-	109,625	109,625
Administration capital	-	-	76,700	76,700
Park capital	-	-	54,544	54,544
Library capital	-	-	48,065	48,065
Total Committed	\$ -	\$ -	\$ 659,940	\$ 659,940
Assigned				
Library operations	\$ -	\$ -	\$ 188,308	\$ 188,308
Eastside improvement	-	-	21,550	21,550
Public improvements	-	-	132,445	132,445
Total Assigned	\$ -	\$ -	\$ 342,303	\$ 342,303
Unassigned	\$ 2,543,950	\$ -	\$ (223,602)	\$ 2,320,348

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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 (GERP)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP 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.

GERP Benefits

GERP 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

PEPFP Benefits

Benefits for the PEPFP 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 PEPFP 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund 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 for Coordinated Plan members in 2019. The City's contributions to the GERF for the year ending December 31, 2019, 2018 and 2017 were \$150,778, \$148,746 and \$140,461, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$108,059, \$94,884 and \$87,838, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,570,172 for its proportionate share of the General Employee Fund'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 \$48,831. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0284 percent which was a decrease of 0.0007 percent as of June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 1,570,172
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>48,831</u>
Total	<u><u>\$ 1,619,003</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$302,427 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$3,657 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan'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	\$ 49,991	\$ 3,488
Changes in Actuarial Assumptions	5,028	128,300
Net Difference Between Projected and Actual Earnings on Plan Investments	-	162,492
Changes in Proportion	19,323	34,195
Contributions to PERA Subsequent to the Measurement Date	<u>74,341</u>	<u>-</u>
Total	<u><u>\$ 148,683</u></u>	<u><u>\$ 328,475</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$74,341 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (86,395)
2021	(126,177)
2022	(44,092)
2023	2,531

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$617,469 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0580 percent which was an increase of 0.0038 percent from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$124,579 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$7,830 for the year ended December 31, 2019 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 Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan'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	\$ 26,293	\$ 106,773
Changes in Actuarial Assumptions	528,228	696,141
Net Difference Between Projected and Actual Earnings on Plan Investments	-	117,529
Changes in Proportion	106,940	8,943
Contributions to PERA Subsequent to the Measurement Date	<u>56,551</u>	<u>-</u>
Total	<u><u>\$ 718,012</u></u>	<u><u>\$ 929,386</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$56,551 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (26,797)
2021	(58,190)
2022	(205,305)
2023	12,141
2024	10,226

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 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 General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
International Equity	17.50	5.90
Cash Equivalents	<u>2.00</u>	-
Total	<u><u>100.00</u></u> %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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 General Employees Fund and the Police and Fire Fund 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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 2,581,279	\$ 1,570,172	\$ 735,303
Police and Fire Fund	1,349,672	617,469	12

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.

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, 2018, the plan covered 30 active firefighters and 6 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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$53,398 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2018 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, 2019 were \$53,398. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

D. Pension Costs

At December 31, 2019, the City reported a net pension liability (asset) of \$(29,969) for the plan. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2018. 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, 2019	\$ 612,239	\$ 782,910	\$ (170,671)
Changes for the Year			
Service cost	31,897	-	31,897
Interest on pension liability (asset)	38,648	-	38,648
Actuarial experience (gains)/losses	(14,536)	-	(14,536)
Changes of assumptions	11,433	-	11,433
Change of benefit terms	43,238	-	43,238
Net investment income	-	(80,846)	80,846
Contributions (State)	-	51,993	(51,993)
Administrative costs	-	(1,169)	1,169
Total Net Changes	110,680	(30,022)	140,702
Ending Balance December 31, 2019	\$ 722,919	\$ 752,888	\$ (29,969)

For the year ended December 31, 2019, the City recognized pension expense of \$40,772.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2019

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

At December 31, 2019, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 33,408
Changes in Actuarial Assumptions	13,313	3,877
Net Difference Between Projected and Actual Earnings on Plan Investments	72,263	-
Contributions to Plan Subsequent to the Measurement Date	<u>53,398</u>	<u>-</u>
Total	<u>\$ 138,974</u>	<u>\$ 37,285</u>

Deferred outflows of resources totaling \$53,398 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, 2020. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ 20,997
2021	6,250
2022	9,138
2023	22,122
2024	(3,276)
Thereafter	(6,940)

E. Actuarial Assumptions

The total pension liability at December 31, 2019 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	2.50% per year
Investment Rate of Return	5.50%
20 Year Municipal Bond Yield	3.71%

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, 2019

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	47.00 %	4.95 %
International Equity	25.00	5.24
Fixed Income	7.00	1.99
Real Estate	1.00	4.19
Cash	20.00	0.58
	<u>100.00 %</u>	
Total	<u>100.00 %</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:

	1 Percent Decrease (4.50%)	Current (5.50%)	1 Percent Increase (6.50%)
Defined Benefit Plan	\$ (9,611)	\$ (29,969)	\$ (49,749)

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, 2019

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 \$367,378 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 2019 was \$653,268. This accounted for 17.7% 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: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Cannon Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2019

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

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
06/30/19	0.0284 %	\$ 1,570,172	\$ 48,831	\$1,619,003	\$2,010,581	80.5 %	80.2 %
06/30/18	0.0291	1,614,349	52,857	1,667,206	1,953,259	85.4	79.5
06/30/17	0.0285	1,819,421	22,872	1,842,293	1,835,533	100.4	75.9
06/30/16	0.0286	2,322,178	30,356	2,352,534	1,774,875	132.5	68.9
06/30/15	0.0286	1,482,200	-	1,482,200	1,680,063	88.2	78.2

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 150,778	\$ 150,778	\$ -	\$ 2,010,372	7.50 %
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, 2019

Notes to the Required Supplementary Information - General Employees Retirement Plan

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

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, 2019

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Plan

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's 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
06/30/19	0.0580 %	\$ 617,469	\$ -	\$ 617,469	\$ 612,230	100.9 %	89.3 %
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 - Police and Fire Plan

