

Annual Financial Report

City of Cannon Falls

Cannon Falls, Minnesota

For the Year Ended
December 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota
Annual Financial Report
Table of Contents
For the Year Ended December 31, 2020

	<u>Page No.</u>
Introductory Section	
Elected and Appointed Officials	9
Financial Section	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	40
Proprietary Funds	
Statement of Net Position	41
Statement of Revenues, Expenses and Changes in Net Position	42
Statement of Cash Flows	43
Notes to the Financial Statements	45
Required Supplementary Information	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	78
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	78
Notes to the Required Supplementary Information - General Employees Retirement Fund	79
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	81
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	81
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	82
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	84
Notes to the Required Supplementary Information - Fire Relief Association	84
Schedule of Employer's Fire Relief Associations Contributions	84
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	87
Nonmajor Special Revenue Funds	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	89
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Library Fund	91
Cable Public Television Fund	92
Fire Department Operations Fund	93

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota
Annual Financial Report
Table of Contents (Continued)
For the Year Ended December 31, 2020

	<u>Page No.</u>
Combining and Individual Fund Financial Statements and Schedules (Continued)	
Nonmajor Capital Projects Funds	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	98
Nonmajor Proprietary Funds	
Combining Statement of Net Position	103
Combining Statement of Revenues, Expenses and Changes in Net Position	104
Combining Statement of Cash Flows	105
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	106
Debt Service Funds	
Combining Balance Sheet	112
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	114
Discretely Presented Component Unit	
Economic Development Authority	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	117
Economic Development Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	118
Industrial Revolving Loan Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	119
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	120
Other Required Reports	
Independent Auditor's Report	
on Minnesota Legal Compliance	123
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	124
Schedule of Finding and Response	127

THIS PAGE IS LEFT
BLANK INTENTIONALLY

INTRODUCTORY SECTION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2020

ELECTED

Name	Title	Term Expires
John Althoff	Mayor	12/31/24
Bill Duncan	Council Member	12/31/24
Mary Jill Bringgold	Council Member	12/31/24
Derek Lundell	Council Member	12/31/22
Steve Gesme	Council Member	12/31/22
Matt Montgomery	Council Member	12/31/24
Laura Kronenberger	Council Member	12/31/24

APPOINTED

Name	Title
Neil Jensen	City Administrator
Nicole Miller	Library Director
Jeff McCormick	Chief of Police
Campbell, Knutson, P.A.	City Attorney
Tim Malchow	EMS Chief
Mike Althoff	Fire Chief

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FINANCIAL SECTION
CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY



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, 2020, 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, 2020, 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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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

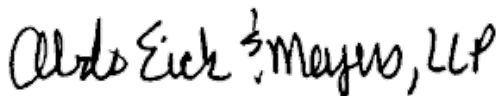
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 June 30, 2021, 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
June 30, 2021

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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, 2020.

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 \$33,298,928 (net position). Of this amount, \$5,913,923 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,521,397. This increase is due to governmental activities and business-type activities, which increased \$1,135,141 and \$386,256, respectively. The increase from Governmental activities primarily due to an increase in intergovernmental revenues. The business-type activities increased due to increased Disposal fund activity.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,674,941, an increase of \$1,080,207 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$2,992,330 or 84.3 percent of 2020 General fund budget expenditures.
- The City's outstanding debt decreased by \$2,355,686 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

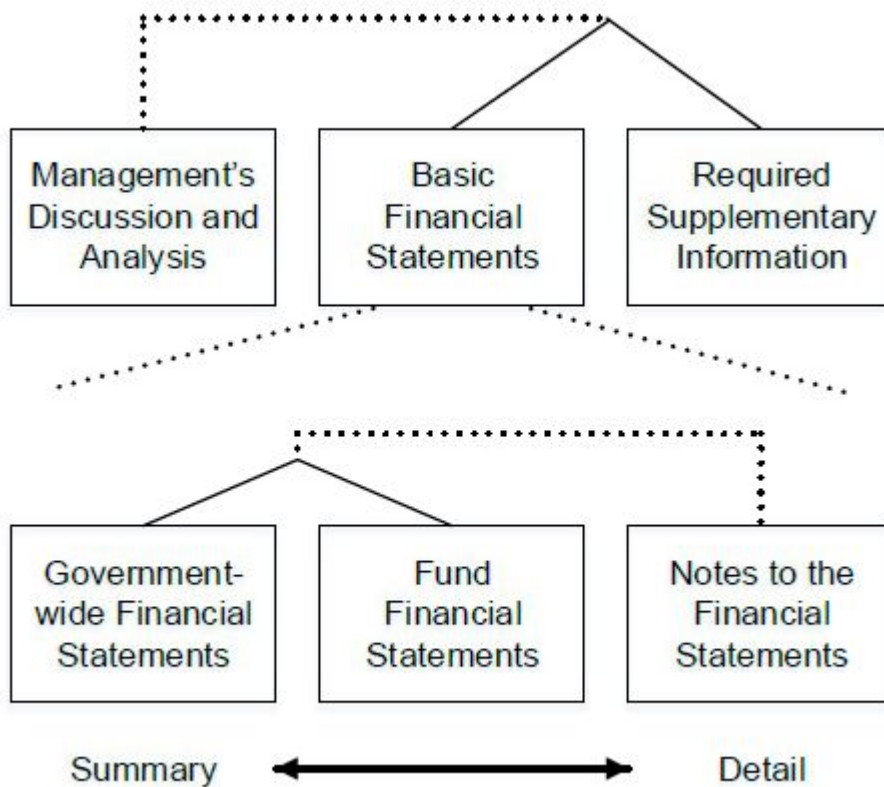


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets, 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 \$33,298,928 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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Assets						
Current and other assets	\$ 8,340,344	\$ 7,258,404	\$ 1,081,940	\$ 4,662,871	\$ 4,884,898	\$ (222,027)
Capital assets	15,184,077	15,830,526	(646,449)	20,777,315	21,530,194	(752,879)
Total Assets	<u>23,524,421</u>	<u>23,088,930</u>	<u>435,491</u>	<u>25,440,186</u>	<u>26,415,092</u>	<u>(974,906)</u>
Deferred Outflows of Resources	636,705	971,140	(334,435)	32,934	33,772	(838)
Liabilities						
Long-term						
liabilities outstanding	7,960,716	8,647,307	(686,591)	7,067,840	8,366,977	(1,299,137)
Other liabilities	402,871	264,662	138,209	133,044	159,011	(25,967)
Total Liabilities	<u>8,363,587</u>	<u>8,911,969</u>	<u>(548,382)</u>	<u>7,200,884</u>	<u>8,525,988</u>	<u>(1,325,104)</u>
Deferred Inflows of Resources	732,904	1,218,607	(485,703)	37,943	74,839	(36,896)
Net Position						
Net investment in capital assets	9,591,916	9,471,389	120,527	14,282,056	13,783,546	498,510
Restricted	3,511,033	3,260,145	250,888	-	-	-
Unrestricted	<u>1,961,686</u>	<u>1,197,960</u>	<u>763,726</u>	<u>3,952,237</u>	<u>4,064,491</u>	<u>(112,254)</u>
Total Net Position	<u>\$ 15,064,635</u>	<u>\$ 13,929,494</u>	<u>\$ 1,135,141</u>	<u>\$ 18,234,293</u>	<u>\$ 17,848,037</u>	<u>\$ 386,256</u>

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

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

City of Cannon Falls' Changes in Net Position

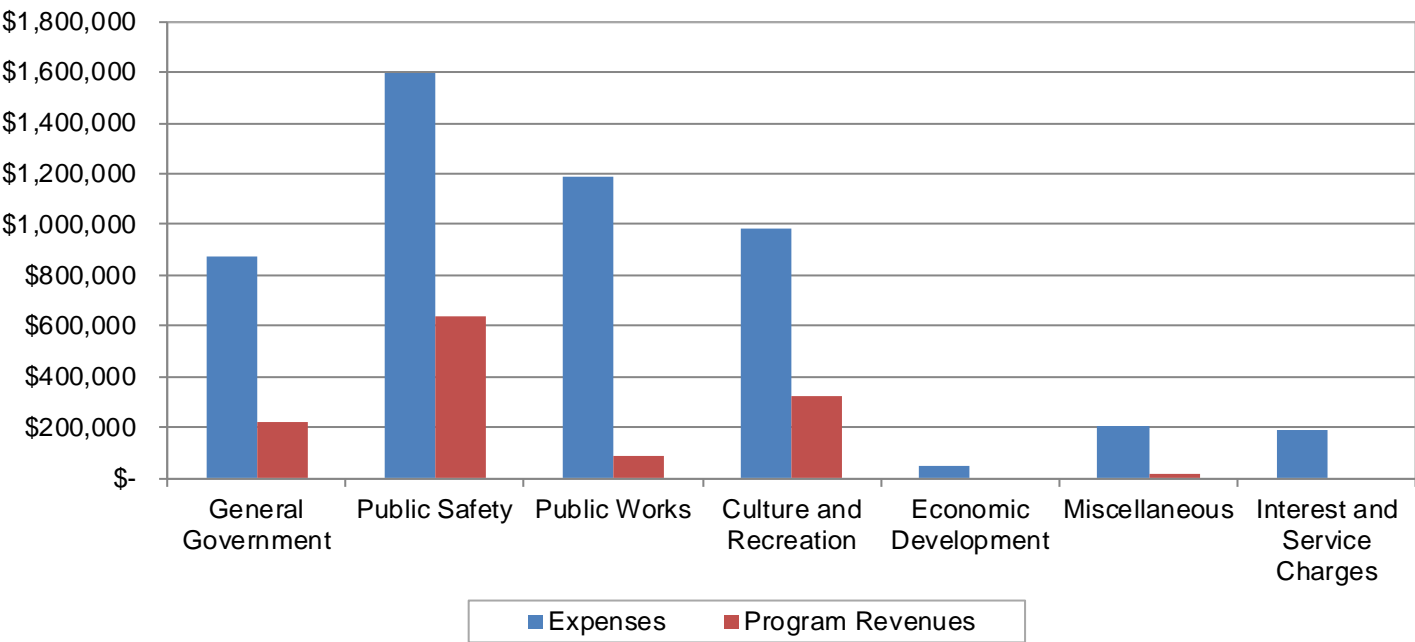
	Governmental Activities			Business-type Activities		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 635,079	\$ 614,414	\$ 20,665	\$ 3,719,397	\$ 3,724,520	\$ (5,123)
Operating grants and contributions	515,666	438,374	77,292	287,242	15,990	271,252
Capital grants and contributions	130,425	34,842	95,583	52,848	91,176	(38,328)
General Revenues						
Taxes	3,780,980	3,405,412	375,568	-	-	-
Grants and Contributions not Restricted to Specific Programs	686,403	657,963	28,440	-	-	-
Investment Earnings	22,944	90,201	(67,257)	29,134	55,818	(26,684)
Gain on Sale of Capital Assets	-	-	-	-	9,270	(9,270)
Total Revenues	<u>5,771,497</u>	<u>5,241,206</u>	<u>530,291</u>	<u>4,088,621</u>	<u>3,896,774</u>	<u>191,847</u>
Expenses						
General government	875,598	880,085	(4,487)	-	-	-
Public safety	1,597,807	1,705,200	(107,393)	-	-	-
Public works	1,191,057	1,205,092	(14,035)	-	-	-
Culture and recreation	980,722	1,044,140	(63,418)	-	-	-
Economic development	49,750	-	49,750	-	-	-
Miscellaneous	205,878	128,958	76,920	-	-	-
Interest and service charges	187,919	178,459	9,460	-	-	-
Water utility	-	-	-	745,194	748,212	(3,018)
Disposal	-	-	-	1,172,818	1,164,198	8,620
Storm water	-	-	-	104,621	82,628	21,993
Recycling program	-	-	-	65,449	65,351	98
Ambulance	-	-	-	1,000,016	974,425	25,591
Deputy registrar	-	-	-	161,892	145,092	16,800
Total Expenses	<u>5,088,731</u>	<u>5,141,934</u>	<u>(53,203)</u>	<u>3,249,990</u>	<u>3,179,906</u>	<u>70,084</u>
Change in Net Position before Transfers	682,766	99,272	583,494	838,631	716,868	121,763
Transfers	<u>452,375</u>	<u>119,450</u>	<u>332,925</u>	<u>(452,375)</u>	<u>(119,450)</u>	<u>(332,925)</u>
Change in Net Position	1,135,141	218,722	916,419	386,256	597,418	(211,162)
Net Position, January 1	<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>
Net Position, December 31	<u>\$ 15,064,635</u>	<u>\$ 13,929,494</u>	<u>\$ 1,135,141</u>	<u>\$ 18,234,293</u>	<u>\$ 17,848,037</u>	<u>\$ 386,256</u>

The increase in tax revenue was a result of an increase in an increase in property taxes levied for general purposes.

