



# Annual Financial Report

## City of Cannon Falls

Cannon Falls, Minnesota

For the year ended December 31, 2021



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City of Cannon Falls, Minnesota  
Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2021

	<u>Page No.</u>
<b>Introductory Section</b>	
Elected and Appointed Officials	9
<b>Financial Section</b>	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
<b>Basic Financial Statements</b>	
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	41
Proprietary Funds	
Statement of Net Position	42
Statement of Revenues, Expenses and Changes in Net Position	44
Statement of Cash Flows	45
Notes to the Financial Statements	47
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	80
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	80
Notes to the Required Supplementary Information - General Employees Retirement Fund	81
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	83
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	83
Notes to the Required Supplementary Information - Public Employees Police and Fire Fund	84
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	86
Notes to the Required Supplementary Information - Fire Relief Association	86
Schedule of Employer's Fire Relief Associations Contributions	86
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	89
Nonmajor Special Revenue Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	91
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Library Fund	93
Cable Public Television Fund	94
Fire Department Operations Fund	95

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City of Cannon Falls, Minnesota  
Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2021

	<u>Page No.</u>
<b>Combining and Individual Fund Financial Statements and Schedules (Continued)</b>	
Nonmajor Capital Projects Funds	
Combining Balance Sheet	96
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	100
Nonmajor Proprietary Funds	
Combining Statement of Net Position	104
Combining Statement of Revenues, Expenses and Changes in Net Position	105
Combining Statement of Cash Flows	107
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	108
Debt Service Funds	
Combining Balance Sheet	114
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	116
Discretely Presented Component Unit	
Economic Development Authority	
Combining Balance Sheet	118
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	119
Economic Development Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	120
Industrial Revolving Loan Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	121
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	122
 <b>Other Required Reports</b>	
Independent Auditor's Report	
on Minnesota Legal Compliance	125
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>	126
Schedule of Finding and Response	129

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INTRODUCTORY SECTION  
CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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City of Cannon Falls, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2021

**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

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FINANCIAL SECTION  
CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Cannon Falls, Minnesota

### Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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.

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **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 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.



### **Other Information**

Management is responsible for the other information in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, 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**  
Minneapolis, Minnesota  
June 15, 2022



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## **Management's Discussion and Analysis**

As management of the City of Cannon Falls, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2021.

### **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 \$35,370,960 (net position). Of this amount, \$6,619,664 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$2,072,032. This increase is due to governmental activities and business-type activities, which increased \$1,637,778 and \$434,254, respectively. The increase from Governmental activities primarily due to a decrease in expenses. The business-type activities increased due to decreased deputy registrar fund expense activity.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,369,277, an increase of \$694,336 in comparison with the prior year.
- At the end of the current fiscal year, total fund balance for the General fund was \$3,228,174 or 80.5 percent of 2021 General fund budget expenditures.
- The City's outstanding debt decreased by \$2,260,081 during the current fiscal year due to scheduled debt payments and prepayment of bonds.