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)
12/31/19	\$ 108,059	\$ 108,059	\$ -	\$ 637,519	16.95 %
12/31/18	94,884	94,884	-	585,702	16.20
12/31/17	87,838	87,838	-	542,210	16.20
12/31/16	86,782	86,782	-	535,691	16.20
12/31/15	71,922	71,922	-	443,963	16.20

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

Notes to the Required Supplementary Information - Police and Fire Plan

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - Police and Fire Plan

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

2018 - 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. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 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 3.00 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 65.00 percent to 60.00 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 postretirement 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 5.60 percent per annum to 7.50 percent per annum.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - Police and Fire Plan

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

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

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 31,897	\$ 28,860	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	38,648	34,228	37,821	35,024	34,669
Changes of benefit terms	43,238	-	-	18,597	-
Differences between expected and actual experience	(14,536)	-	(28,496)	-	-
Changes of assumptions	11,433	40,593	4,223	(7,109)	-
Benefit payments	-	(66,100)	(88,050)	(74,667)	(40,242)
Net Change in Total Pension Liability	110,680	37,581	(43,641)	803	22,610
Total Pension Liability - January 1	612,239	574,658	618,299	617,496	594,886
Total Pension Liability - December 31 (a)	\$ 722,919	\$ 612,239	\$ 574,658	\$ 618,299	\$ 617,496
Plan Fiduciary Net Position					
Employer contributions	\$ 51,993	\$ 51,349	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	-	-	-	-	137
Projected investment return	(80,846)	103,115	52,076	(32,964)	15,287
Benefit payments	-	(66,100)	(88,050)	(74,667)	(40,242)
Administrative expenses	(1,169)	(1,296)	(1,155)	(239)	(232)
Other	-	-	-	-	3,000
Net Change in Plan Fiduciary Net Position	(30,022)	87,068	15,812	(56,910)	26,742
Plan Fiduciary Net Position - January 1	782,910	695,842	680,030	736,940	710,198
Plan Fiduciary Net Position - December 31 (b)	\$ 752,888	\$ 782,910	\$ 695,842	\$ 680,030	\$ 736,940
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (29,969)	\$ (170,671)	\$ (121,184)	\$ (61,731)	\$ (119,444)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	104.15%	127.88%	121.09%	109.98%	119.34%
Covered-employee Payroll	N/A	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	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, 2019

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/19	\$ 53,398	\$ 53,398	\$ -
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, 2019

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 401,882	\$ 784,006	\$ 1,185,888
Receivables			
Accounts	750	-	750
Special assessments	-	7,934	7,934
Prepaid items	6,256	-	6,256
	<u>6,256</u>	<u>-</u>	<u>6,256</u>
Total Assets	<u>\$ 408,888</u>	<u>\$ 791,940</u>	<u>\$ 1,200,828</u>
Liabilities			
Accounts and contracts payable	\$ 14,999	\$ 33,942	\$ 48,941
Accrued salaries payable	2,021	-	2,021
Due to other funds	-	20,081	20,081
Total Liabilities	<u>17,020</u>	<u>54,023</u>	<u>71,043</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	7,934	7,934
	<u>-</u>	<u>7,934</u>	<u>7,934</u>
Fund Balances			
Nonspendable	6,256	-	6,256
Restricted	115,895	221,059	336,954
Committed	81,409	578,531	659,940
Assigned	188,308	153,995	342,303
Unassigned	-	(223,602)	(223,602)
Total Fund Balances	<u>391,868</u>	<u>729,983</u>	<u>1,121,851</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 408,888</u>	<u>\$ 791,940</u>	<u>\$ 1,200,828</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, 2019

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 488,549	\$ -	\$ 488,549
Tax increments	-	45,895	45,895
Franchise taxes	26,709	-	26,709
Intergovernmental	184,083	-	184,083
Charges for services	93,991	-	93,991
Fines and forfeitures	4,033	-	4,033
Special assessments	-	2,981	2,981
Interest on investments	4,375	3,296	7,671
Miscellaneous	17,060	-	17,060
Total Revenues	<u>818,800</u>	<u>52,172</u>	<u>870,972</u>
Expenditures			
Current			
Public safety	225,050	-	225,050
Culture and recreation	449,973	-	449,973
Capital outlay			
General government	-	7,732	7,732
Public safety	3,551	10,288	13,839
Public works	-	55,522	55,522
Culture and recreation	51,906	4,267	56,173
Total Expenditures	<u>730,480</u>	<u>77,809</u>	<u>808,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	88,320	(25,637)	62,683
Other Financing Sources			
Transfers in	<u>-</u>	<u>138,375</u>	<u>138,375</u>
Net Change in Fund Balances	88,320	112,738	201,058
Fund Balances, January 1	<u>303,548</u>	<u>617,245</u>	<u>920,793</u>
Fund Balances, December 31	<u><u>\$ 391,868</u></u>	<u><u>\$ 729,983</u></u>	<u><u>\$ 1,121,851</u></u>

City of Cannon Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2019

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 198,199	\$ 119,980	\$ 83,703	\$ 401,882
Accounts receivable	-	-	750	750
Prepaid items	1,258	189	4,809	6,256
	<u>1,258</u>	<u>189</u>	<u>4,809</u>	<u>6,256</u>
Total Assets	<u><u>\$ 199,457</u></u>	<u><u>\$ 120,169</u></u>	<u><u>\$ 89,262</u></u>	<u><u>\$ 408,888</u></u>
Liabilities				
Accounts payable	\$ 8,132	\$ 3,823	\$ 3,044	\$ 14,999
Accrued salaries payable	1,759	262	-	2,021
Total Liabilities	<u>9,891</u>	<u>4,085</u>	<u>3,044</u>	<u>17,020</u>
Fund Balances				
Nonspendable	1,258	189	4,809	6,256
Restricted	-	115,895	-	115,895
Committed	-	-	81,409	81,409
Assigned	188,308	-	-	188,308
	<u>188,308</u>	<u>-</u>	<u>-</u>	<u>188,308</u>
Total Fund Balances	<u>189,566</u>	<u>116,084</u>	<u>86,218</u>	<u>391,868</u>
Total Liabilities and Fund Balances	<u><u>\$ 199,457</u></u>	<u><u>\$ 120,169</u></u>	<u><u>\$ 89,262</u></u>	<u><u>\$ 408,888</u></u>