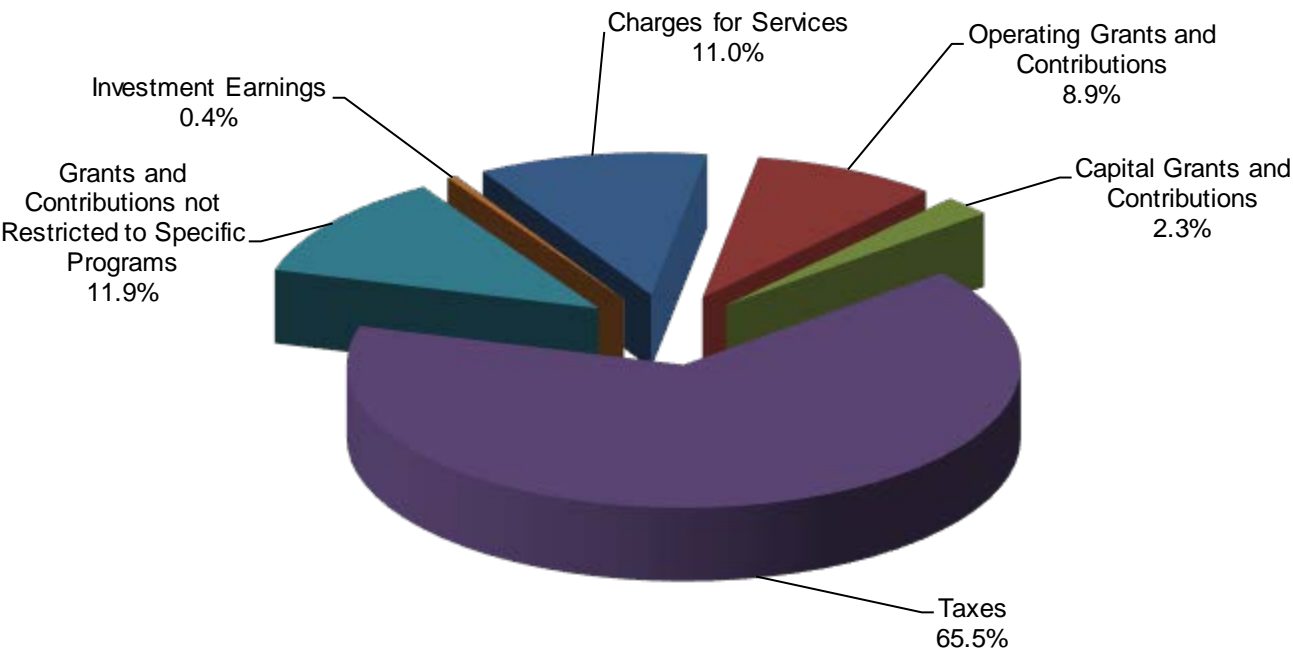
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Governmental Activities. Net position in the governmental activities increased \$1,135,141.

Expenses and Program Revenues - Governmental Activities

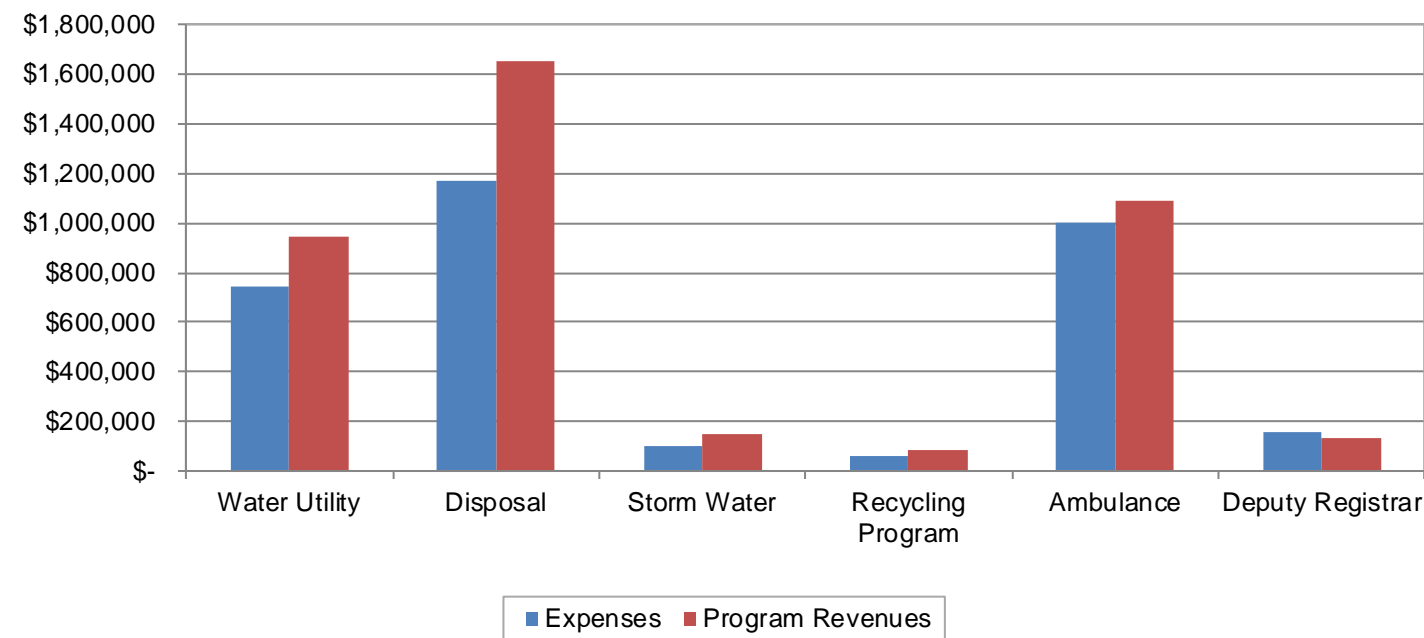


Revenues by Source - Governmental Activities

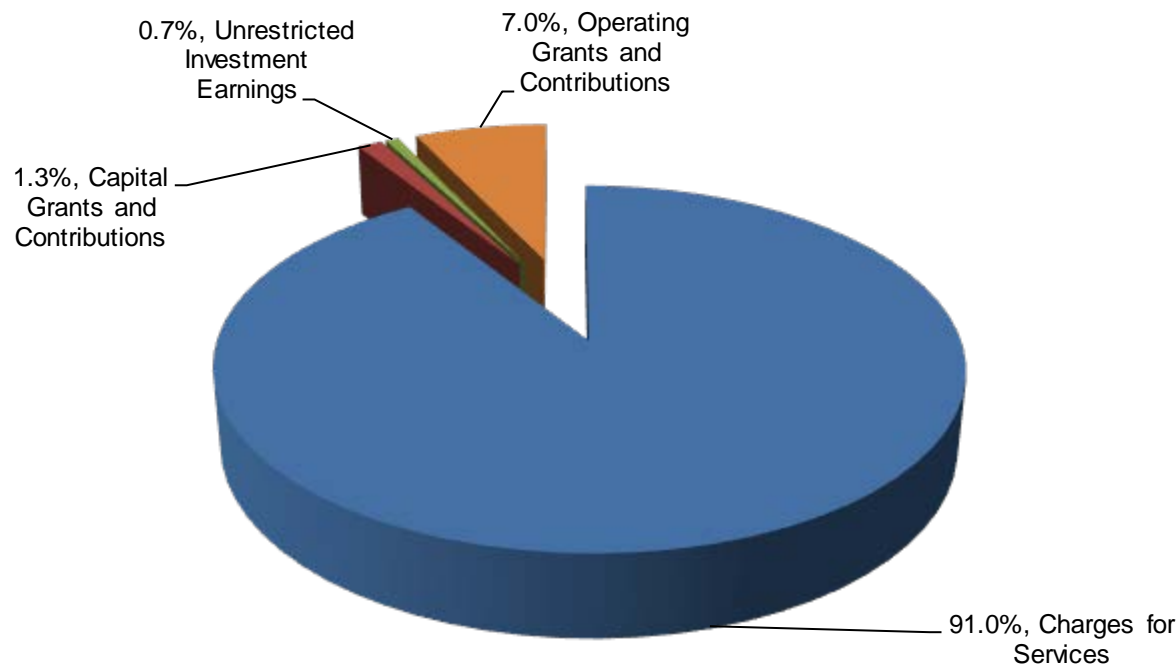


Business-type Activities. Net position in business-type activities increased by \$386,256.

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 \$6,674,941, an increase of \$1,080,207 in comparison with the prior year. Approximately 41.1 percent of this total amount (\$2,744,143) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$3,930,798) is not available for new spending because it is either 1) nonspendable (\$47,702) 2) restricted (\$2,626,029), 3) committed (\$876,183), or 4) assigned (\$380,884). 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)
	2020	2019	
General	\$ 2,992,330	\$ 2,585,657	\$ 406,673
Fund balance increased \$406,673. This was due to a positive revenue variance intergovernmental revenue due to the City receiving CARES funding in 2020.			
Debt Service	\$ 2,282,256	\$ 1,887,226	\$ 395,030
The Debt Service funds increased due to transfers in of \$469,900.			

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,952,237.

General Fund Budgetary Highlights

The City's General fund budget was not amended during 2020. Compared to the final budget, revenues were over budget by \$369,401 and expenditures were under budget by \$37,272.

- The largest revenue variance was from intergovernmental revenues primarily a result of proceeds from state disaster aid. The revenue amount was \$985,167 which was over budget by \$241,856
- The largest variance in expenditures was in the public works function where expenditures were under budget by \$178,289. 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, 2020, amounts to \$35,961,392 (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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Land	\$ 1,149,292	\$ 1,102,792	\$ 46,500	\$ 87,816	\$ 87,816	\$ -
Construction in Progress	46,112	-	46,112	-	-	-
Buildings and Improvements	2,967,229	3,077,502	(110,273)	3,791	4,326	(535)
System Improvements/Infrastructure	9,637,996	10,085,940	(447,944)	20,000,203	20,877,355	(877,152)
Machinery and Equipment	462,555	574,296	(111,741)	232,803	258,113	(25,310)
Vehicles	920,893	989,996	(69,103)	452,702	302,584	150,118
Total	<u>\$ 15,184,077</u>	<u>\$ 15,830,526</u>	<u>\$ (646,449)</u>	<u>\$ 20,777,315</u>	<u>\$ 21,530,194</u>	<u>\$ (752,879)</u>

Long-term Debt. At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$12,112,981. 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		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Capital Lease Payable	\$ -	\$ 8,378	\$ (8,378)	\$ -	\$ 8,378	\$ (8,378)
General Obligation Revenue Bonds	5,250,000	6,190,000	(940,000)	6,537,981	7,902,911	(1,364,930)
General Obligation Equipment Certificates	325,000	359,000	(34,000)	-	-	-
Total	<u>\$ 5,575,000</u>	<u>\$ 6,557,378</u>	<u>\$ (982,378)</u>	<u>\$ 6,537,981</u>	<u>\$ 7,911,289</u>	<u>\$ (1,373,308)</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.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota

Statement of Net Position

December 31, 2020

	Primary Government			Component Unit
	Governmental	Business-type		Economic
	Activities	Activities	Total	Development
				Authority
Assets				
Cash and temporary investments	\$ 6,547,824	\$ 3,328,114	\$ 9,875,938	\$ 346,574
Receivables				
Accrued interest	2,876	-	2,876	-
Taxes	69,474	-	69,474	-
Accounts, net of allowance	145,240	735,206	880,446	-
Special assessments	1,334,805	566,306	1,901,111	-
Loans, net of allowance	-	-	-	406,361
Due from other governments	105,992	-	105,992	-
Inventories, at cost	-	12,124	12,124	-
Prepaid items	47,702	21,121	68,823	-
Net pension asset	86,431	-	86,431	-
Land held for resale	-	-	-	150,000
Capital assets				
Land and construction in progress	1,195,404	87,816	1,283,220	734,124
Depreciable buildings, property and equipment, net	13,988,673	20,689,499	34,678,172	-
Total Assets	<u>23,524,421</u>	<u>25,440,186</u>	<u>48,964,607</u>	<u>1,637,059</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>636,705</u>	<u>32,934</u>	<u>669,639</u>	<u>368</u>
Liabilities				
Accounts and contracts payable	227,889	47,862	275,751	11,459
Accrued interest payable	53,663	65,143	118,806	-
Due to other governments	-	2,492	2,492	-
Accrued salaries payable	34,322	17,547	51,869	-
Deposits payable	73,122	-	73,122	-
Unearned revenue	13,875	-	13,875	23,134
Noncurrent liabilities				
Due within one year				
Long-term liabilities	673,051	1,489,605	2,162,656	-
Due in more than one year				
Long-term liabilities	5,345,854	5,157,424	10,503,278	-
Net pension liability	1,941,811	420,811	2,362,622	4,962
Total Liabilities	<u>8,363,587</u>	<u>7,200,884</u>	<u>15,564,471</u>	<u>39,555</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>732,904</u>	<u>37,943</u>	<u>770,847</u>	<u>426</u>
Net Position				
Net investment in capital assets	9,591,916	14,282,056	23,873,972	734,124
Restricted for				
Debt service	3,360,433	-	3,360,433	-
Cable television	146,063	-	146,063	-
Park improvements	487	-	487	-
Economic development	4,050	-	4,050	-
Unrestricted	1,961,686	3,952,237	5,913,923	863,322
Total Net Position	<u>\$ 15,064,635</u>	<u>\$ 18,234,293</u>	<u>\$ 33,298,928</u>	<u>\$ 1,597,446</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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 875,598	\$ 171,249	\$ 1,750	\$ 46,500
Public safety	1,597,807	256,766	377,717	-
Public works	1,191,057	11,000	-	74,159
Culture and recreation	980,722	186,134	136,199	-
Economic development	49,750	-	-	-
Miscellaneous	205,878	9,930	-	9,766
Interest on long-term debt	187,919	-	-	-
Total Governmental Activities	<u>5,088,731</u>	<u>635,079</u>	<u>515,666</u>	<u>130,425</u>
Business-type Activities				
Water utility	745,194	896,640	20,120	26,885
Disposal	1,172,818	1,607,416	20,120	25,963
Storm water	104,621	150,077	-	-
Recycling program	65,449	85,931	-	-
Ambulance	1,000,016	845,605	246,017	-
Deputy registrar	161,892	133,728	985	-
Total Business-type Activities	<u>3,249,990</u>	<u>3,719,397</u>	<u>287,242</u>	<u>52,848</u>
Total Primary Government	<u>\$ 8,338,721</u>	<u>\$ 4,354,476</u>	<u>\$ 802,908</u>	<u>\$ 183,273</u>
Component Unit				
Economic Development Authority	<u>\$ 254,970</u>	<u>\$ 12,259</u>	<u>\$ 71,523</u>	<u>\$ 150,000</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