## Overview of the Financial Statements

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

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

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

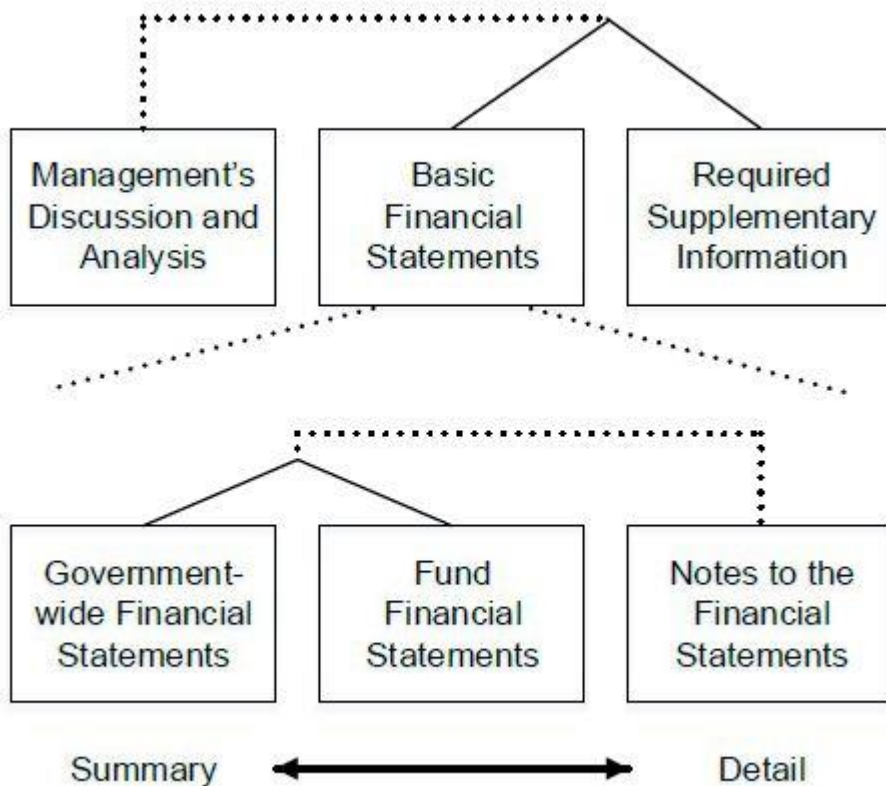


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 42 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

**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 80 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 88 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$35,370,960 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 8,991,636	\$ 8,340,344	\$ 651,292	\$ 4,302,453	\$ 4,662,871	\$ (360,418)
Capital assets	15,122,153	15,184,077	(61,924)	19,947,823	20,777,315	(829,492)
<b>Total Assets</b>	<b>24,113,789</b>	<b>23,524,421</b>	<b>589,368</b>	<b>24,250,276</b>	<b>25,440,186</b>	<b>(1,189,910)</b>
Deferred Outflows of Resources	1,347,901	636,705	711,196	164,545	32,934	131,611
<b>Liabilities</b>						
Long-term liabilities outstanding	6,304,158	7,960,716	(1,656,558)	5,403,686	7,067,840	(1,664,154)
Other liabilities	505,113	402,871	102,242	110,149	133,044	(22,895)
<b>Total Liabilities</b>	<b>6,809,271</b>	<b>8,363,587</b>	<b>(1,554,316)</b>	<b>5,513,835</b>	<b>7,200,884</b>	<b>(1,687,049)</b>
Deferred Inflows of Resources	1,950,006	732,904	1,217,102	232,439	37,943	194,496
<b>Net Position</b>						
Net investment in capital assets	10,360,489	9,591,916	768,573	14,887,336	14,282,056	605,280
Restricted	3,503,471	3,511,033	(7,562)	-	-	-
Unrestricted	2,838,453	1,961,686	876,767	3,781,211	3,952,237	(171,026)
<b>Total Net Position</b>	<b>\$ 16,702,413</b>	<b>\$ 15,064,635</b>	<b>\$ 1,637,778</b>	<b>\$ 18,668,547</b>	<b>\$ 18,234,293</b>	<b>\$ 434,254</b>