City of Cannon Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2019

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 353,255	\$ -	\$ 135,294	\$ 488,549
Franchise taxes	-	26,709	-	26,709
Intergovernmental				
State	-	-	59,213	59,213
County	124,870	-	-	124,870
Charges for services	1,498	-	92,493	93,991
Fines and forfeitures	4,033	-	-	4,033
Interest on investments	2,351	1,458	566	4,375
Miscellaneous				
Contributions and donations	652	-	8,750	9,402
Other	-	-	7,658	7,658
Total Revenues	<u>486,659</u>	<u>28,167</u>	<u>303,974</u>	<u>818,800</u>
Expenditures				
Current				
Public safety	-	-	225,050	225,050
Culture and recreation	429,887	20,086	-	449,973
Capital outlay				
Public safety	-	-	3,551	3,551
Culture and recreation	35,660	16,246	-	51,906
Total Expenditures	<u>465,547</u>	<u>36,332</u>	<u>228,601</u>	<u>730,480</u>
Net Change in Fund Balances	21,112	(8,165)	75,373	88,320
Fund Balances, January 1	<u>168,454</u>	<u>124,249</u>	<u>10,845</u>	<u>303,548</u>
Fund Balances, December 31	<u><u>\$ 189,566</u></u>	<u><u>\$ 116,084</u></u>	<u><u>\$ 86,218</u></u>	<u><u>\$ 391,868</u></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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 353,255	\$ 353,255	\$ 353,255	\$ -	\$ 329,235
Intergovernmental					
County	124,870	124,870	124,870	-	117,589
Charges for services	1,175	1,175	1,498	323	1,496
Fines and forfeitures	6,000	6,000	4,033	(1,967)	5,928
Interest on investments	-	-	2,351	2,351	51
Miscellaneous					
Contributions and donations	-	-	652	652	2,160
Total Revenues	<u>485,300</u>	<u>485,300</u>	<u>486,659</u>	<u>1,359</u>	<u>456,459</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	376,200	376,200	349,650	26,550	329,035
Supplies	6,100	6,100	6,373	(273)	5,543
Other services and charges	69,000	69,000	73,864	(4,864)	65,248
Capital outlay					
Culture and recreation	<u>34,000</u>	<u>34,000</u>	<u>35,660</u>	<u>(1,660)</u>	<u>30,048</u>
Total Expenditures	<u>485,300</u>	<u>485,300</u>	<u>465,547</u>	<u>19,753</u>	<u>429,874</u>
Net Change in Fund Balances	-	-	21,112	21,112	26,585
Fund Balances, January 1	<u>168,454</u>	<u>168,454</u>	<u>168,454</u>	<u>-</u>	<u>141,869</u>
Fund Balances, December 31	<u>\$ 168,454</u>	<u>\$ 168,454</u>	<u>\$ 189,566</u>	<u>\$ 21,112</u>	<u>\$ 168,454</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Franchise taxes	\$ 32,000	\$ 32,000	\$ 26,709	\$ (5,291)	\$ 33,619
Charges for services	-	-	-	-	28
Interest on investments	-	-	1,458	1,458	685
Total Revenue	<u>32,000</u>	<u>32,000</u>	<u>28,167</u>	<u>(3,833)</u>	<u>34,332</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	19,675	19,675	16,904	2,771	17,252
Supplies	2,100	2,100	297	1,803	4,607
Other services and charges	5,825	5,825	2,885	2,940	2,582
Capital outlay					
Culture and recreation	40,000	40,000	16,246	23,754	33,526
Total Expenditures	<u>67,600</u>	<u>67,600</u>	<u>36,332</u>	<u>31,268</u>	<u>57,967</u>
Net Change in Fund Balances	(35,600)	(35,600)	(8,165)	27,435	(23,635)
Fund Balances, January 1	<u>124,249</u>	<u>124,249</u>	<u>124,249</u>	<u>-</u>	<u>147,884</u>
Fund Balances, December 31	<u>\$ 88,649</u>	<u>\$ 88,649</u>	<u>\$ 116,084</u>	<u>\$ 27,435</u>	<u>\$ 124,249</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 135,294	\$ 135,294	\$ 135,294	\$ -	\$ 120,144
Intergovernmental revenue					
State	52,000	52,000	59,213	7,213	62,653
Charges for services	91,725	91,725	92,493	768	90,445
Interest on investments	-	-	566	566	2,656
Miscellaneous					
Contributions and donations	-	-	8,750	8,750	2,150
Other	-	-	7,658	7,658	8,012
Total Revenues	<u>279,019</u>	<u>279,019</u>	<u>303,974</u>	<u>24,955</u>	<u>286,060</u>
Expenditures					
Current					
Public safety					
Personnel services	72,175	72,175	52,693	19,482	62,303
Supplies	27,800	27,800	24,985	2,815	52,175
Other services and charges	173,244	173,244	147,372	25,872	155,190
Capital outlay					
Public safety	5,800	5,800	3,551	2,249	7,188
Total Expenditures	<u>279,019</u>	<u>279,019</u>	<u>228,601</u>	<u>50,418</u>	<u>276,856</u>
Net Change in Fund Balances	-	-	75,373	75,373	9,204
Fund Balances, January 1	<u>10,845</u>	<u>10,845</u>	<u>10,845</u>	<u>-</u>	<u>1,641</u>
Fund Balances, December 31	<u>\$ 10,845</u>	<u>\$ 10,845</u>	<u>\$ 86,218</u>	<u>\$ 75,373</u>	<u>\$ 10,845</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2019