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
\$ (656,099)	\$ -	\$ (656,099)	\$ -
(963,324)	-	(963,324)	-
(1,105,898)	-	(1,105,898)	-
(658,389)	-	(658,389)	-
(49,750)	-	(49,750)	-
(186,182)	-	(186,182)	-
(187,919)	-	(187,919)	-
<u>(3,807,561)</u>	<u>-</u>	<u>(3,807,561)</u>	<u>-</u>
-	198,451	198,451	-
-	480,681	480,681	-
-	45,456	45,456	-
-	20,482	20,482	-
-	91,606	91,606	-
-	(27,179)	(27,179)	-
<u>-</u>	<u>809,497</u>	<u>809,497</u>	<u>-</u>
<u>(3,807,561)</u>	<u>809,497</u>	<u>(2,998,064)</u>	<u>-</u>
			<u>(21,188)</u>
1,940,367	-	1,940,367	-
632,850	-	632,850	-
39,600	-	39,600	113,500
373,300	-	373,300	-
121,676	-	121,676	-
582,749	-	582,749	-
41,216	-	41,216	-
49,222	-	49,222	-
686,403	-	686,403	-
22,944	29,134	52,078	3,506
452,375	(452,375)	-	-
<u>4,942,702</u>	<u>(423,241)</u>	<u>4,519,461</u>	<u>117,006</u>
1,135,141	386,256	1,521,397	95,818
<u>13,929,494</u>	<u>17,848,037</u>	<u>31,777,531</u>	<u>1,501,628</u>
<u>\$ 15,064,635</u>	<u>\$ 18,234,293</u>	<u>\$ 33,298,928</u>	<u>\$ 1,597,446</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Cannon Falls, Minnesota

Balance Sheet
Governmental Funds
December 31, 2020

	General	Debt Service	Other Governmental	Total Governmental
Assets				
Cash and temporary investments	\$ 2,951,099	\$ 2,152,054	\$ 1,444,671	\$ 6,547,824
Receivables				
Accrued interest	2,876	-	-	2,876
Taxes	69,474	-	-	69,474
Accounts	95,144	4,333	45,763	145,240
Special assessments	69,162	1,257,709	7,934	1,334,805
Due from other funds	24,421	-	-	24,421
Due from other governments	105,992	-	-	105,992
Prepaid items	41,457	-	6,245	47,702
Total Assets	\$ 3,359,625	\$ 3,414,096	\$ 1,504,613	\$ 8,278,334
Liabilities				
Accounts and contracts payable	\$ 160,247	\$ -	\$ 67,642	\$ 227,889
Due to other funds	-	-	24,421	24,421
Accrued salaries payable	30,061	-	4,261	34,322
Deposits payable	73,122	-	-	73,122
Total Liabilities	263,430	-	96,324	359,754
Deferred Inflows of Resources				
Unavailable revenue - property taxes	35,718	-	-	35,718
Unavailable revenue - special assessments	54,272	1,131,840	7,934	1,194,046
Unavailable revenue - contracts for deed	13,875	-	-	13,875
Total Deferred Inflows of Resources	103,865	1,131,840	7,934	1,243,639
Fund Balances				
Nonspendable	41,457	-	6,245	47,702
Restricted	-	2,282,256	343,773	2,626,029
Committed	-	-	876,183	876,183
Assigned	-	-	380,884	380,884
Unassigned	2,950,873	-	(206,730)	2,744,143
Total Fund Balances	2,992,330	2,282,256	1,400,355	6,674,941
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,359,625	\$ 3,414,096	\$ 1,504,613	\$ 8,278,334

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, 2020

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

Total Fund Balances - Governmental Funds	\$ 6,674,941
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	25,972,869
Less: accumulated depreciation	(10,788,792)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	86,431
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(5,785,334)
Capital lease payable	-
Compensated absences payable	(233,571)
Net pension liability	(1,941,811)
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	35,718
Special assessments receivable	1,194,046
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	636,705
Deferred inflows of pension resources	(732,904)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(53,663)</u>
Total Net Position - Governmental Activities	<u><u>\$ 15,064,635</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, 2020

	General	Debt Service	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 2,545,135	\$ 632,850	\$ 625,014	\$ 3,802,999
Licenses and permits	103,041	-	-	103,041
Intergovernmental	985,167	-	198,062	1,183,229
Charges for services	28,609	-	93,489	122,098
Fines and forfeitures	61,739	-	1,984	63,723
Special assessments	18,348	255,571	-	273,919
Interest on investments	3,754	7,328	11,862	22,944
Miscellaneous	321,383	-	44,602	365,985
Total Revenues	<u>4,067,176</u>	<u>895,749</u>	<u>975,013</u>	<u>5,937,938</u>
Expenditures				
Current				
General government	889,645	-	-	889,645
Public safety	1,254,124	-	237,431	1,491,555
Public works	654,761	-	-	654,761
Culture and recreation	465,144	-	465,288	930,432
Miscellaneous	205,878	-	-	205,878
Capital outlay				
General government	8,130	-	-	8,130
Public safety	-	-	5,394	5,394
Public works	13,974	-	25,068	39,042
Culture and recreation	-	-	55,553	55,553
Economic development	-	-	49,750	49,750
Debt service				
Principal	8,378	799,000	-	807,378
Interest and other charges	969	212,083	-	213,052
Total Expenditures	<u>3,501,003</u>	<u>1,011,083</u>	<u>838,484</u>	<u>5,350,570</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>566,173</u>	<u>(115,334)</u>	<u>136,529</u>	<u>587,368</u>
Other Financing Sources (Uses)				
Transfers in	-	469,900	141,975	611,875
Principal paid to refunding bond escrow agent	-	(1,725,000)	-	(1,725,000)
Bonds issued	-	1,550,000	-	1,550,000
Premium on bonds issued	-	215,464	-	215,464
Transfers out	(159,500)	-	-	(159,500)
Total Other Financing Sources (Uses)	<u>(159,500)</u>	<u>510,364</u>	<u>141,975</u>	<u>492,839</u>
Net Change in Fund Balances	406,673	395,030	278,504	1,080,207
Fund Balances, January 1	<u>2,585,657</u>	<u>1,887,226</u>	<u>1,121,851</u>	<u>5,594,734</u>
Fund Balances, December 31	<u>\$ 2,992,330</u>	<u>\$ 2,282,256</u>	<u>\$ 1,400,355</u>	<u>\$ 6,674,941</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, 2020

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

Net Change in Fund Balances - Governmental Funds	\$ 1,080,207
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	100,307
Depreciation expense	(781,586)
Capital assets contributed from developer	46,500
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.	
Disposals	(11,670)
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	2,524,000
Capital lease principal payments	8,378
Bonds issued	(1,550,000)
Premium on bonds issued	(215,464)
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.	
	25,133
Long-term pension activity is not reported in governmental funds.	
Pension expense	73,032
Direct aid contributions	13,620
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	(22,019)
Special assessments	(190,922)
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	35,625
Change in Net Position - Governmental Activities	<u>\$ 1,135,141</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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,519,964	\$ 2,519,964	\$ 2,545,135	\$ 25,171
Licenses and permits	70,600	70,600	103,041	32,441
Intergovernmental	743,311	743,311	985,167	241,856
Charges for services	45,650	45,650	28,609	(17,041)
Fines and forfeitures	27,000	27,000	61,739	34,739
Special assessments	18,200	18,200	18,348	148
Interest on investments	17,500	17,500	3,754	(13,746)
Miscellaneous	255,550	255,550	321,383	65,833
Total Revenues	<u>3,697,775</u>	<u>3,697,775</u>	<u>4,067,176</u>	<u>369,401</u>
Expenditures				
Current				
General government	891,950	891,950	889,645	2,305
Public safety	1,195,550	1,195,550	1,254,124	(58,574)
Public works	833,050	833,050	654,761	178,289
Culture and recreation	498,250	498,250	465,144	33,106
Miscellaneous	103,600	103,600	205,878	(102,278)
Capital outlay	6,500	6,500	22,104	(15,604)
Debt service				
Principal	8,400	8,400	8,378	22
Interest	975	975	969	6
Total Expenditures	<u>3,538,275</u>	<u>3,538,275</u>	<u>3,501,003</u>	<u>37,272</u>
Excess of Revenues Over Expenditures	159,500	159,500	566,173	406,673
Other Financing Sources (Uses)				
Transfers out	<u>(159,500)</u>	<u>(159,500)</u>	<u>(159,500)</u>	<u>-</u>
Net Change in Fund Balances	-	-	406,673	406,673
Fund Balances, January 1	<u>2,585,657</u>	<u>2,585,657</u>	<u>2,585,657</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,585,657</u>	<u>\$ 2,585,657</u>	<u>\$ 2,992,330</u>	<u>\$ 406,673</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, 2020

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	Totals
Assets					
Current Assets					
Cash and temporary investments	\$ 1,463,596	\$ 836,030	\$ 215,155	\$ 813,333	\$ 3,328,114
Receivables					
Accounts, net of allowance	89,103	160,302	460,830	24,971	735,206
Special assessments	91,031	93,574	-	5,547	190,152
Inventories, at cost	6,062	6,062	-	-	12,124
Prepaid items	2,854	6,728	11,350	189	21,121
Total Current Assets	1,652,646	1,102,696	687,335	844,040	4,286,717
Noncurrent Assets					
Special assessments receivable	213,531	162,623	-	-	376,154
Capital assets					
Land and construction in progress	87,816	-	-	-	87,816
Depreciable buildings, property, and equipment	14,456,577	20,800,274	880,269	1,419,130	37,556,250
Accumulated depreciation	(6,896,598)	(9,304,982)	(364,383)	(300,788)	(16,866,751)
Total Net Capital Assets	7,647,795	11,495,292	515,886	1,118,342	20,777,315
Total Noncurrent Assets	7,861,326	11,657,915	515,886	1,118,342	21,153,469
Total Assets	9,513,972	12,760,611	1,203,221	1,962,382	25,440,186
Deferred Outflows of Resources					
Deferred pension resources	4,689	6,021	17,397	4,827	32,934
Liabilities					
Current Liabilities					
Accounts and contracts payable	8,626	15,987	21,854	1,395	47,862
Accrued interest payable	23,815	34,841	-	6,487	65,143
Due to other governments	2,492	-	-	-	2,492
Accrued salaries payable	1,655	1,779	12,038	2,075	17,547
Compensated absences payable	3,577	4,396	15,091	4,198	27,262
Bonds payable	472,677	947,469	-	42,197	1,462,343
Total Current Liabilities	512,842	1,004,472	48,983	56,352	1,622,649
Noncurrent Liabilities					
Compensated absences payable	10,730	13,188	45,274	12,594	81,786
Bonds payable	1,872,257	2,538,476	-	664,905	5,075,638
Net pension liability	59,937	76,966	222,242	61,666	420,811
Total Noncurrent Liabilities	1,942,924	2,628,630	267,516	739,165	5,578,235
Total Liabilities	2,455,766	3,633,102	316,499	795,517	7,200,884
Deferred Inflows of Resources					
Deferred pension resources	5,403	6,937	20,041	5,562	37,943
Net Position					
Net investment in capital assets	5,319,949	8,029,854	515,886	416,367	14,282,056
Unrestricted	1,737,543	1,096,739	368,192	749,763	3,952,237
Total Net Position	\$ 7,057,492	\$ 9,126,593	\$ 884,078	\$ 1,166,130	\$ 18,234,293

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, 2020

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
Operating Revenues					
Charges for services	\$ 890,765	\$ 1,607,416	\$ 845,605	\$ 369,736	\$ 3,713,522
Operating Expenses					
Personnel services	175,048	235,661	759,590	167,444	1,337,743
Supplies	12,955	23,935	54,046	3,602	94,538
Repairs and maintenance	15,970	36,443	32,228	648	85,289
Depreciation	358,290	544,322	65,698	46,338	1,014,648
Insurance	3,616	12,209	2,979	-	18,804
Utilities	61,653	114,177	15,641	-	191,471
Other services and charges	41,196	80,029	63,182	94,535	278,942
Total Operating Expenses	668,728	1,046,776	993,364	312,567	3,021,435
Operating Income (Loss)	222,037	560,640	(147,759)	57,169	692,087
Nonoperating Revenues (Expenses)					
Interest on investments	12,690	8,668	1,356	6,420	29,134
Intergovernmental	20,120	20,120	185,559	985	226,784
Other income	5,875	-	60,458	-	66,333
Loss on disposal of assets	-	-	(6,652)	-	(6,652)
Bond issuance costs	(8,727)	(10,646)	-	-	(19,373)
Interest expense	(67,739)	(115,396)	-	(19,395)	(202,530)
Total Nonoperating Revenues (Expenses)	(37,781)	(97,254)	240,721	(11,990)	93,696
Income Before Contributions and Transfers	184,256	463,386	92,962	45,179	785,783
Capital Contributions	26,885	25,963	-	-	52,848
Transfers In	-	-	7,325	30,200	37,525
Transfers Out	(243,450)	(197,100)	-	(49,350)	(489,900)
Change in Net Position	(32,309)	292,249	100,287	26,029	386,256
Net Position, January 1	7,089,801	8,834,344	783,791	1,140,101	17,848,037
Net Position, December 31	\$ 7,057,492	\$ 9,126,593	\$ 884,078	\$ 1,166,130	\$ 18,234,293