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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 666,354	\$ 635,079	\$ 31,275	\$ 4,015,518	\$ 3,719,397	\$ 296,121
Operating grants and contributions	341,290	515,666	(174,376)	24,012	287,242	(263,230)
Capital grants and contributions	81,147	130,425	(49,278)	105,135	52,848	52,287
General Revenues						
Taxes	3,800,188	3,780,980	19,208	-	-	-
Grants and Contributions not Restricted to Specific Programs	700,375	686,403	13,972	-	-	-
Investment Earnings	3,278	22,944	(19,666)	3,029	29,134	(26,105)
Gain on Sale of Capital Assets	-	-	-	-	-	-
<b>Total Revenues</b>	<b>5,592,632</b>	<b>5,771,497</b>	<b>(178,865)</b>	<b>4,147,694</b>	<b>4,088,621</b>	<b>59,073</b>
Expenses						
General government	831,571	875,598	(44,027)	-	-	-
Public safety	1,272,181	1,597,807	(325,626)	-	-	-
Public works	1,312,768	1,191,057	121,711	-	-	-
Culture and recreation	1,082,365	980,722	101,643	-	-	-
Economic development	57,437	49,750	7,687	-	-	-
Miscellaneous	54,138	205,878	(151,740)	-	-	-
Interest and service charges	144,321	187,919	(43,598)	-	-	-
Water utility	-	-	-	688,447	745,194	(56,747)
Disposal	-	-	-	1,099,569	1,172,818	(73,249)
Storm water	-	-	-	70,121	104,621	(34,500)
Recycling program	-	-	-	65,724	65,449	275
Ambulance	-	-	-	929,859	1,000,016	(70,157)
Deputy registrar	-	-	-	59,793	161,892	(102,099)
<b>Total Expenses</b>	<b>4,754,781</b>	<b>5,088,731</b>	<b>(333,950)</b>	<b>2,913,513</b>	<b>3,249,990</b>	<b>(336,477)</b>
Change in Net Position before Transfers	837,851	682,766	155,085	1,234,181	838,631	395,550
Transfers	799,927	452,375	347,552	(799,927)	(452,375)	(347,552)
Change in Net Position	1,637,778	1,135,141	502,637	434,254	386,256	47,998
Net Position, January 1	15,064,635	13,929,494	1,135,141	18,234,293	17,848,037	386,256
Net Position, December 31	<u>\$ 16,702,413</u>	<u>\$ 15,064,635</u>	<u>\$ 1,637,778</u>	<u>\$ 18,668,547</u>	<u>\$ 18,234,293</u>	<u>\$ 434,254</u>

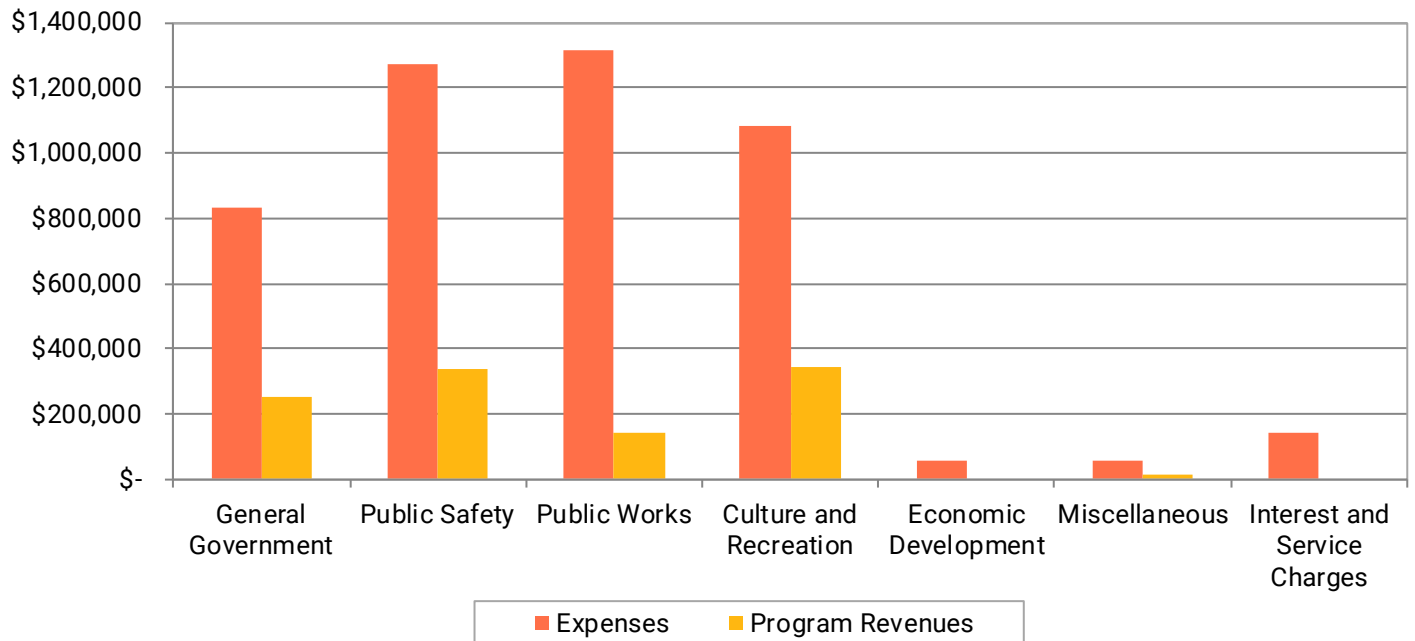
The decrease in operating grants and contributions is due to the CARES act funding received in 2020.