	502	504	505	506	507
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Assets					
Cash and temporary investments	\$ 132,445	\$ 38,322	\$ 231,113	\$ 20,162	\$ 109,625
Receivables					
Special assessments	7,934	-	-	-	-
Total Assets	\$ 140,379	\$ 38,322	\$ 231,113	\$ 20,162	\$ 109,625
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total Liabilities	-	-	-	-	-
Deferred Inflows of Resources					
Unavailable revenue - special assessments	7,934	-	-	-	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	38,322	231,113	20,162	109,625
Assigned	132,445	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	132,445	38,322	231,113	20,162	109,625
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 140,379	\$ 38,322	\$ 231,113	\$ 20,162	\$ 109,625

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ 76,700	\$ 54,544	\$ 48,065	\$ 21,550	\$ 20,968
-	-	-	-	-
<u>\$ 76,700</u>	<u>\$ 54,544</u>	<u>\$ 48,065</u>	<u>\$ 21,550</u>	<u>\$ 20,968</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	20,968
76,700	54,544	48,065	-	-
-	-	-	21,550	-
-	-	-	-	-
<u>76,700</u>	<u>54,544</u>	<u>48,065</u>	<u>21,550</u>	<u>20,968</u>
<u>\$ 76,700</u>	<u>\$ 54,544</u>	<u>\$ 48,065</u>	<u>\$ 21,550</u>	<u>\$ 20,968</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2019

	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	\$ (580)	\$ 9,850	\$ 10,784	\$ (20,230)
Receivables				
Special assessments	-	-	-	-
Total Assets	<u><u>\$ (580)</u></u>	<u><u>\$ 9,850</u></u>	<u><u>\$ 10,784</u></u>	<u><u>\$ (20,230)</u></u>
Liabilities				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	11,147	8,934	-
Total Liabilities	<u><u>-</u></u>	<u><u>11,147</u></u>	<u><u>8,934</u></u>	<u><u>-</u></u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	-
Fund Balances				
Restricted	-	-	1,850	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(580)	(1,297)	-	(20,230)
Total Fund Balances	<u><u>(580)</u></u>	<u><u>(1,297)</u></u>	<u><u>1,850</u></u>	<u><u>(20,230)</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ (580)</u></u>	<u><u>\$ 9,850</u></u>	<u><u>\$ 10,784</u></u>	<u><u>\$ (20,230)</u></u>

406	408	
Alexander Court	2018 Street Project	Total
\$ (201,495)	\$ 232,183	\$ 784,006
-	-	7,934
<u>\$ (201,495)</u>	<u>\$ 232,183</u>	<u>\$ 791,940</u>
\$ -	\$ 33,942	\$ 33,942
-	-	20,081
-	33,942	54,023
-	-	7,934
-	198,241	221,059
-	-	578,531
-	-	153,995
(201,495)	-	(223,602)
<u>(201,495)</u>	<u>198,241</u>	<u>729,983</u>
<u>\$ (201,495)</u>	<u>\$ 232,183</u>	<u>\$ 791,940</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, 2019

	502	504	505	506	507
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Revenues					
Tax increments	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	2,981	-	-	-	-
Interest on investments	1,018	-	2,278	-	-
Total Revenues	<u>3,999</u>	<u>-</u>	<u>2,278</u>	<u>-</u>	<u>-</u>
Expenditures					
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	10,288
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,999	-	2,278	-	(10,288)
Other Financing Sources					
Transfers in	<u>-</u>	<u>5,950</u>	<u>57,950</u>	<u>30,000</u>	<u>20,550</u>
Net Change in Fund Balances	3,999	5,950	60,228	30,000	10,262
Fund Balances, January 1	<u>128,446</u>	<u>32,372</u>	<u>170,885</u>	<u>(9,838)</u>	<u>99,363</u>
Fund Balances, December 31	<u>\$ 132,445</u>	<u>\$ 38,322</u>	<u>\$ 231,113</u>	<u>\$ 20,162</u>	<u>\$ 109,625</u>

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7,732	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	189	-	4,078
7,732	-	189	-	4,078
(7,732)	-	(189)	-	(4,078)
14,275	7,075	2,575	-	-
6,543	7,075	2,386	-	(4,078)
70,157	47,469	45,679	21,550	25,046
\$ 76,700	\$ 54,544	\$ 48,065	\$ 21,550	\$ 20,968

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, 2019

	405	249	250	404
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	2016 Street Improvement Westside Phase II
Revenues				
Tax increments	\$ -	\$ 21,930	\$ 23,965	\$ -
Special assessments	-	-	-	-
Interest on investments	-	-	-	-
Total Revenues	<u>-</u>	<u>21,930</u>	<u>23,965</u>	<u>-</u>
Expenditures				
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	300	11,589	12,605	-
Culture and recreation	-	-	-	-
Total Expenditures	<u>300</u>	<u>11,589</u>	<u>12,605</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300)	10,341	11,360	-
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(300)	10,341	11,360	-
Fund Balances, January 1	<u>(280)</u>	<u>(11,638)</u>	<u>(9,510)</u>	<u>(20,230)</u>
Fund Balances, December 31	<u><u>\$ (580)</u></u>	<u><u>\$ (1,297)</u></u>	<u><u>\$ 1,850</u></u>	<u><u>\$ (20,230)</u></u>

406	408	
Alexander	2018	
Court	Street	Total
	Project	
\$ -	\$ -	\$ 45,895
-	-	2,981
-	-	3,296
-	-	52,172
-	-	
-	-	7,732
-	-	10,288
9,574	21,454	55,522
-	-	4,267
9,574	21,454	77,809
(9,574)	(21,454)	(25,637)
-	-	138,375
(9,574)	(21,454)	112,738
(191,921)	219,695	617,245
<u>\$ (201,495)</u>	<u>\$ 198,241</u>	<u>\$ 729,983</u>

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City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Net Position
December 31, 2019