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, 2020

	Business-type Activities - Enterprise Funds				
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	Totals
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 916,495	\$ 1,614,121	\$ 1,041,680	\$ 372,402	\$ 3,944,698
Payments to suppliers	(145,140)	(263,745)	(170,327)	(97,499)	(676,711)
Payments to employees	(167,187)	(221,175)	(741,436)	(156,575)	(1,286,373)
Net Cash Provided (Used) by Operating Activities	<u>604,168</u>	<u>1,129,201</u>	<u>129,917</u>	<u>118,328</u>	<u>1,981,614</u>
Cash Flows from Noncapital and Related Financing Activities					
Transfers in	-	-	7,325	30,200	37,525
Transfers out	(243,450)	(197,100)	-	(49,350)	(489,900)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(243,450)</u>	<u>(197,100)</u>	<u>7,325</u>	<u>(19,150)</u>	<u>(452,375)</u>
Cash Flows from Capital and Related Financing Activities					
Permits and connection fees received	12,104	8,290	-	-	20,394
Special assessments received	117,158	123,158	-	-	240,316
Acquisition of capital assets	(16,727)	(42,887)	(208,807)	-	(268,421)
Bond issuance costs paid	(8,727)	(10,646)	-	-	(19,373)
Principal paid on capital leases	-	-	-	(8,378)	(8,378)
Principal paid on bonds	(442,317)	(888,954)	-	(33,659)	(1,364,930)
Interest paid on bonds and capital leases	(79,567)	(132,094)	-	(23,027)	(234,688)
Net Cash Used by Capital and Related Financing Activities	<u>(418,076)</u>	<u>(943,133)</u>	<u>(208,807)</u>	<u>(65,064)</u>	<u>(1,635,080)</u>
Cash Flows from Investing Activities					
Interest received from investments	<u>12,690</u>	<u>8,668</u>	<u>1,356</u>	<u>6,420</u>	<u>29,134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(44,668)	(2,364)	(70,209)	40,534	(76,707)
Cash and Cash Equivalents, January 1	<u>1,508,264</u>	<u>838,394</u>	<u>285,364</u>	<u>772,799</u>	<u>3,404,821</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,463,596</u>	<u>\$ 836,030</u>	<u>\$ 215,155</u>	<u>\$ 813,333</u>	<u>\$ 3,328,114</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 222,037	\$ 560,640	\$ (147,759)	\$ 57,169	\$ 692,087
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income	25,995	20,120	246,017	985	293,117
Depreciation	358,290	544,322	65,698	46,338	1,014,648
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	(265)	(13,415)	(49,942)	(468)	(64,090)
Due from other governments	236	-	-	-	236
Special assessments receivable	-	-	-	2,149	2,149
Inventory	964	964	-	-	1,928
Prepaid items	2	(846)	(1,972)	51	(2,765)
Deferred pension resources	(142)	(502)	1,478	4	838
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	(11,417)	2,930	(279)	1,235	(7,531)
Due to other governments	465	-	-	-	465
Accrued salaries payable	1,147	1,167	9,774	1,169	13,257
Compensated absences payable	(78)	836	6,790	4,479	12,027
Deferred pension resources	(4,677)	(5,301)	(21,773)	(5,145)	(36,896)
Net pension liability	<u>11,611</u>	<u>18,286</u>	<u>21,885</u>	<u>10,362</u>	<u>62,144</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 604,168</u>	<u>\$ 1,129,201</u>	<u>\$ 129,917</u>	<u>\$ 118,328</u>	<u>\$ 1,981,614</u>
Noncash Capital and Related Financing Activities					
Amortization of bond premiums	<u>\$ 1,851</u>	<u>\$ 2,388</u>	<u>\$ -</u>	<u>\$ 811</u>	<u>\$ 5,050</u>
Net disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,652</u>	<u>\$ -</u>	<u>\$ 6,652</u>

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

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cannon Falls, Minnesota (the City), operates under a home rule charter form of government as defined in the State of Minnesota statutes, which is termed the "Mayor-City Council Plan." The City is governed by an elected Mayor and a six-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Included in the City's reporting entity, based upon the application of these criteria, is the following discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements.

Economic Development Authority. The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The EDA is governed by five board members, two of which are City Council members and three are at-large members. The City Council appoints the EDA governing board and approves tax levies. The City does not have fiduciary responsibility for the EDA. It is this criterion that results in the EDA being reported as a discretely presented component unit. The EDA does not prepare separate financial statements. The EDA fund financial statements begin on page 116.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2020:

- Negotiable certificates of deposits of \$591,417 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 2020. 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 \$151,530 as of December 31, 2020.

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, 2020

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.

Land Held for Resale

The City acquires properties for redevelopment purposes. These properties are reported at their net realizable value in the financial statements. Any costs incurred that are above a property's net realizable value are reported as expenditures of the current period. The balance of land held for resale is offset with nonspendable or restricted fund balance to indicate that it is not available for appropriation.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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 Falls Fire Relief Association is as follows:

	Public Employees Retirement Association of Minnesota (PERA)		Fire Relief Association	Total All Plans
	GERP	PEPFP		
Pension Expense	\$ 161,808	\$ 120,077	\$ 90,248	\$ 372,133

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 \$342,619 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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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 three sources: property taxes, special assessments and contract for deed. 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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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 2020.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Component Unit			
Economic Development fund	\$ 113,500	\$ 168,610	\$ 55,110
Industrial Revolving Loan fund	7,000	90,524	83,524

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2020:

Fund	Amount
Capital Project	
3rd Street Bridge	\$ 20,580
TIF 2-6.2	145
TIF 2-8	3,880
2016 Street Improvement Westside Phase II	20,230
Alexander Court	161,895
Enterprise Fund	
Deputy Registrar	35,756

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, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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 \$6,017,680 and the bank balance was \$6,195,527. The bank balance was covered by federal depository insurance totaling \$6,195,527.

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, 2020

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	\$ 3,612,680			
Money market fund	N/A	Less than 6 months	180			
Non-pooled Investments at Fair Value						
U.S. Treasury Bill	N/A	Less then 1 year	99,973	\$ -	\$ 99,973	\$ -
Negotiable CDs	N/A	1 to 5 years	491,444	-	491,444	-
Total Investments			\$ 4,204,277	\$ -	\$ 591,417	\$ -

(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	\$ 6,017,680
Investments	4,204,277
Cash on Hand	<u>555</u>
Total	<u><u>\$ 10,222,512</u></u>
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 9,875,938
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>346,574</u>
Total	<u><u>\$ 10,222,512</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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, 2020 was \$80,001.

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, 2020 was \$92,460.

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, 2020 was \$22,824.

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, 2020 was \$44,470.

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, 2020 was \$111,945.

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, 2020 was \$69,661.

On July 31, 2020 the EDA loaned \$7,000 Jameson Hanson and Bryten Hansen at the rate of 3 percent. The loan balance is due on August 1, 2021. The entire amount of \$7,000 plus interest is due on August 1, 2021. The outstanding balance as of December 31, 2020 was \$5,000.

The total net loan receivable balance as of December 31, 2020 was \$406,361 after taking into account \$20,000 worth of allowances described above.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 1,102,792	\$ 46,500	\$ -	\$ 1,149,292
Construction in progress	-	46,112	-	46,112
Total Capital Assets not being Depreciated	<u>1,102,792</u>	<u>92,612</u>	<u>-</u>	<u>1,195,404</u>
Capital Assets being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	14,903,166	20,655	-	14,923,821
Machinery and equipment	1,914,247	26,553	(55,240)	1,885,560
Vehicles	3,121,040	56,488	(82,005)	3,095,523
Total Capital Assets being Depreciated	<u>24,811,014</u>	<u>103,696</u>	<u>(137,245)</u>	<u>24,777,465</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,795,059)	(110,273)	-	(1,905,332)
System improvements/infrastructure	(4,817,226)	(468,599)	-	(5,285,825)
Machinery and equipment	(1,339,951)	(124,484)	41,430	(1,423,005)
Vehicles	(2,131,044)	(78,230)	34,644	(2,174,630)
Total Accumulated Depreciation	<u>(10,083,280)</u>	<u>(781,586)</u>	<u>76,074</u>	<u>(10,788,792)</u>
Total Capital Assets being Depreciated, Net	<u>14,727,734</u>	<u>(677,890)</u>	<u>(61,171)</u>	<u>13,988,673</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,830,526</u>	<u>\$ (585,278)</u>	<u>\$ (61,171)</u>	<u>\$ 15,184,077</u>

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

Governmental Activities	
General government	\$ 46,804
Public safety	152,638
Public works	505,863
Culture and recreation	<u>76,281</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 781,586</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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	35,729,930	26,164	-	35,756,094
Machinery and equipment	1,100,285	33,449	(68,807)	1,064,927
Vehicles	660,121	208,808	(149,680)	719,249
Total Capital Assets being Depreciated	<u>37,506,316</u>	<u>268,421</u>	<u>(218,487)</u>	<u>37,556,250</u>
Less Accumulated Depreciation for				
Buildings and improvements	(11,654)	(535)	-	(12,189)
System improvements/infrastructure	(14,852,575)	(903,316)	-	(15,755,891)
Machinery and equipment	(842,172)	(58,759)	68,807	(832,124)
Vehicles	(357,537)	(52,038)	143,028	(266,547)
Total Accumulated Depreciation	<u>(16,063,938)</u>	<u>(1,014,648)</u>	<u>211,835</u>	<u>(16,866,751)</u>
Total Capital Assets being Depreciated, Net	<u>21,442,378</u>	<u>(746,227)</u>	<u>(6,652)</u>	<u>20,689,499</u>
Business-type Activities Capital Assets, Net	<u>\$ 21,530,194</u>	<u>\$ (746,227)</u>	<u>\$ (6,652)</u>	<u>\$ 20,777,315</u>

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

Business-type Activities	
Water Utility	\$ 358,290
Disposal	544,322
Ambulance	65,698
Storm Water	<u>46,338</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,014,648</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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, 2020 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, 2020 is as follows:

Fund	Transfers in				Total
	Debt Service Fund	Nonmajor Governmental Funds	Ambulance Fund	Nonmajor Enterprise Funds	
Transfer Out					
General	\$ -	\$ 141,975	\$ 7,325	\$ 10,200	\$ 159,500
Water Utility	233,450	-	-	10,000	243,450
Disposal	187,100	-	-	10,000	197,100
Nonmajor enterprise	49,350	-	-	-	49,350
Total	\$ 469,900	\$ 141,975	\$ 7,325	\$ 30,200	\$ 649,400

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, 2020

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 2012A	\$ 932,000	.75 - 2.50 %	05/01/12	02/01/22	\$ 155,000
G.O. Refunding Permanent Bonds of 2012B	3,085,000	1.00 - 1.65	11/28/12	02/01/23	555,000
G.O. Improvement Bonds of 2016A	2,480,000	2.00 - 3.00	06/30/16	02/01/37	2,090,000
G.O. Improvement Bonds of 2018A	3,920,000	3.00 - 3.50	07/18/18	02/01/39	3,740,000
G.O. Refunding Permanent Bonds of 2020A	3,330,000	2.00 - 4.00	08/11/20	02/01/34	3,330,000
Total G.O. Improvement Bonds					<u>\$ 9,870,000</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
2021	\$ 579,658	\$ 141,736	\$ 721,394	\$ 277,342	\$ 140,400	\$ 417,742
2022	597,985	128,413	726,398	280,015	132,847	412,862
2023	532,312	113,763	646,075	287,688	123,317	411,005
2024	349,294	101,213	450,507	295,706	113,500	409,206
2025	356,622	89,970	446,592	308,378	103,343	411,721
2026 - 2030	1,787,342	275,696	2,063,038	1,477,658	361,560	1,839,218
2031 - 2035	1,046,787	54,033	1,100,820	1,083,213	177,342	1,260,555
2036 - 2039	-	-	-	610,000	37,156	647,156
Total	<u>\$ 5,250,000</u>	<u>\$ 904,824</u>	<u>\$ 6,154,824</u>	<u>\$ 4,620,000</u>	<u>\$ 1,189,465</u>	<u>\$ 5,809,465</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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 2020, principal and interest paid and total customer revenues for the Water fund were \$521,884 and \$890,765, respectively. For 2020, principal and interest paid and total customer revenues for the Disposal fund were \$1,021,048 and \$1,607,416, 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	\$ 314,000
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	8,021,909	2.86	11/20/01	08/20/22	1,036,909
G.O. Water Revenue Refunding Bonds - Series 2010A	3,560,000	1.00 - 3.50	12/09/10	08/01/21	<u>360,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 1,710,909</u></u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2021	\$ 1,185,001	\$ 51,891	\$ 1,236,892
2022	<u>525,908</u>	<u>15,041</u>	<u>540,949</u>
Total	<u><u>\$ 1,710,909</u></u>	<u><u>\$ 66,932</u></u>	<u><u>\$ 1,777,841</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