The decrease in public safety expenditures is due to less expenditures in relation to the COVID-19 pandemic.

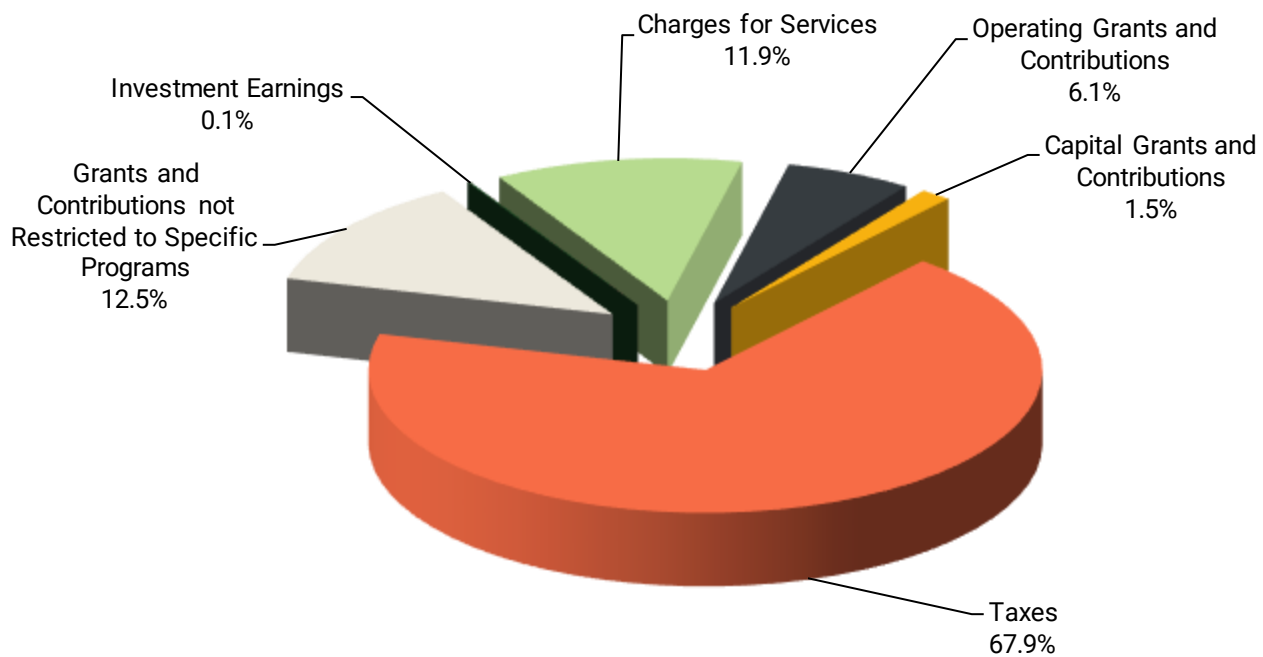
The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