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 589,005	\$ 29,813	\$ 153,981	\$ 772,799
Receivables				
Accounts	15,853	17	8,633	24,503
Special assessments	4,788	-	2,908	7,696
Prepaid items	63	177	-	240
Total Current Assets	<u>609,709</u>	<u>30,007</u>	<u>165,522</u>	<u>805,238</u>
Noncurrent Assets				
Capital assets				
Depreciable buildings, property, and equipment	1,419,130	-	-	1,419,130
Accumulated depreciation	(254,450)	-	-	(254,450)
Total Noncurrent Assets	<u>1,164,680</u>	<u>-</u>	<u>-</u>	<u>1,164,680</u>
Total Assets	<u>1,774,389</u>	<u>30,007</u>	<u>165,522</u>	<u>1,969,918</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>123</u>	<u>4,708</u>	<u>-</u>	<u>4,831</u>
Liabilities				
Current Liabilities				
Accounts payable	-	160	-	160
Accrued interest payable	10,119	-	-	10,119
Accrued salaries payable	-	906	-	906
Compensated absences payable	-	3,078	-	3,078
Capital lease payable	8,378	-	-	8,378
Bonds payable	37,387	-	-	37,387
Total Current Liabilities	<u>55,884</u>	<u>4,144</u>	<u>-</u>	<u>60,028</u>
Noncurrent Liabilities				
Compensated absences payable	-	9,235	-	9,235
Bonds payable	703,374	-	-	703,374
Pension liability	1,308	49,996	-	51,304
Total Noncurrent Liabilities	<u>704,682</u>	<u>59,231</u>	<u>-</u>	<u>763,913</u>
Total Liabilities	<u>760,566</u>	<u>63,375</u>	<u>-</u>	<u>823,941</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>273</u>	<u>10,434</u>	<u>-</u>	<u>10,707</u>
Net Position				
Net investment in capital assets	435,298	-	-	435,298
Unrestricted	<u>578,375</u>	<u>(39,094)</u>	<u>165,522</u>	<u>704,803</u>
Total Net Position	<u>\$ 1,013,673</u>	<u>\$ (39,094)</u>	<u>\$ 165,522</u>	<u>\$ 1,140,101</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, 2019

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Operating Revenues				
Charges for services	\$ 150,551	\$ 135,072	\$ 85,332	\$ 370,955
Operating Expenses				
Personnel services	3,592	140,538	-	144,130
Supplies	1,854	1,461	-	3,315
Repairs and maintenance	-	451	-	451
Depreciation	46,338	-	-	46,338
Other services and charges	7,538	2,642	65,351	75,531
Total Operating Expenses	59,322	145,092	65,351	269,765
Operating Income (Loss)	91,229	(10,020)	19,981	101,190
Nonoperating Revenues (Expenses)				
Interest on investments	6,924	-	1,930	8,854
Grants	-	37,360	-	37,360
Interest expense	(23,306)	-	-	(23,306)
Total Nonoperating Revenues (Expenses)	(16,382)	37,360	1,930	22,908
Income Before Transfers	74,847	27,340	21,911	124,098
Transfers In	-	18,450	-	18,450
Change in Net Position	74,847	45,790	21,911	142,548
Net Position, January 1	938,826	(84,884)	143,611	997,553
Net Position, December 31	\$ 1,013,673	\$ (39,094)	\$ 165,522	\$ 1,140,101

City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 152,054	\$ 172,674	\$ 85,255	\$ 409,983
Payments to suppliers	(9,394)	(4,396)	(65,351)	(79,141)
Payments to employees	(3,531)	(135,341)	-	(138,872)
Net Cash Provided by Operating Activities	139,129	32,937	19,904	191,970
Cash Flows from Noncapital and Related Financing Activities				
Transfers in	-	18,450	-	18,450
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital lease	(8,025)	-	-	(8,025)
Principal paid on long-term debt	(28,987)	-	-	(28,987)
Interest paid on long-term debt	(23,900)	-	-	(23,900)
Net Cash Used by Capital and Related Financing Activities	(60,912)	-	-	(60,912)
Cash Flows from Investing Activities				
Interest received from investments	7,032	-	1,930	8,962
Net Increase in Cash and Cash Equivalents	85,249	51,387	21,834	158,470
Cash and Cash Equivalents, January 1	503,756	(21,574)	132,147	614,329
Cash and Cash Equivalents, December 31	<u>\$ 589,005</u>	<u>\$ 29,813</u>	<u>\$ 153,981</u>	<u>\$ 772,799</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 91,229	\$ (10,020)	\$ 19,981	\$ 101,190
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	-	37,360	-	37,360
Depreciation	46,338	-	-	46,338
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	(82)	242	(132)	28
Interest receivable	-	-	34	34
Special assessments receivable	1,585	-	21	1,606
Prepaid items	(2)	(2)	-	(4)
Deferred pension resources	123	4,856	-	4,979
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	-	160	-	160
Accrued salaries payable	-	488	-	488
Compensated absences payable	-	3,274	-	3,274
Deferred pension resources	(51)	(2,168)	-	(2,219)
Pension liability	(11)	(1,253)	-	(1,264)
Net Cash Provided by Operating Activities	<u>\$ 139,129</u>	<u>\$ 32,937</u>	<u>\$ 19,904</u>	<u>\$ 191,970</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 2,257,771	\$ 2,257,771	\$ 2,190,978	\$ (66,793)	\$ 2,228,777
Licenses and permits					
Business	21,000	21,000	34,400	13,400	35,925
Nonbusiness	41,650	41,650	73,194	31,544	76,541
Total licenses and permits	62,650	62,650	107,594	44,944	112,466
State					
Local government aid	653,268	653,268	653,268	-	652,555
Market value agricultural credits	-	-	239	239	239
Police and police training	54,500	54,500	77,413	22,913	73,632
PERA aid	4,456	4,456	4,456	-	4,456
Small cities assistance program	-	-	-	-	31,520
Disaster aid	-	-	164,221	164,221	1,313
County					
Police grant	1,500	1,500	1,680	180	3,040
Total intergovernmental	713,724	713,724	901,277	187,553	766,755
Charges for services					
General government	5,700	5,700	6,019	319	5,158
Public safety	8,050	8,050	10,374	2,324	11,112
Public works	3,500	3,500	13,968	10,468	5,860
Culture and recreation	34,600	34,600	33,047	(1,553)	31,352
Total charges for services	51,850	51,850	63,408	11,558	53,482
Fines and forfeitures	27,000	27,000	30,912	3,912	61,207
Special assessments	18,300	18,300	19,023	723	19,827
Interest on investments	14,000	14,000	78,637	64,637	16,377
Miscellaneous					
Rents	55,400	55,400	41,324	(14,076)	57,068
Contributions and donations	-	-	1,575	1,575	1,180
Reimbursements	181,575	181,575	168,749	(12,826)	162,436
Other	17,700	17,700	91,593	73,893	53,486
Total miscellaneous	254,675	254,675	303,241	48,566	274,170
Total Revenues	3,399,970	3,399,970	3,695,070	295,100	3,533,061