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>\$ 325,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	41,000	6,180	47,180
2026 - 2028	<u>134,000</u>	<u>8,160</u>	<u>142,160</u>
Total	<u>\$ 325,000</u>	<u>\$ 54,660</u>	<u>\$ 379,660</u>

Refunding Bond

On August 11, 2020, the City issued \$3,330,000 General Obligation Refunding Bonds, series 2020A to refund the outstanding principal on the General Obligation Bonds, series 2011A and the General Obligation Bonds, series 2013A. The refunding will yield a cash savings of \$228,294 and a present value savings of \$206,578.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2020, 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	\$ 6,190,000	\$ 1,550,000	\$ (2,490,000)	\$ 5,250,000	\$ 579,658
General obligation Equipment certificates	359,000	-	(34,000)	325,000	35,000
Premium on bonds issued	-	215,464	(5,130)	210,334	-
Capital Leases Payable	8,378	-	(8,378)	-	-
Compensated Absences Payable	<u>269,196</u>	<u>31,673</u>	<u>(67,298)</u>	<u>233,571</u>	<u>58,393</u>
 Governmental Activity Long-term Liabilities	<u><u>\$ 6,826,574</u></u>	<u><u>\$ 1,797,137</u></u>	<u><u>\$ (2,604,806)</u></u>	<u><u>\$ 6,018,905</u></u>	<u><u>\$ 673,051</u></u>
 Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 2,862,911	\$ -	\$ (1,152,001)	\$ 1,710,910	\$ 1,185,001
General obligation improvement bonds	5,040,000	1,780,000	(2,200,000)	4,620,000	277,342
Premium on bonds issued	-	212,121	(5,050)	207,071	-
Capital Leases Payable	8,378	-	(8,378)	-	-
Compensated Absences Payable	<u>97,022</u>	<u>36,282</u>	<u>(24,256)</u>	<u>109,048</u>	<u>27,262</u>
 Business-type Activity Long-term Liabilities	<u><u>\$ 8,008,311</u></u>	<u><u>\$ 2,028,403</u></u>	<u><u>\$ (3,389,685)</u></u>	<u><u>\$ 6,647,029</u></u>	<u><u>\$ 1,489,605</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, 2020

Note 3: Detailed Notes on All Funds (Continued)

F. Fund Balance

At December 31, 2020, 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	<u>\$ 41,457</u>	<u>\$ -</u>	<u>\$ 6,245</u>	<u>\$ 47,702</u>
Restricted for				
Debt service	\$ -	\$ 2,282,256	\$ -	\$ 2,282,256
Street project	-	-	193,173	193,173
Cable television	-	-	146,063	146,063
Tax increment financing	-	-	4,050	4,050
Park capital	-	-	487	487
Total Restricted	<u>\$ -</u>	<u>\$ 2,282,256</u>	<u>\$ 343,773</u>	<u>\$ 2,626,029</u>
Committed for				
Fire operations	\$ -	\$ -	\$ 150,078	\$ 150,078
Street capital	-	-	44,843	44,843
Public works capital	-	-	292,450	292,450
Police capital	-	-	51,257	51,257
Fire capital	-	-	131,861	131,861
Administration capital	-	-	92,142	92,142
Park capital	-	-	62,372	62,372
Library capital	-	-	51,180	51,180
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 876,183</u>	<u>\$ 876,183</u>
Assigned				
Library operations	\$ -	\$ -	\$ 212,418	\$ 212,418
Eastside improvement	-	-	21,758	21,758
Public improvements	-	-	146,708	146,708
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,884</u>	<u>\$ 380,884</u>
Unassigned	<u>\$ 2,950,873</u>	<u>\$ -</u>	<u>\$ (206,730)</u>	<u>\$ 2,744,143</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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

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

Public Employees Police and Fire Plan

The Police and Fire Plan, 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 Police and Fire Plan 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.

General Employee Plan Benefits

General Employee Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Beginning in 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, 2020

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

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan 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 Police and Fire Plan 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. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Beginning in 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 2020. The City's contributions to the GEF for the year ending December 31, 2020, 2019 and 2018 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 11.30 percent of pay to 11.80 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. The City's contributions to the Police and Fire Fund for the years ending December 31, 2020, 2019 and 2018 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.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2020, the City reported a liability of \$1,630,764 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. 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 \$50,397. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0272 percent which was a decrease of 0.0012 percent from June 30, 2019.

City's Proportionate Share of the Net Pension Liability	\$ 1,630,764
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>50,397</u>
Total	<u><u>\$ 1,681,161</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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

For the year ended December 31, 2020, the City recognized pension expense of \$157,422 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$4,386 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, 2020, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 18,517	\$ 6,513
Changes in Actuarial Assumptions	1,454	63,661
Net Difference Between Projected and Actual Earnings on Plan Investments	19,727	-
Changes in Proportion	9,661	77,616
Contributions to PERA Subsequent to the Measurement Date	79,011	-
Total	<u>\$ 128,370</u>	<u>\$ 147,790</u>

The \$79,011 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (116,209)
2022	(34,122)
2023	12,500
2024	39,400

Police and Fire Fund Pension Costs

At December 31, 2020, the City reported a liability of \$736,820 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the City's proportionate share was 0.0559 percent which was a decrease of 0.0021 percent from its proportionate share measured as of June 30, 2019.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in fire state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in fire state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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

As a result, the State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, the City recognized pension expense of \$114,729 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$5,348 for the year ended December 31, 2020, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$4.5 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in fire state aid. The City also recognized \$5,348 for the year ended December 31, 2020 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2020, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 33,359	\$ 48,814
Changes in Actuarial Assumptions	278,289	482,187
Net Difference Between Projected and Actual Earnings on Plan Investments	29,190	-
Changes in Proportion	79,254	35,681
Contributions to PERA Subsequent to the Measurement Date	53,969	-
Total	<u>\$ 474,061</u>	<u>\$ 566,682</u>

The \$53,969 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (31,701)
2022	(178,816)
2023	38,629
2024	36,716
2025	(5,418)
Thereafter	(6,000)

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 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%

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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

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, 2020 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 assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020. The recommended assumptions for that plan were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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

General Employees Fund (Continued)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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 Stocks	35.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	20.0	0.75
International Stocks	17.5	5.30
Cash	<u>2.0</u>	-
Total	<u><u>100.00 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2020 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, 2020

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	\$ 2,613,550	\$ 1,630,764	\$ 820,045
Police and Fire Fund	1,468,592	736,820	131,410

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, 2019, 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, 2020

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 \$55,398 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2019 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, 2020 were \$55,398. 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, 2020, the City reported a net pension liability (asset) of \$(86,431) for the plan. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Vanlwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2019. 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, 2020	\$ 722,919	\$ 752,888	\$ (29,969)
Changes for the Year			
Service cost	36,907	-	36,907
Interest on pension liability (asset)	39,059	-	39,059
Actuarial experience (gains)/losses	-	-	-
Changes of assumptions	-	-	-
Change of benefit terms	48,672	-	48,672
Net investment income	-	126,837	(126,837)
Contributions (State)	-	55,398	(55,398)
Benefit payouts	(99,336)	(99,336)	-
Administrative costs	-	(1,135)	1,135
Total Net Changes	<u>25,302</u>	<u>81,764</u>	<u>(56,462)</u>
Ending Balance December 31, 2020	<u>\$ 748,221</u>	<u>\$ 834,652</u>	<u>\$ (86,431)</u>

For the year ended December 31, 2020, the City recognized pension expense of \$90,248.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

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

At December 31, 2020, 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	\$ -	\$ 29,244
Changes in Actuarial Assumptions	11,780	3,069
Net Difference Between Projected and Actual Earnings on Plan Investments	-	24,488
Contributions to Plan Subsequent to the Measurement Date	<u>55,796</u>	<u>-</u>
Total	<u>\$ 67,576</u>	<u>\$ 56,801</u>

Deferred outflows of resources totaling \$55,796 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, 2021. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2021	\$ (11,829)
2022	(8,941)
2023	4,043
2024	(21,354)
2025	(2,631)
Thereafter	(4,309)

E. Actuarial Assumptions

The total pension liability at December 31, 2020 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation Rate	2.50% per year
Investment Rate of Return	5.50%

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, 2020

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
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 5.5 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	\$ (65,906)	\$ (86,431)	\$ (106,293)

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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2020

Note 6: Other Information (Continued)

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 2020 was \$686,141. This accounted for 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: Special Item

During the year, the City received some land through forfeiture. The City plans to re-sell the land in the near future.

Note 10: Subsequent Event

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.

THIS PAGE IS LEFT
BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Cannon Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2020

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0272 %	\$ 1,630,764	\$ 50,397	\$ 1,681,161	\$1,942,969	83.9 %	79.0 %
06/30/19	0.0284	1,570,172	48,831	1,619,003	2,010,581	78.1	80.2
06/30/18	0.0291	1,614,349	52,857	1,667,206	1,953,259	82.6	79.5
06/30/17	0.0285	1,819,421	22,872	1,842,293	1,835,533	99.1	75.9
06/30/16	0.0286	2,322,178	30,356	2,352,534	1,774,875	130.8	68.9
06/30/15	0.0286	1,482,200	-	1,482,200	1,680,063	88.2	78.2

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/20	\$ 150,394	\$ 150,394	\$ -	\$ 2,005,255	7.50 %
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, 2020

Notes to the Required Supplementary Information - General Employees Retirement Plan

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - General Employees Retirement Plan (Continued)

Changes in Plan Provisions

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020

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.

2016 - No changes noted

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, 2020

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/20	0.0559 %	\$ 736,820	\$ 17,383	\$ 754,203	\$ 632,149	116.6 %	87.2
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)
12/31/20	\$ 106,806	\$ 106,806	\$ -	\$ 603,424	17.70 %
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

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, 2020

Notes to the Required Supplementary Information - Police and Fire Plan

Changes in Actuarial Assumptions

2020 - The mortality projection scale was changed from MP-2018 to MP-2019

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.

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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

Notes to the Required Supplementary Information - Police and Fire Plan

Changes in Plan Provisions

2020 - No changes noted

2019- No changes noted

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.

2016 - No changes noted

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

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2020

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 36,907	\$ 31,897	\$ 28,860	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	39,059	38,648	34,228	37,821	35,024	34,669
Changes of benefit terms	48,672	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	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Net Change in Total Pension Liability	25,302	110,680	37,581	(43,641)	803	22,610
Total Pension Liability - January 1	722,919	612,239	574,658	618,299	617,496	594,886
Total Pension Liability - December 31 (a)	\$ 748,221	\$ 722,919	\$ 612,239	\$ 574,658	\$ 618,299	\$ 617,496
Plan Fiduciary Net Position						
Employer contributions	\$ 55,398	\$ 51,993	\$ 51,349	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	-	-	-	-	-	137
Projected investment return	126,837	(80,846)	103,115	52,076	(32,964)	15,287
Benefit payments	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Administrative expenses	(1,135)	(1,169)	(1,296)	(1,155)	(239)	(232)
Other	-	-	-	-	-	3,000
Net Change in Plan Fiduciary Net Position	81,764	(30,022)	87,068	15,812	(56,910)	26,742
Plan Fiduciary Net Position - January 1	752,888	782,910	695,842	680,030	736,940	710,198
Plan Fiduciary Net Position - December 31 (b)	\$ 834,652	\$ 752,888	\$ 782,910	\$ 695,842	\$ 680,030	\$ 736,940
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (86,431)	\$ (29,969)	\$ (170,671)	\$ (121,184)	\$ (61,731)	\$ (119,444)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	111.55%	104.15%	127.88%	121.09%	109.98%	119.34%
Covered-employee Payroll	N/A	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	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.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/20	\$ 55,796	\$ 55,796	\$ -
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	-

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2020

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 534,176	\$ 910,495	\$ 1,444,671
Receivables			
Accounts	45,763	-	45,763
Special assessments	-	7,934	7,934
Prepaid items	6,245	-	6,245
	<u>6,245</u>	<u>-</u>	<u>6,245</u>
Total Assets	<u>\$ 586,184</u>	<u>\$ 918,429</u>	<u>\$ 1,504,613</u>
Liabilities			
Accounts and contracts payable	\$ 67,119	\$ 523	\$ 67,642
Accrued salaries payable	4,261	-	4,261
Due to other funds	-	24,421	24,421
Total Liabilities	<u>71,380</u>	<u>24,944</u>	<u>96,324</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	6,245	-	6,245
Restricted	146,063	197,710	343,773
Committed	150,078	726,105	876,183
Assigned	212,418	168,466	380,884
Unassigned	-	(206,730)	(206,730)
Total Fund Balances	<u>514,804</u>	<u>885,551</u>	<u>1,400,355</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 586,184</u>	<u>\$ 918,429</u>	<u>\$ 1,504,613</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, 2020