**Governmental Activities.** Net position in the governmental activities increased \$1,637,778.

### Expenses and Program Revenues - Governmental Activities

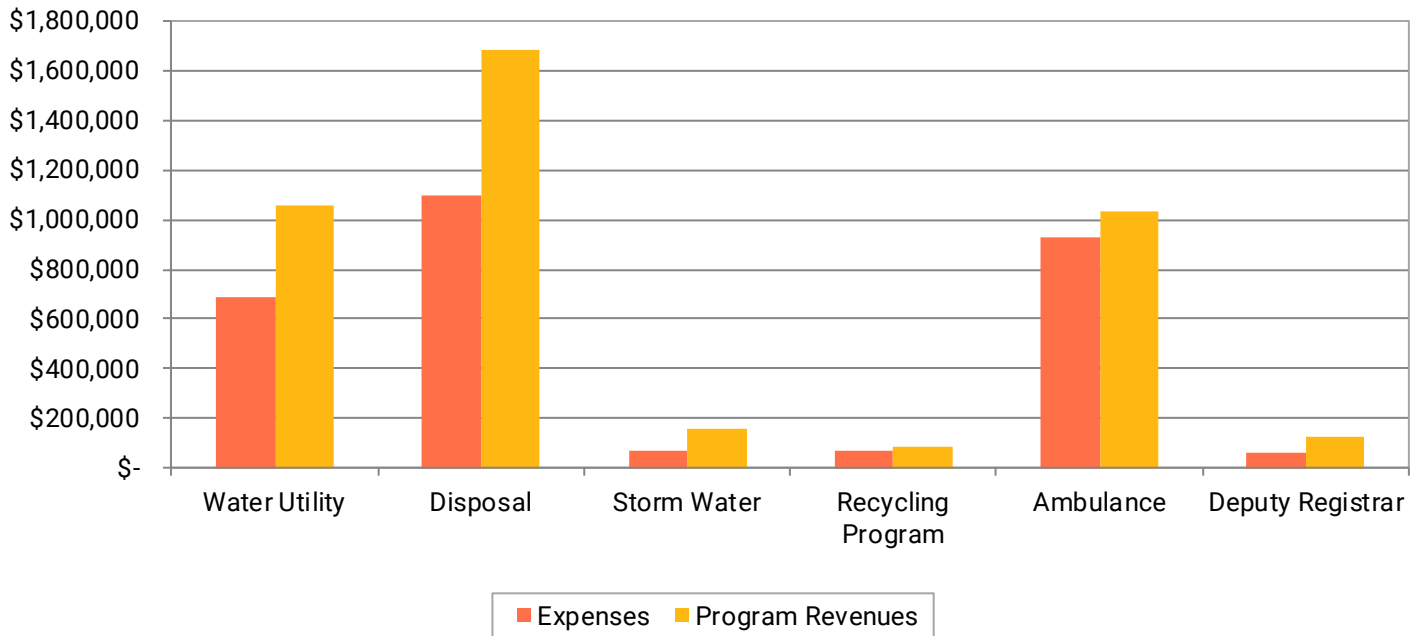


### Revenues by Source - Governmental Activities

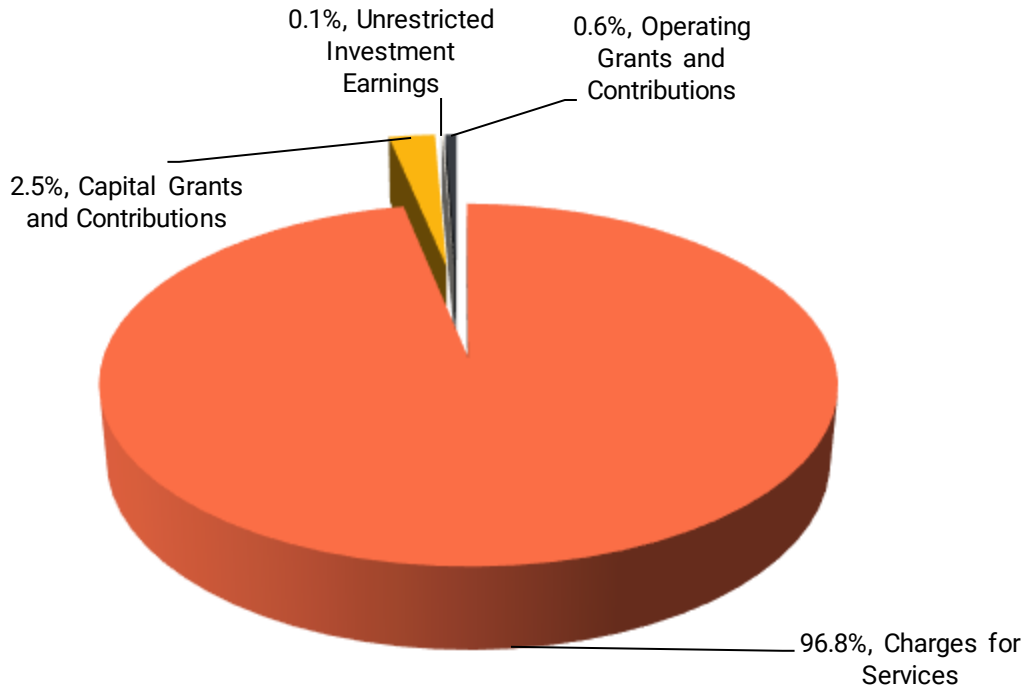


**Business-type Activities.** Net position in business-type activities increased by \$434,254.

### 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 \$7,369,277, an increase of \$694,336 in comparison with the prior year. Approximately 36.9 percent of this total amount (\$2,717,960) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance (\$4,651,317) is not available for new spending because it is either 1) nonspendable (\$44,964) 2) restricted (\$2,603,337), 3) committed (\$1,361,805), or 4) assigned (\$641,211). 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)
	2021	2020	
<b>General</b>	\$ 3,228,174	\$ 2,992,330	\$ 235,844

Fund balance increased \$235,844. This was due to an increase in property taxes and an overall decrease of expenditures across the departments.

<b>Debt Service</b>	\$ 2,430,407	\$ 2,282,256	\$ 148,151
---------------------	--------------	--------------	------------

The Debt Service funds increased due to transfers in from other funds.

**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 \$3,781,211.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during 2021. Compared to the final budget, revenues were over budget by \$225,551 and expenditures were over budget by \$50,384.

- The largest revenue variance was from intergovernmental revenues primarily a result of proceeds from small cities assistance aid. The revenue amount was \$851,468 which was over budget by \$91,357.
- The largest variance in expenditures was in the general government function where expenditures were over budget by \$52,489. This was due to more than expected costs related to administration.

### 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, 2021, amounts to \$35,069,976 (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 60 of this report.

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

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 1,149,292	\$1,149,292	\$ -	\$ 87,816	\$ 87,816	\$ -