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures				
Current				
General government				
Mayor and Council				
Personnel services	\$ 29,050	\$ 29,050	\$ 28,747	\$ 25,299
Other services and charges	10,200	10,200	5,563	8,267
Total Mayor and Council	39,250	39,250	34,310	33,566
Elections				
Personnel services	100	100	33	14,834
Supplies	-	-	(373)	35
Other services and charges	850	850	7,048	2,220
Total elections	950	950	6,708	17,089
Administrative				
Personnel services	499,650	499,650	471,903	423,139
Supplies	2,600	2,600	2,499	2,782
Other services and charges	52,425	52,425	43,442	39,712
Total administrative	554,675	554,675	517,844	465,633
Audit and consulting fees				
Other services and charges	28,500	28,500	46,255	28,500
Planning and zoning				
Personnel services	-	-	10,022	-
Other services and charges	32,950	32,950	19,213	35,118
Total planning and zoning	32,950	32,950	29,235	35,118
Legal				
Other services and charges	64,000	64,000	67,029	69,271
Information and technology				
Other services and charges	33,350	33,350	45,304	21,124
General government building				
Personnel services	42,450	42,450	48,156	40,724
Supplies	6,000	6,000	4,273	4,703
Other services and charges	41,400	41,400	44,184	45,217
Total general government building	89,850	89,850	96,613	90,644
Total general government	843,525	843,525	843,298	760,945

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			2018
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Public safety				
Police protection				
Personnel services	\$ 983,620	\$ 983,620	\$ 948,533	\$ 907,575
Supplies	43,975	43,975	49,027	35,892
Other services and charges	88,350	88,350	115,200	81,562
Total police protection	<u>1,115,945</u>	<u>1,115,945</u>	<u>1,112,760</u>	<u>1,025,029</u>
Building inspection				
Personnel services	4,550	4,550	7,977	4,034
Other services and charges	35,000	35,000	56,768	57,921
Total building inspection	<u>39,550</u>	<u>39,550</u>	<u>64,745</u>	<u>61,955</u>
Animal control				
Other services and charges	1,000	1,000	1,000	1,000
Total public safety	<u>1,156,495</u>	<u>1,156,495</u>	<u>1,178,505</u>	<u>1,087,984</u>
Public works				
Public works administration				
Personnel services	228,150	228,150	214,623	258,721
Supplies	31,825	31,825	29,503	30,381
Other services and charges	23,800	23,800	22,371	27,598
Total public works administration	<u>283,775</u>	<u>283,775</u>	<u>266,497</u>	<u>316,700</u>
Streets and highways				
Personnel services	61,450	61,450	68,529	59,983
Supplies	38,000	38,000	24,745	20,997
Other services and charges	19,500	19,500	28,644	24,285
Total streets and highways	<u>118,950</u>	<u>118,950</u>	<u>121,918</u>	<u>105,265</u>
Snow and ice removal				
Personnel services	36,500	36,500	60,948	52,735
Supplies	20,700	20,700	23,147	19,955
Other services and charges	5,000	5,000	11,399	9,243
Total snow and ice removal	<u>62,200</u>	<u>62,200</u>	<u>95,494</u>	<u>81,933</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Road equipment and garage					
Personnel services	\$ 27,600	\$ 27,600	\$ 25,262	\$ 2,338	\$ 21,944
Supplies	9,700	9,700	10,450	(750)	6,283
Other services and charges	17,000	17,000	23,217	(6,217)	10,617
Total road equipment and garage	54,300	54,300	58,929	(4,629)	38,844
Garage building					
Personnel services	12,875	12,875	10,759	2,116	9,239
Supplies	4,100	4,100	1,267	2,833	3,857
Other services and charges	11,600	11,600	13,806	(2,206)	8,765
Total garage building	28,575	28,575	25,832	2,743	21,861
Street lighting					
Supplies	500	500	1,063	(563)	400
Other services and charges	62,000	62,000	62,798	(798)	71,284
Total street lighting	62,500	62,500	63,861	(1,361)	71,684
Engineering					
Other services and charges	30,000	30,000	7,656	22,344	5,204
Total public works	640,300	640,300	640,187	113	641,491
Culture and recreation					
Tree maintenance					
Personnel services	25,575	25,575	13,584	11,991	47,202
Supplies	1,800	1,800	141	1,659	229
Other services and charges	11,650	11,650	10,622	1,028	6,788
Total tree maintenance	39,025	39,025	24,347	14,678	54,219
Parks					
Personnel services	52,025	52,025	38,539	13,486	34,336
Supplies	11,300	11,300	10,605	695	9,347
Other services and charges	21,800	21,800	22,778	(978)	23,670
Total parks	85,125	85,125	71,922	13,203	67,353