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 494,976	\$ 39,600	\$ 534,576
Tax increments	-	49,222	49,222
Franchise taxes	41,216	-	41,216
Intergovernmental	198,062	-	198,062
Charges for services	93,489	-	93,489
Fines and forfeitures	1,984	-	1,984
Interest on investments	2,620	9,242	11,862
Miscellaneous	33,602	11,000	44,602
Total Revenues	<u>865,949</u>	<u>109,064</u>	<u>975,013</u>
Expenditures			
Current			
Public safety	237,431	-	237,431
Culture and recreation	465,288	-	465,288
Capital outlay			
Public safety	5,394	-	5,394
Public works	-	25,068	25,068
Culture and recreation	34,900	20,653	55,553
Economic development	-	49,750	49,750
Total Expenditures	<u>743,013</u>	<u>95,471</u>	<u>838,484</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	122,936	13,593	136,529
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>141,975</u>	<u>141,975</u>
Net Change in Fund Balances	122,936	155,568	278,504
Fund Balances, January 1	<u>391,868</u>	<u>729,983</u>	<u>1,121,851</u>
Fund Balances, December 31	<u><u>\$ 514,804</u></u>	<u><u>\$ 885,551</u></u>	<u><u>\$ 1,400,355</u></u>

City of Cannon Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2020

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 224,835	\$ 138,929	\$ 170,412	\$ 534,176
Accounts receivable	635	7,245	37,883	45,763
Prepaid items	1,995	213	4,037	6,245
	<u>1,995</u>	<u>213</u>	<u>4,037</u>	<u>6,245</u>
 Total Assets	 <u>\$ 227,465</u>	 <u>\$ 146,387</u>	 <u>\$ 212,332</u>	 <u>\$ 586,184</u>
Liabilities				
Accounts payable	\$ 8,865	\$ 43	\$ 58,211	\$ 67,119
Accrued salaries payable	4,187	68	6	4,261
Total Liabilities	<u>13,052</u>	<u>111</u>	<u>58,217</u>	<u>71,380</u>
 Fund Balances				
Nonspendable	1,995	213	4,037	6,245
Restricted	-	146,063	-	146,063
Committed	-	-	150,078	150,078
Assigned	212,418	-	-	212,418
	<u>212,418</u>	<u>-</u>	<u>-</u>	<u>212,418</u>
Total Fund Balances	<u>214,413</u>	<u>146,276</u>	<u>154,115</u>	<u>514,804</u>
 Total Liabilities and Fund Balances	 <u>\$ 227,465</u>	 <u>\$ 146,387</u>	 <u>\$ 212,332</u>	 <u>\$ 586,184</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, 2020

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 373,300	\$ -	\$ 121,676	\$ 494,976
Franchise taxes	-	41,216	-	41,216
Intergovernmental				
Federal	8,128	266	7,598	15,992
State	-	-	57,796	57,796
County	124,274	-	-	124,274
Charges for services	660	-	92,829	93,489
Fines and forfeitures	1,984	-	-	1,984
Interest on investments	571	1,297	752	2,620
Miscellaneous				
Contributions and donations	3,531	-	20,000	23,531
Other	-	-	10,071	10,071
Total Revenues	<u>512,448</u>	<u>42,779</u>	<u>310,722</u>	<u>865,949</u>
Expenditures				
Current				
Public safety	-	-	237,431	237,431
Culture and recreation	451,465	13,823	-	465,288
Capital outlay				
Public safety	-	-	5,394	5,394
Culture and recreation	36,136	(1,236)	-	34,900
Total Expenditures	<u>487,601</u>	<u>12,587</u>	<u>242,825</u>	<u>743,013</u>
Net Change in Fund Balances	24,847	30,192	67,897	122,936
Fund Balances, January 1	<u>189,566</u>	<u>116,084</u>	<u>86,218</u>	<u>391,868</u>
Fund Balances, December 31	<u><u>\$ 214,413</u></u>	<u><u>\$ 146,276</u></u>	<u><u>\$ 154,115</u></u>	<u><u>\$ 514,804</u></u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 373,300	\$ 373,300	\$ 373,300	\$ -	\$ 353,255
Intergovernmental					
Federal	-	-	8,128	8,128	-
County	124,275	124,275	124,274	(1)	124,870
Charges for services	1,300	1,300	660	(640)	1,498
Fines and forfeitures	3,000	3,000	1,984	(1,016)	4,033
Interest on investments	-	-	571	571	2,351
Miscellaneous					
Contributions and donations	1,000	1,000	3,531	2,531	652
Total Revenues	<u>502,875</u>	<u>502,875</u>	<u>512,448</u>	<u>9,573</u>	<u>486,659</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	390,075	390,075	386,463	3,612	349,650
Supplies	6,200	6,200	4,121	2,079	6,373
Other services and charges	72,600	72,600	60,881	11,719	73,864
Capital outlay					
Culture and recreation	34,000	34,000	36,136	(2,136)	35,660
Total Expenditures	<u>502,875</u>	<u>502,875</u>	<u>487,601</u>	<u>15,274</u>	<u>465,547</u>
Net Change in Fund Balances	-	-	24,847	24,847	21,112
Fund Balances, January 1	<u>189,566</u>	<u>189,566</u>	<u>189,566</u>	-	<u>168,454</u>
Fund Balances, December 31	<u>\$ 189,566</u>	<u>\$ 189,566</u>	<u>\$ 214,413</u>	<u>\$ 24,847</u>	<u>\$ 189,566</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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Franchise taxes	\$ 32,000	\$ 32,000	41,216	\$ 9,216	\$ 26,709
Cares Grant	-	-	266	266	-
Interest on investments	-	-	1,297	1,297	1,458
Total Revenue	<u>32,000</u>	<u>32,000</u>	<u>42,779</u>	<u>10,779</u>	<u>28,167</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	20,800	20,800	12,794	8,006	16,904
Supplies	2,100	2,100	289	1,811	297
Other services and charges	5,325	5,325	740	4,585	2,885
Capital outlay					
Culture and recreation	40,000	40,000	(1,236)	41,236	16,246
Total Expenditures	<u>68,225</u>	<u>68,225</u>	<u>12,587</u>	<u>55,638</u>	<u>36,332</u>
Net Change in Fund Balances	(36,225)	(36,225)	30,192	66,417	(8,165)
Fund Balances, January 1	<u>116,084</u>	<u>116,084</u>	<u>116,084</u>	<u>-</u>	<u>124,249</u>
Fund Balances, December 31	<u>\$ 79,859</u>	<u>\$ 79,859</u>	<u>\$ 146,276</u>	<u>\$ 66,417</u>	<u>\$ 116,084</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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 121,675	\$ 121,675	\$ 121,676	\$ 1	\$ 135,294
Intergovernmental revenue					
Federal	-	-	7,598	7,598	-
State	58,000	58,000	57,796	(204)	59,213
Charges for services	93,575	93,575	92,829	(746)	92,493
Interest on investments	-	-	752	752	566
Miscellaneous					
Contributions and donations	-	-	20,000	20,000	8,750
Other	7,000	7,000	10,071	3,071	7,658
Total Revenues	<u>280,250</u>	<u>280,250</u>	<u>310,722</u>	<u>30,472</u>	<u>303,974</u>
Expenditures					
Current					
Public safety					
Personnel services	67,975	67,975	52,046	15,929	52,693
Supplies	30,100	30,100	25,929	4,171	24,985
Other services and charges	176,569	176,569	159,456	17,113	147,372
Capital outlay					
Public safety	5,600	5,600	5,394	206	3,551
Total Expenditures	<u>280,244</u>	<u>280,244</u>	<u>242,825</u>	<u>37,419</u>	<u>228,601</u>
Net Change in Fund Balances	6	6	67,897	67,891	75,373
Fund Balances, January 1	<u>86,218</u>	<u>86,218</u>	<u>86,218</u>	-	<u>10,845</u>
Fund Balances, December 31	<u>\$ 86,224</u>	<u>\$ 86,224</u>	<u>\$ 154,115</u>	<u>\$ 67,891</u>	<u>\$ 86,218</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2020

	502	504	505	506	507
	Public		Public Works		
	Improvement	Street Capital	Capital	Police Capital	Fire Capital
	Revolving				
Assets					
Cash and temporary investments	\$ 133,926	\$ 44,843	\$ 292,450	\$ 51,257	\$ 131,861
Receivables					
Special assessments	7,934	-	-	-	-
Total Assets	\$ 141,860	\$ 44,843	\$ 292,450	\$ 51,257	\$ 131,861
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	-	44,843	292,450	51,257	131,861
Assigned	133,926	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	133,926	44,843	292,450	51,257	131,861
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 141,860	\$ 44,843	\$ 292,450	\$ 51,257	\$ 131,861

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ 92,142	\$ 62,372	\$ 51,180	\$ 21,758	\$ 678
-	-	-	-	-
<u>\$ 92,142</u>	<u>\$ 62,372</u>	<u>\$ 51,180</u>	<u>\$ 21,758</u>	<u>\$ 678</u>
\$ -	\$ -	\$ -	\$ -	\$ 191
-	-	-	-	-
-	-	-	-	191
-	-	-	-	-
-	-	-	-	487
92,142	62,372	51,180	-	-
-	-	-	21,758	-
-	-	-	-	-
<u>92,142</u>	<u>62,372</u>	<u>51,180</u>	<u>21,758</u>	<u>487</u>
<u>\$ 92,142</u>	<u>\$ 62,372</u>	<u>\$ 51,180</u>	<u>\$ 21,758</u>	<u>\$ 678</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2020

	405	249	250	251	404
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	TIF 2-8	2016 Street Improvement Westside Phase II
Assets					
Cash and temporary investments	\$ (20,580)	\$ 11,628	\$ 13,150	\$ -	\$ (20,230)
Receivables					
Special assessments	-	-	-	-	-
Total Assets	<u>\$ (20,580)</u>	<u>\$ 11,628</u>	<u>\$ 13,150</u>	<u>\$ -</u>	<u>\$ (20,230)</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ 166	\$ 166	\$ -	\$ -
Due to other funds	-	11,607	8,934	3,880	-
Total Liabilities	<u>-</u>	<u>11,773</u>	<u>9,100</u>	<u>3,880</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	-	-	-	-
Fund Balances					
Restricted	-	-	4,050		-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(20,580)	(145)	-	(3,880)	(20,230)
Total Fund Balances	<u>(20,580)</u>	<u>(145)</u>	<u>4,050</u>	<u>(3,880)</u>	<u>(20,230)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ (20,580)</u>	<u>\$ 11,628</u>	<u>\$ 13,150</u>	<u>\$ -</u>	<u>\$ (20,230)</u>

406	408	
Alexander	2018	
Court	Street	Total
	Project	
\$ (161,895)	\$ 205,955	\$ 910,495
-	-	7,934
<u>\$ (161,895)</u>	<u>\$ 205,955</u>	<u>\$ 918,429</u>
\$ -	\$ -	\$ 523
-	-	24,421
-	-	24,944
-	-	7,934
-	193,173	197,710
-	-	726,105
-	12,782	168,466
(161,895)	-	(206,730)
<u>(161,895)</u>	<u>205,955</u>	<u>885,551</u>
<u>\$ (161,895)</u>	<u>\$ 205,955</u>	<u>\$ 918,429</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, 2020

	502	504	505	506	507
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Interest on investments	1,481	371	2,237	195	1,061
Miscellaneous	-	-	-	-	-
Total Revenues	<u>1,481</u>	<u>371</u>	<u>2,237</u>	<u>195</u>	<u>1,061</u>
Expenditures					
Capital outlay					
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,481	371	2,237	195	1,061
Other Financing Sources (Uses)					
Transfers in	<u>-</u>	<u>6,150</u>	<u>59,100</u>	<u>30,900</u>	<u>21,175</u>
Net Change in Fund Balances	1,481	6,521	61,337	31,095	22,236
Fund Balances, January 1	<u>132,445</u>	<u>38,322</u>	<u>231,113</u>	<u>20,162</u>	<u>109,625</u>
Fund Balances, December 31	<u>\$ 133,926</u>	<u>\$ 44,843</u>	<u>\$ 292,450</u>	<u>\$ 51,257</u>	<u>\$ 131,861</u>

509	510	511	527	225
Administration Capital	Park Capital	Library Capital	2013 Eastside Improvement Project	Park Board
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
742	528	465	208	172
-	-	-	-	-
<u>742</u>	<u>528</u>	<u>465</u>	<u>208</u>	<u>172</u>
-	-	-	-	-
-	-	-	-	20,653
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,653</u>
742	528	465	208	(20,481)
14,700	7,300	2,650	-	-
15,442	7,828	3,115	208	(20,481)
76,700	54,544	48,065	21,550	20,968
<u>\$ 92,142</u>	<u>\$ 62,372</u>	<u>\$ 51,180</u>	<u>\$ 21,758</u>	<u>\$ 487</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures And
Changes in Fund Balances (Continued)
For the Year Ended December 31, 2020

	405	249	250	251	404
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	TIF 2-8	2016 Street Improvement Westside Phase II
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	23,298	25,924	-	-
Interest on investments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>-</u>	<u>23,298</u>	<u>25,924</u>	<u>-</u>	<u>-</u>
Expenditures					
Capital outlay					
Public works	20,000	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development		22,146	23,724	3,880	-
Total Expenditures	<u>20,000</u>	<u>22,146</u>	<u>23,724</u>	<u>3,880</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,000)	1,152	2,200	(3,880)	-
Other Financing Sources (Uses)					
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(20,000)	1,152	2,200	(3,880)	-
Fund Balances, January 1	<u>(580)</u>	<u>(1,297)</u>	<u>1,850</u>	<u>-</u>	<u>(20,230)</u>
Fund Balances, December 31	<u><u>\$ (20,580)</u></u>	<u><u>\$ (145)</u></u>	<u><u>\$ 4,050</u></u>	<u><u>\$ (3,880)</u></u>	<u><u>\$ (20,230)</u></u>