Construction in Progress	-	46,112	(46,112)	-	-	-
Buildings and Improvements	2,856,956	2,967,229	(110,273)	3,256	3,791	(535)
System Improvements/Infrastruct	9,382,407	9,637,994	(255,587)	19,194,773	20,000,199	(805,426)
Machinery and Equipment	393,726	462,558	(68,832)	280,305	232,808	47,497
Vehicles	1,339,772	920,892	418,880	381,673	452,701	(71,028)
<b>Total</b>	<b>\$ 15,122,153</b>	<b>\$ 15,184,077</b>	<b>\$ (61,924)</b>	<b>\$ 19,947,823</b>	<b>\$ 20,777,315</b>	<b>\$ (829,492)</b>

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded and capital lease debt outstanding of \$9,645,829. 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Revenue Bonds	\$ 4,295,342	\$5,250,000	\$ (954,658)	\$ 5,060,487	\$ 6,330,910	\$ (1,270,423)
General Obligation Equipment Certificates	290,000	325,000	(35,000)	-	-	-
<b>Total</b>	<b>\$ 4,585,342</b>	<b>\$5,575,000</b>	<b>\$ (989,658)</b>	<b>\$ 5,060,487</b>	<b>\$ 6,330,910</b>	<b>\$ (1,270,423)</b>

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

Additional information on the City's long-term debt can be found in Note 3E starting on page 63 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- Property values have increased to keep up with sales according to MN State Statutes. Multifamily housing seen an increase and single family homes are stable. Inflation is causing stress on the existing budget and will be monitored during the 2023 budget cycle.
- Water and sewer rates are sufficient to cover costs due to bonds expiring in 2022 but with rising prices due to inflation an increase is favorable.
- The City will continue to update and monitor its Financial Management Plan to ensure that the numerous scheduled capital projects can be completed as budgeted.
- The City will continue to investigate grant opportunities or seek legislative funding for capital projects to minimize the financial impact on City budgets and utility rates.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant City Administrator, City of Cannon Falls, 918 River Road, Cannon Falls, MN 55009.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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City of Cannon Falls, Minnesota