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Swimming pool					
Personnel services	\$ 70,075	\$ 70,075	\$ 77,708	\$ (7,633)	\$ 71,995
Supplies	6,550	6,550	3,803	2,747	2,887
Other services and charges	16,950	16,950	12,636	4,314	12,840
Total swimming pool	93,575	93,575	94,147	(572)	87,722
Athletic fields					
Personnel services	15,100	15,100	11,871	3,229	12,866
Supplies	3,700	3,700	4,578	(878)	4,199
Other services and charges	13,100	13,100	11,846	1,254	11,905
Total athletic fields	31,900	31,900	28,295	3,605	28,970
Skating					
Personnel services	6,500	6,500	3,959	2,541	5,999
Supplies	400	400	-	400	8
Other services and charges	1,800	1,800	985	815	1,109
Total skating	8,700	8,700	4,944	3,756	7,116
Cannon Valley Trail					
Personnel services	179,525	179,525	169,492	10,033	160,074
Supplies	50	50	(344)	394	-
Other services and charges	50,050	50,050	48,193	1,857	48,153
Total Cannon Valley Trail	229,625	229,625	217,341	12,284	208,227
Total culture and recreation	487,950	487,950	440,996	46,954	453,607
Miscellaneous					
Unallocated					
Personnel services	2,500	2,500	1,908	592	2,022
Other services and charges	104,500	104,500	127,050	(22,550)	189,993
Total miscellaneous	107,000	107,000	128,958	(21,958)	192,015
Total current	3,235,270	3,235,270	3,231,944	3,326	3,136,042

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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Capital outlay					
General government	\$ 2,300	\$ 2,300	\$ 902	\$ 1,398	\$ 253,811
Public safety	6,000	6,000	2,632	3,368	3,682
Public works	5,500	5,500	7,447	(1,947)	5,021
Total capital outlay	13,800	13,800	10,981	2,819	262,514
Debt service					
Capital lease					
Principal	8,650	8,650	8,025	625	7,688
Interest	725	725	1,321	(596)	1,660
Total debt service	9,375	9,375	9,346	29	9,348
Total Expenditures	3,258,445	3,258,445	3,252,271	6,174	3,407,904
Excess of Revenues					
Over Expenditures	141,525	141,525	442,799	301,274	125,157
Other Financing Sources (Uses)					
Transfers in	2,400	2,400	-	(2,400)	-
Transfers out	(143,925)	(143,925)	(143,925)	-	(133,435)
Total Other Financing Sources (Uses)	(141,525)	(141,525)	(143,925)	(2,400)	(133,435)
Net Change in Fund Balances	-	-	298,874	298,874	(8,278)
Fund Balances, January 1	2,286,783	2,286,783	2,286,783	-	2,341,662
Prior Period Adjustment	-	-	-	-	(46,601)
Fund Balances, December 31	\$ 2,286,783	\$ 2,286,783	\$ 2,585,657	\$ 298,874	\$ 2,286,783

City of Cannon Falls, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2019

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond
Assets			
Cash and temporary investments	\$ 423,763	\$ 120,862	\$ 116,066
Receivables			
Special assessments	334,130	-	242,976
Total Assets	<u><u>\$ 757,893</u></u>	<u><u>\$ 120,862</u></u>	<u><u>\$ 359,042</u></u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ 315,271	\$ -	\$ 184,308
Fund Balances			
Restricted for debt service	442,622	120,862	174,734
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 757,893</u></u>	<u><u>\$ 120,862</u></u>	<u><u>\$ 359,042</u></u>

529 2013A G.O. Improvement Bond	530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	Total
\$ 446,352	\$ 291,334	\$ 323,661	\$ 33,221	\$ 1,755,259
152,411	266,972	443,350	-	1,439,839
<u>\$ 598,763</u>	<u>\$ 558,306</u>	<u>\$ 767,011</u>	<u>\$ 33,221</u>	<u>\$ 3,195,098</u>
\$ 136,909	\$ 249,762	\$ 421,622	\$ -	\$ 1,307,872
461,854	308,544	345,389	33,221	1,887,226
<u>\$ 598,763</u>	<u>\$ 558,306</u>	<u>\$ 767,011</u>	<u>\$ 33,221</u>	<u>\$ 3,195,098</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, 2019

	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	38,262	-	70,329
Interest on investments	3,893	-	-
Miscellaneous	-	-	-
Total Revenues	<u>131,155</u>	<u>41,850</u>	<u>205,329</u>
Expenditures			
Debt service			
Principal	95,000	73,000	300,000
Interest and other charges	24,458	6,140	13,810
Total Expenditures	<u>119,458</u>	<u>79,140</u>	<u>313,810</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,697	(37,290)	(108,481)
Other Financing Sources			
Transfers in	<u>-</u>	<u>-</u>	<u>125,000</u>
Net Change in Fund Balances	11,697	(37,290)	16,519
Fund Balances, January 1	<u>430,925</u>	<u>158,152</u>	<u>158,215</u>
Fund Balances, December 31	<u><u>\$ 442,622</u></u>	<u><u>\$ 120,862</u></u>	<u><u>\$ 174,734</u></u>

529 2013A G.O. Improvement Bond	530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	Total
\$ 90,000	\$ 82,000	\$ 148,500	\$ 48,100	\$ 634,450
90,738	47,623	83,187	-	330,139
-	-	30	-	3,923
-	67	-	-	67
<u>180,738</u>	<u>129,690</u>	<u>231,717</u>	<u>48,100</u>	<u>968,579</u>
90,000	75,000	-	-	633,000
34,295	24,208	67,046	14,879	184,836
<u>124,295</u>	<u>99,208</u>	<u>67,046</u>	<u>14,879</u>	<u>817,836</u>
56,443	30,482	164,671	33,221	150,743
-	-	-	-	125,000
56,443	30,482	164,671	33,221	275,743
405,411	278,062	180,718	-	1,611,483
<u>\$ 461,854</u>	<u>\$ 308,544</u>	<u>\$ 345,389</u>	<u>\$ 33,221</u>	<u>\$ 1,887,226</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2019