406	408	
Alexander	2018	
Court	Street	Total
	Project	
\$ 39,600	\$ -	\$ 39,600
-	-	49,222
-	1,782	9,242
-	11,000	11,000
<u>39,600</u>	<u>12,782</u>	<u>109,064</u>
-	5,068	25,068
-	-	20,653
-	-	49,750
<u>-</u>	<u>5,068</u>	<u>95,471</u>
39,600	7,714	13,593
-	-	141,975
39,600	7,714	155,568
<u>(201,495)</u>	<u>198,241</u>	<u>729,983</u>
<u>\$ (161,895)</u>	<u>\$ 205,955</u>	<u>\$ 885,551</u>

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Net Position
December 31, 2020

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 596,584	\$ 39,367	\$ 177,382	\$ 813,333
Receivables				
Accounts	15,130	1,541	8,300	24,971
Special assessments	3,418	-	2,129	5,547
Prepaid items	-	189	-	189
Total Current Assets	<u>615,132</u>	<u>41,097</u>	<u>187,811</u>	<u>844,040</u>
Noncurrent Assets				
Capital assets				
Depreciable buildings, property, and equipment	1,419,130	-	-	1,419,130
Accumulated depreciation	(300,788)	-	-	(300,788)
Total Noncurrent Assets	<u>1,118,342</u>	<u>-</u>	<u>-</u>	<u>1,118,342</u>
Total Assets	<u>1,733,474</u>	<u>41,097</u>	<u>187,811</u>	<u>1,962,382</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>343</u>	<u>4,484</u>	<u>-</u>	<u>4,827</u>
Liabilities				
Current Liabilities				
Accounts payable	1,384	11	-	1,395
Accrued interest payable	6,487	-	-	6,487
Accrued salaries payable	-	2,075	-	2,075
Compensated absences payable	-	4,198	-	4,198
Bonds payable	42,197	-	-	42,197
Total Current Liabilities	<u>50,068</u>	<u>6,284</u>	<u>-</u>	<u>56,352</u>
Noncurrent Liabilities				
Compensated absences payable	-	12,594	-	12,594
Bonds payable	664,905	-	-	664,905
Pension liability	4,374	57,292	-	61,666
Total Noncurrent Liabilities	<u>669,279</u>	<u>69,886</u>	<u>-</u>	<u>739,165</u>
Total Liabilities	<u>719,347</u>	<u>76,170</u>	<u>-</u>	<u>795,517</u>
Deferred Inflows of Resources				
Deferred pension resources	<u>395</u>	<u>5,167</u>	<u>-</u>	<u>5,562</u>
Net Position				
Net investment in capital assets	416,367	-	-	416,367
Unrestricted	<u>597,708</u>	<u>(35,756)</u>	<u>187,811</u>	<u>749,763</u>
Total Net Position	<u>\$ 1,014,075</u>	<u>\$ (35,756)</u>	<u>\$ 187,811</u>	<u>\$ 1,166,130</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, 2020

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Operating Revenues				
Charges for services	\$ 150,077	\$ 133,728	\$ 85,931	\$ 369,736
Operating Expenses				
Personnel services	13,382	154,062	-	167,444
Supplies	2,185	1,417	-	3,602
Repairs and maintenance	-	648	-	648
Depreciation	46,338	-	-	46,338
Other services and charges	23,321	5,765	65,449	94,535
Total Operating Expenses	85,226	161,892	65,449	312,567
Operating Income (Loss)	64,851	(28,164)	20,482	57,169
Nonoperating Revenues (Expenses)				
Interest on investments	4,296	317	1,807	6,420
Grants	-	985	-	985
Interest expense	(19,395)	-	-	(19,395)
Total Nonoperating Revenues (Expenses)	(15,099)	1,302	1,807	(11,990)
Income (Loss) Before Transfers	49,752	(26,862)	22,289	45,179
Transfers In	-	30,200	-	30,200
Transfers Out	(49,350)	-	-	(49,350)
Change in Net Position	402	3,338	22,289	26,029
Net Position, January 1	1,013,673	(39,094)	165,522	1,140,101
Net Position, December 31	\$ 1,014,075	\$ (35,756)	\$ 187,811	\$ 1,166,130

City of Cannon Falls, Minnesota
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			
	Storm Water	Deputy Registrar	Recycling Program	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 152,170	\$ 133,189	\$ 87,043	\$ 372,402
Payments to suppliers	(24,059)	(7,991)	(65,449)	(97,499)
Payments to employees	(10,414)	(146,161)	-	(156,575)
Net Cash Provided (Used) by Operating Activities	117,697	(20,963)	21,594	118,328
Cash Flows from Noncapital and Related Financing Activities				
Transfers in	-	30,200	-	30,200
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital lease	(8,378)	-	-	(8,378)
Principal paid on long-term debt	(33,659)	-	-	(33,659)
Interest paid on long-term debt	(23,027)	-	-	(23,027)
Net Cash Provided (Used) by Capital and Related Financing Activities	(65,064)	-	-	(65,064)
Cash Flows from Investing Activities				
Interest received from investments	4,296	317	1,807	6,420
Net Increase in Cash and Cash Equivalents	7,579	9,554	23,401	40,534
Cash and Cash Equivalents, January 1	589,005	29,813	153,981	772,799
Cash and Cash Equivalents, December 31	<u>\$ 596,584</u>	<u>\$ 39,367</u>	<u>\$ 177,382</u>	<u>\$ 813,333</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 64,851	\$ (28,164)	\$ 20,482	\$ 57,169
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	-	985	-	985
Depreciation	46,338	-	-	46,338
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	723	(1,524)	333	(468)
Special assessments receivable	1,370	-	779	2,149
Prepaid items	63	(12)	-	51
Deferred pension resources	(220)	224	-	4
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	1,384	(149)	-	1,235
Accrued salaries payable	-	1,169	-	1,169
Compensated absences payable	-	4,479	-	4,479
Deferred pension resources	122	(5,267)	-	(5,145)
Net pension liability	3,066	7,296	-	10,362
Net Cash Provided by Operating Activities	<u>\$ 117,697</u>	<u>\$ (20,963)</u>	<u>\$ 21,594</u>	<u>\$ 118,328</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, 2020

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

	2020			2019
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Revenues				
Property taxes	\$ 2,519,964	\$ 2,519,964	\$ 2,545,135	\$ 2,190,978
Licenses and permits				
Business	29,000	29,000	2,251	34,400
Nonbusiness	41,600	41,600	100,790	73,194
Total licenses and permits	70,600	70,600	103,041	107,594
Intergovernmental				
Federal				
CARES	-	-	204,011	-
Disaster aid	-	-	9,766	-
State				
Local government aid	684,311	684,311	686,141	653,268
Market value agricultural credits	-	-	262	239
Police and police training	57,500	57,500	84,076	77,413
PERA aid	-	-	-	4,456
Disaster aid	-	-	-	164,221
County				
Police grant	1,500	1,500	911	1,680
Total intergovernmental	743,311	743,311	985,167	901,277
Charges for services				
General government	4,700	4,700	14,834	6,019
Public safety	8,050	8,050	308	10,374
Public works	3,500	3,500	9,510	13,968
Culture and recreation	29,400	29,400	3,957	33,047
Total charges for services	45,650	45,650	28,609	63,408
Fines and forfeitures	27,000	27,000	61,739	30,912
Special assessments	18,200	18,200	18,348	19,023
Interest on investments	17,500	17,500	3,754	78,637
Miscellaneous				
Rents	55,000	55,000	49,219	41,324
Contributions and donations	-	-	5,075	1,575
Reimbursements	182,850	182,850	179,533	168,749
Other	17,700	17,700	87,556	91,593
Total miscellaneous	255,550	255,550	321,383	303,241
Total Revenues	3,697,775	3,697,775	4,067,176	3,695,070

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personnel services	\$ 29,050	\$ 29,050	\$ 27,739	\$ 1,311	\$ 28,747
Other services and charges	9,800	9,800	3,631	6,169	5,563
Total Mayor and Council	38,850	38,850	31,370	7,480	34,310
Elections					
Personnel services	30,850	30,850	10,506	20,344	33
Supplies	100	100	75	25	(373)
Other services and charges	3,550	3,550	14,478	(10,928)	7,048
Total elections	34,500	34,500	25,059	9,441	6,708
Administrative					
Personnel services	501,900	501,900	469,116	32,784	471,903
Supplies	2,800	2,800	2,788	12	2,499
Other services and charges	49,525	49,525	38,132	11,393	43,442
Total administrative	554,225	554,225	510,036	44,189	517,844
Audit and consulting fees					
Other services and charges	27,500	27,500	81,179	(53,679)	46,255
Planning and zoning					
Personnel services	24,550	24,550	22,716	1,834	10,022
Other services and charges	1,550	1,550	897	653	19,213
Total planning and zoning	26,100	26,100	23,613	2,487	29,235
Legal					
Other services and charges	68,500	68,500	87,387	(18,887)	67,029
Information and technology					
Personnel services	17,275	17,275	-	17,275	-
Other services and charges	30,500	30,500	41,602	(11,102)	45,304
Total information and technology	47,775	47,775	41,602	6,173	45,304
General government building					
Personnel services	44,950	44,950	50,132	(5,182)	48,156
Supplies	5,600	5,600	4,244	1,356	4,273
Other services and charges	43,950	43,950	35,023	8,927	44,184
Total general government building	94,500	94,500	89,399	5,101	96,613
Total general government	891,950	891,950	889,645	2,305	843,298

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020			2019
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Public safety				
Police protection				
Personnel services	\$ 1,029,850	\$ 1,029,850	\$ 989,832	\$ 948,533
Supplies	40,225	40,225	21,165	49,027
Other services and charges	77,125	77,125	154,037	115,200
Total police protection	<u>1,147,200</u>	<u>1,147,200</u>	<u>1,165,034</u>	<u>1,112,760</u>
Building inspection				
Personnel services	12,350	12,350	6,785	7,977
Other services and charges	35,000	35,000	81,305	56,768
Total building inspection	<u>47,350</u>	<u>47,350</u>	<u>88,090</u>	<u>64,745</u>
Animal control				
Other services and charges	1,000	1,000	1,000	1,000
Total public safety	<u>1,195,550</u>	<u>1,195,550</u>	<u>1,254,124</u>	<u>1,178,505</u>
Public works				
Public works administration				
Personnel services	272,800	272,800	114,441	214,623
Supplies	29,500	29,500	14,331	29,503
Other services and charges	29,200	29,200	37,112	22,371
Total public works administration	<u>331,500</u>	<u>331,500</u>	<u>165,884</u>	<u>266,497</u>
Streets and highways				
Personnel services	63,225	63,225	70,480	68,529
Supplies	43,500	43,500	45,624	24,745
Other services and charges	154,000	154,000	153,502	28,644
Total streets and highways	<u>260,725</u>	<u>260,725</u>	<u>269,606</u>	<u>121,918</u>
Snow and ice removal				
Personnel services	54,125	54,125	38,081	60,948
Supplies	22,150	22,150	15,700	23,147
Other services and charges	8,450	8,450	4,092	11,399
Total snow and ice removal	<u>84,725</u>	<u>84,725</u>	<u>57,873</u>	<u>95,494</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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Road equipment and garage					
Personnel services	\$ 28,525	\$ 28,525	\$ 28,837	\$ (312)	\$ 25,262
Supplies	8,100	8,100	7,494	606	10,450
Other services and charges	14,700	14,700	8,888	5,812	23,217
Total road equipment and garage	51,325	51,325	45,219	6,106	58,929
Garage building					
Personnel services	13,225	13,225	12,779	446	10,759
Supplies	3,350	3,350	3,710	(360)	1,267
Other services and charges	9,900	9,900	11,039	(1,139)	13,806
Total garage building	26,475	26,475	27,528	(1,053)	25,832
Street lighting					
Supplies	500	500	107	393	1,063
Other services and charges	65,800	65,800	66,780	(980)	62,798
Total street lighting	66,300	66,300	66,887	(587)	63,861
Engineering					
Other services and charges	12,000	12,000	21,764	(9,764)	7,656
Total public works	833,050	833,050	654,761	178,289	640,187
Culture and recreation					
Tree maintenance					
Personnel services	26,375	26,375	25,164	1,211	13,584
Supplies	850	850	248	602	141
Other services and charges	9,800	9,800	9,134	666	10,622
Total tree maintenance	37,025	37,025	34,546	2,479	24,347
Parks					
Personnel services	52,075	52,075	56,044	(3,969)	38,539
Supplies	15,900	15,900	16,254	(354)	10,605
Other services and charges	24,150	24,150	29,237	(5,087)	22,778
Total parks	92,125	92,125	101,535	(9,410)	71,922