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 210,273	\$ 193,734	\$ 404,007
Receivables			
Loans, net	-	434,874	434,874
Prepaid items	154	-	154
Total Assets	\$ 210,427	\$ 628,608	\$ 839,035
Liabilities			
Accounts and contracts payable	\$ 821	\$ -	\$ 821
Unearned revenue	61,526	-	61,526
Total Liabilities	62,347	-	62,347
Fund Balances			
Nonspendable			
Prepaid items	154	-	154
Committed			
Economic development	147,926	-	147,926
Revolving loan program	-	628,608	628,608
Total Fund Balances	148,080	628,608	776,688
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 210,427	\$ 628,608	\$ 839,035

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

Total Fund Balances Reported above	\$ 776,688
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	
Pension liability	(8,241)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	757
Deferred inflows of pension resources	(1,700)
Total Net Position - Economic Development Authority	\$ 1,501,628

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, 2019

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 138,700	\$ -	\$ 138,700
Interest on investments	3,802	5,416	9,218
Miscellaneous	-	14,378	14,378
Contributions and donations	15,474	-	15,474
Total Revenues	<u>157,976</u>	<u>19,794</u>	<u>177,770</u>
Expenditures			
Current			
Economic development	<u>60,119</u>	<u>39,497</u>	<u>99,616</u>
Net Change in Fund Balances	97,857	(19,703)	78,154
Fund Balances, January 1	<u>50,223</u>	<u>648,311</u>	<u>698,534</u>
Fund Balances, December 31	<u>\$ 148,080</u>	<u>\$ 628,608</u>	<u>\$ 776,688</u>

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

Net Changes in Fund Balances - Economic Development Authority	\$ 78,154
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	25,628
Long-term pension activity is not reported in governmental funds.	
Pension expense	41,271
Pension revenue	<u>19</u>
Change in Net Position - Economic Development Authority	<u>\$ 145,072</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 138,700	\$ 138,700	\$ 138,700	\$ -	\$ 146,275
Contributions and donations	-	-	15,474	15,474	1,107
Interest on investments	-	-	3,802	3,802	1,405
Total Revenues	<u>138,700</u>	<u>138,700</u>	<u>157,976</u>	<u>19,276</u>	<u>148,787</u>
Expenditures					
Current					
Economic development					
Personnel services	126,350	126,350	21,461	104,889	139,991
Supplies	100	100	98	2	315
Other services and charges	12,250	12,250	38,560	(26,310)	15,053
Total Expenditures	<u>138,700</u>	<u>138,700</u>	<u>60,119</u>	<u>78,581</u>	<u>155,359</u>
Net Change in Fund Balances	-	-	97,857	97,857	(6,572)
Fund Balances, January 1	<u>50,223</u>	<u>50,223</u>	<u>50,223</u>	-	<u>56,795</u>
Fund Balances, December 31	<u>\$ 50,223</u>	<u>\$ 50,223</u>	<u>\$ 148,080</u>	<u>\$ 97,857</u>	<u>\$ 50,223</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest on investments	\$ 100	\$ 100	\$ 5,416	\$ 5,316	\$ 824
Miscellaneous	3,300	3,300	14,378	11,078	241,139
Total Revenues	3,400	3,400	19,794	16,394	241,963
Expenditures					
Current					
Economic development					
Other services and charges	-	-	39,497	(39,497)	34,033
Net Change in Fund Balances	3,400	3,400	(19,703)	(23,103)	207,930
Fund Balances, January 1	648,311	648,311	648,311	-	440,381
Fund Balances, December 31	<u>\$ 651,711</u>	<u>\$ 651,711</u>	<u>\$ 628,608</u>	<u>\$ (23,103)</u>	<u>\$ 648,311</u>

City of Cannon Falls, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 3,386,581	\$ 3,148,025	7.58 %
Special assessments	352,143	483,379	(27.15)
Licenses and permits	107,594	112,466	(4.33)
Intergovernmental	1,085,360	946,997	14.61
Charges for services	157,399	145,451	8.21
Fines and forfeits	34,945	67,135	(47.95)
Investment earnings	90,231	44,547	102.55
Miscellaneous	320,368	450,656	(28.91)
Total Revenues	<u>\$ 5,534,621</u>	<u>\$ 5,398,656</u>	2.52 %
Per Capita	<u>\$ 1,344</u>	<u>\$ 1,314</u>	2.24 %
Expenditures			
Current			
General government	\$ 843,298	\$ 760,945	10.82 %
Public safety	1,403,555	1,357,652	3.38
Public works	640,187	641,491	(0.20)
Culture and recreation	890,969	877,874	1.49
Miscellaneous	128,958	192,015	(32.84)
Capital outlay			
General government	8,634	253,811	(96.60)
Public safety	16,471	549,733	(97.00)
Public works	62,969	1,997,187	(96.85)
Culture and recreation	56,173	77,345	(27.37)
Debt service			
Principal	641,025	639,688	0.21
Interest and other charges	186,157	181,633	2.49
Total Expenditures	<u>\$ 4,878,396</u>	<u>\$ 7,529,374</u>	(35.21) %
Per Capita	<u>\$ 1,184</u>	<u>\$ 1,833</u>	(35.38) %
Total Long-term Indebtedness	\$ 6,557,378	\$ 7,198,403	(8.91) %
Per Capita	1,592	1,752	(9.15)
General Fund Balance - December 31	\$ 2,585,657	\$ 2,286,783	13.07 %
Per Capita	628	557	12.77

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 the City Administrator at (507) 263-9300.

OTHER REQUIRED REPORTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, 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 28, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65 insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 28, 2020

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, 2019, 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 28, 2020.

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 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

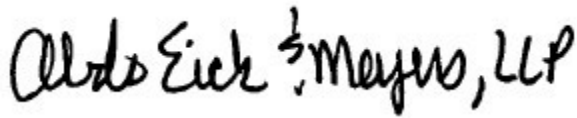
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 28, 2020

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City of Cannon Falls, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-001	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.	