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Swimming pool					
Personnel services	\$ 75,050	\$ 75,050	\$ 9,240	\$ 65,810	\$ 77,708
Supplies	6,250	6,250	1,672	4,578	3,803
Other services and charges	15,525	15,525	56,477	(40,952)	12,636
Total swimming pool	96,825	96,825	67,389	29,436	94,147
Athletic fields					
Personnel services	15,100	15,100	8,835	6,265	11,871
Supplies	4,600	4,600	8,479	(3,879)	4,578
Other services and charges	13,100	13,100	7,543	5,557	11,846
Total athletic fields	32,800	32,800	24,857	7,943	28,295
Skating					
Personnel services	6,525	6,525	4,449	2,076	3,959
Supplies	200	200	-	200	-
Other services and charges	1,450	1,450	1,804	(354)	985
Total skating	8,175	8,175	6,253	1,922	4,944
Cannon Valley Trail					
Personnel services	181,300	181,300	179,327	1,973	169,492
Supplies	50	50	-	50	(344)
Other services and charges	49,950	49,950	51,237	(1,287)	48,193
Total Cannon Valley Trail	231,300	231,300	230,564	736	217,341
Total culture and recreation	498,250	498,250	465,144	33,106	440,996
Miscellaneous					
Unallocated					
Personnel services	2,100	2,100	2,186	(86)	1,908
Other services and charges	101,500	101,500	203,692	(102,192)	127,050
Total miscellaneous	103,600	103,600	205,878	(102,278)	128,958
Total current	3,522,400	3,522,400	3,469,552	52,848	3,231,944

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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 1,200	\$ 1,200	\$ 8,130	\$ (6,930)	\$ 902
Public safety	-	-	-	-	2,632
Public works	5,300	5,300	13,974	(8,674)	7,447
Total capital outlay	6,500	6,500	22,104	(15,604)	10,981
Debt service					
Capital lease					
Principal	8,400	8,400	8,378	22	8,025
Interest	975	975	969	6	1,321
Total debt service	9,375	9,375	9,347	28	9,346
Total Expenditures	3,538,275	3,538,275	3,501,003	37,272	3,252,271
Excess of Revenues Over Expenditures	159,500	159,500	566,173	406,673	442,799
Other Financing Sources (Uses)					
Transfers out	(159,500)	(159,500)	(159,500)	-	(143,925)
Net Change in Fund Balances	-	-	406,673	406,673	298,874
Fund Balances, January 1	2,585,657	2,585,657	2,585,657	-	2,286,783
Fund Balances, December 31	<u>\$ 2,585,657</u>	<u>\$ 2,585,657</u>	<u>\$ 2,992,330</u>	<u>\$ 406,673</u>	<u>\$ 2,585,657</u>

City of Cannon Falls, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2020

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond	529 2013A G.O. Improvement Bond
Assets				
Cash and temporary investments	\$ 530,289	\$ 83,525	\$ 151,949	\$ 510,040
Receivables				
Accounts	-	-	-	-
Special assessments	<u>312,983</u>	<u>-</u>	<u>169,669</u>	<u>130,803</u>
 Total Assets	 <u><u>\$ 843,272</u></u>	 <u><u>\$ 83,525</u></u>	 <u><u>\$ 321,618</u></u>	 <u><u>\$ 640,843</u></u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	\$ 293,550	\$ -	\$ 115,633	\$ 117,360
Fund Balances				
Restricted for debt service	<u>549,722</u>	<u>83,525</u>	<u>205,985</u>	<u>523,483</u>
 Total Deferred Inflows of Resources and Fund Balances	 <u><u>\$ 843,272</u></u>	 <u><u>\$ 83,525</u></u>	 <u><u>\$ 321,618</u></u>	 <u><u>\$ 640,843</u></u>

530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	Total
<u>\$ 381,653</u>	<u>\$ 460,057</u>	<u>\$ 34,541</u>	<u>\$ 2,152,054</u>
4,333	-	-	4,333
<u>236,763</u>	<u>407,491</u>	<u>-</u>	<u>1,257,709</u>
<u><u>\$ 622,749</u></u>	<u><u>\$ 867,548</u></u>	<u><u>\$ 34,541</u></u>	<u><u>\$ 3,414,096</u></u>
\$ 219,884	\$ 385,413	\$ -	\$ 1,131,840
<u>402,865</u>	<u>482,135</u>	<u>34,541</u>	<u>2,282,256</u>
<u><u>\$ 622,749</u></u>	<u><u>\$ 867,548</u></u>	<u><u>\$ 34,541</u></u>	<u><u>\$ 3,414,096</u></u>

City of Cannon Falls, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	524 2011A G.O. Bonds	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond	529 2013A G.O. Improvement Bond
Revenues				
Taxes	\$ 90,000	\$ 41,850	\$ 135,000	\$ 87,000
Special assessments	31,284	-	90,818	24,007
Interest on investments	2,343	417	-	2,498
Total Revenues	<u>123,627</u>	<u>42,267</u>	<u>225,818</u>	<u>113,505</u>
Expenditures				
Debt service				
Principal	95,000	75,000	310,000	95,000
Interest and other charges	42,145	4,604	9,567	56,872
Total Expenditures	<u>137,145</u>	<u>79,604</u>	<u>319,567</u>	<u>151,872</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,518)</u>	<u>(37,337)</u>	<u>(93,749)</u>	<u>(38,367)</u>
Other Financing Sources				
Transfers in	100,000	-	125,000	80,150
Bonds issued	700,000	-	-	850,000
Premium on bonds	85,618	-	-	129,846
Principal paid to refunding bond escrow agent	(765,000)	-	-	(960,000)
Total Other Financing Sources (Uses)	<u>120,618</u>	<u>-</u>	<u>125,000</u>	<u>99,996</u>
Net Change in Fund Balances	107,100	(37,337)	31,251	61,629
Fund Balances, January 1	<u>442,622</u>	<u>120,862</u>	<u>174,734</u>	<u>461,854</u>
Fund Balances, December 31	<u>\$ 549,722</u>	<u>\$ 83,525</u>	<u>\$ 205,985</u>	<u>\$ 523,483</u>

530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	Total
\$ 82,000	\$ 148,000	\$ 49,000	\$ 632,850
44,036	65,426	-	255,571
1,243	827	-	7,328
<u>127,279</u>	<u>214,253</u>	<u>49,000</u>	<u>895,749</u>
75,000	115,000	34,000	799,000
22,708	62,507	13,680	212,083
<u>97,708</u>	<u>177,507</u>	<u>47,680</u>	<u>1,011,083</u>
<u>29,571</u>	<u>36,746</u>	<u>1,320</u>	<u>(115,334)</u>
64,750	100,000	-	469,900
-	-	-	1,550,000
-	-	-	215,464
-	-	-	(1,725,000)
<u>64,750</u>	<u>100,000</u>	<u>-</u>	<u>510,364</u>
94,321	136,746	1,320	395,030
<u>308,544</u>	<u>345,389</u>	<u>33,221</u>	<u>1,887,226</u>
<u>\$ 402,865</u>	<u>\$ 482,135</u>	<u>\$ 34,541</u>	<u>\$ 2,282,256</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2020

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 200,510	\$ 146,064	\$ 346,574
Receivables			
Loans, net	-	406,361	406,361
Land held for resale	-	150,000	150,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 200,510</u>	<u>\$ 702,425</u>	<u>\$ 902,935</u>
Liabilities			
Accounts and contracts payable	\$ 11,459	\$ -	\$ 11,459
Unearned revenue	23,134	-	23,134
Total Liabilities	<u>34,593</u>	<u>-</u>	<u>34,593</u>
Fund Balances			
Nonspendable			
Land held for resale	-	150,000	150,000
Committed			
Economic development	165,917	-	165,917
Revolving loan program	-	552,425	552,425
Total Fund Balances	<u>165,917</u>	<u>702,425</u>	<u>868,342</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 200,510</u>	<u>\$ 702,425</u>	<u>\$ 902,935</u>
Amounts reported for the Economic Development Authority in the statement of net position are different because			
Total Fund Balances Reported above			\$ 868,342
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			
Net pension liability			(4,962)
Governmental funds do not report long-term amounts related to pensions.			
Deferred outflows of pension resources			368
Deferred inflows of pension resources			(426)
			<u> </u>
Total Net Position - Economic Development Authority			<u>\$ 1,597,446</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2020

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 113,500	\$ -	\$ 113,500
Intergovernmental	16,651	-	16,651
Interest on investments	1,424	2,082	3,506
Miscellaneous	8,980	12,259	21,239
Contributions and donations	45,892	-	45,892
Total Revenues	<u>186,447</u>	<u>14,341</u>	<u>200,788</u>
Expenditures			
Current			
Economic development	<u>168,610</u>	<u>90,524</u>	<u>259,134</u>
Excess (Deficiency of Revenues Over (Under) Expenditures	17,837	(76,183)	(58,346)
Special Item			
Land held for resale	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Net Change in Fund Balances	17,837	73,817	91,654
Fund Balances, January 1	<u>148,080</u>	<u>628,608</u>	<u>776,688</u>
Fund Balances, December 31	<u><u>\$ 165,917</u></u>	<u><u>\$ 702,425</u></u>	<u><u>\$ 868,342</u></u>

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

Net Changes in Fund Balances - Economic Development Authority	\$ 91,654
Long-term pension activity is not reported in governmental funds.	
Pension expense	4,151
Pension revenue	<u>13</u>
Change in Net Position - Economic Development Authority	<u><u>\$ 95,818</u></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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 113,500	\$ 113,500	\$ 113,500	\$ -	\$ 138,700
Intergovernmental	-	-	16,651	16,651	-
Contributions and donations	-	-	45,892	45,892	15,474
Interest on investments	-	-	1,424	1,424	2,157
Miscellaneous revenue	-	-	8,980	8,980	1,645
Total Revenues	<u>113,500</u>	<u>113,500</u>	<u>186,447</u>	<u>72,947</u>	<u>157,976</u>
Expenditures					
Current					
Economic development					
Personnel services	100,000	100,000	50,214	49,786	21,461
Supplies	100	100	-	100	98
Other services and charges	13,400	13,400	118,396	(104,996)	38,560
Total Expenditures	<u>113,500</u>	<u>113,500</u>	<u>168,610</u>	<u>(55,110)</u>	<u>60,119</u>
Net Change in Fund Balances	-	-	17,837	17,837	97,857
Fund Balances, January 1	<u>148,080</u>	<u>148,080</u>	<u>148,080</u>	<u>-</u>	<u>50,223</u>
Fund Balances, December 31	<u>\$ 148,080</u>	<u>\$ 148,080</u>	<u>\$ 165,917</u>	<u>\$ 17,837</u>	<u>\$ 148,080</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, 2020
(With Comparative Actual Amounts for the Year Ended December 31, 2019)

	2020				2019
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest on investments	\$ 100	\$ 100	\$ 2,082	\$ 1,982	\$ 5,416
Miscellaneous	45,100	45,100	12,259	(32,841)	14,378
Total Revenues	45,200	45,200	14,341	(30,859)	19,794
Expenditures					
Current					
Economic development					
Other services and charges	7,000	7,000	90,524	(83,524)	39,497
Excess (Deficiency of Revenues Over (Under) Expenditures	38,200	38,200	(76,183)	(114,383)	(19,703)
Special Item					
Land held for resale	-	-	150,000	150,000	-
Net Change in Fund Balances	38,200	38,200	73,817	35,617	(19,703)
Fund Balances, January 1	628,608	628,608	628,608	-	648,311
Fund Balances, December 31	<u>\$ 666,808</u>	<u>\$ 666,808</u>	<u>\$ 702,425</u>	<u>\$ 35,617</u>	<u>\$ 628,608</u>

City of Cannon Falls, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2020 and 2019

	Total		Percent Increase (Decrease)
	2020	2019	
Revenues			
Taxes	\$ 3,802,999	\$ 3,386,581	12.30 %
Special assessments	273,919	352,143	(22.21)
Licenses and permits	103,041	107,594	(4.23)
Intergovernmental	1,183,229	1,085,360	9.02
Charges for services	122,098	157,399	(22.43)
Fines and forfeits	63,723	34,945	82.35
Investment earnings	22,944	90,231	(74.57)
Miscellaneous	365,985	320,368	14.24
Total Revenues	<u>\$ 5,937,938</u>	<u>\$ 5,534,621</u>	7.29 %
Per Capita	<u>\$ 1,450</u>	<u>\$ 1,344</u>	7.94 %
Expenditures			
Current			
General government	\$ 889,645	\$ 843,298	5.50 %
Public safety	1,491,555	1,403,555	6.27
Public works	654,761	640,187	2.28
Culture and recreation	930,432	890,969	4.43
Miscellaneous	205,878	128,958	59.65
Capital outlay			
General government	8,130	8,634	(5.84)
Public safety	5,394	16,471	(67.25)
Public works	39,042	62,969	(38.00)
Culture and recreation	55,553	56,173	(1.10)
Economic development	49,750	-	100.00
Debt service			
Principal	807,378	641,025	25.95
Interest and other charges	213,052	186,157	14.45
Total Expenditures	<u>\$ 5,350,570</u>	<u>\$ 4,878,396</u>	9.68 %
Per Capita	<u>\$ 1,307</u>	<u>\$ 1,184</u>	10.35 %
Total Long-term Indebtedness	\$ 5,575,000	\$ 6,557,378	(14.98) %
Per Capita	1,362	1,592	(14.46)
General Fund Balance - December 31	\$ 2,992,330	\$ 2,585,657	15.73 %
Per Capita	731	628	16.44

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, 2020

THIS PAGE IS LEFT
BLANK INTENTIONALLY



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2021.

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
June 30, 2021



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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2021.

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) as a basis for designing 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 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

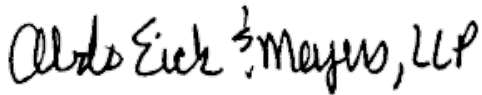
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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
June 30, 2021

THIS PAGE IS LEFT
BLANK INTENTIONALLY

City of Cannon Falls, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2020

<u>Finding</u>	<u>Description</u>
2020-001	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.	