Statement of Net Position

December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
<b>Assets</b>				
Cash and temporary investments	\$ 7,357,799	\$ 3,142,607	\$ 10,500,406	\$ 367,109
Receivables				
Accrued interest	2,876	-	2,876	-
Taxes	69,501	-	69,501	-
Accounts, net of allowance	128,231	710,007	838,238	-
Special assessments	1,124,427	418,866	1,543,293	-
Loans, net of allowance	-	-	-	386,451
Due from other governments	105,537	-	105,537	-
Inventories, at cost	-	10,332	10,332	-
Prepaid items	44,964	20,641	65,605	-
Net pension asset	158,301	-	158,301	-
Land held for resale	-	-	-	265,900
Capital assets				
Land and construction in progress	1,149,292	87,816	1,237,108	734,124
Depreciable buildings, property and equipment, net	13,972,861	19,860,007	33,832,868	-
<b>Total Assets</b>	<b>24,113,789</b>	<b>24,250,276</b>	<b>48,364,065</b>	<b>1,753,584</b>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	1,347,901	164,545	1,512,446	72
<b>Liabilities</b>				
Accounts and contracts payable	84,004	48,164	132,168	53
Accrued interest payable	46,393	48,018	94,411	-
Due to other governments	-	2,886	2,886	-
Accrued salaries payable	30,847	11,081	41,928	-
Deposits payable	94,822	-	94,822	-
Unearned revenue	249,047	-	249,047	14,527
Noncurrent liabilities				
Due within one year				
Long-term liabilities	511,385	831,501	1,342,886	-
Due in more than one year				
Long-term liabilities	4,514,501	4,331,288	8,845,789	-
Net pension liability	1,278,272	240,897	1,519,169	140
<b>Total Liabilities</b>	<b>6,809,271</b>	<b>5,513,835</b>	<b>12,323,106</b>	<b>14,720</b>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	1,950,006	232,439	2,182,445	110
<b>Net Position</b>				
Net investment in capital assets	10,360,489	14,887,336	25,247,825	734,124
Restricted for				
Debt service	3,330,541	-	3,330,541	-
Cable television	167,881	-	167,881	-
Park improvements	486	-	486	-
Economic development	4,563	-	4,563	-
Unrestricted	2,838,453	3,781,211	6,619,664	1,004,702
<b>Total Net Position</b>	<b>\$ 16,702,413</b>	<b>\$ 18,668,547</b>	<b>\$ 35,370,960</b>	<b>\$ 1,738,826</b>

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

City of Cannon Falls, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 831,571	\$ 253,017	\$ -	\$ -
Public safety	1,272,181	191,683	144,253	-
Public works	1,312,768	-	71,968	69,224
Culture and recreation	1,082,365	217,660	125,069	-
Economic development	57,437	-	-	-
Miscellaneous	54,138	3,994	-	11,923
Interest on long-term debt	144,321	-	-	-
Total Governmental Activities	<u>4,754,781</u>	<u>666,354</u>	<u>341,290</u>	<u>81,147</u>
<b>Business-type Activities</b>				
Water utility	688,447	1,019,262	-	41,956
Disposal	1,099,569	1,630,242	-	55,965
Storm water	70,121	149,748	-	4,314
Recycling program	65,724	84,056	-	2,900
Ambulance	929,859	1,006,363	24,012	-
Deputy registrar	59,793	125,847	-	-
Total Business-type Activities	<u>2,913,513</u>	<u>4,015,518</u>	<u>24,012</u>	<u>105,135</u>
Total Primary Government	<u>\$ 7,668,294</u>	<u>\$ 4,681,872</u>	<u>\$ 365,302</u>	<u>\$ 186,282</u>
<b>Component Unit</b>				
Economic Development Authority	<u>\$ 78,059</u>	<u>\$ 10,761</u>	<u>\$ 20,866</u>	<u>\$ 115,900</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
\$ (578,554)	\$ -	\$ (578,554)	\$ -
(936,245)	-	(936,245)	-
(1,171,576)	-	(1,171,576)	-
(739,636)	-	(739,636)	-
(57,437)	-	(57,437)	-
(38,221)	-	(38,221)	-
(144,321)	-	(144,321)	-
<u>(3,665,990)</u>	<u>-</u>	<u>(3,665,990)</u>	<u>-</u>
-	372,771	372,771	-
-	586,638	586,638	-
-	83,941	83,941	-
-	21,232	21,232	-
-	100,516	100,516	-
-	66,054	66,054	-
<u>-</u>	<u>1,231,152</u>	<u>1,231,152</u>	<u>-</u>
<u>(3,665,990)</u>	<u>1,231,152</u>	<u>(2,434,838)</u>	<u>-</u>
			<u>69,468</u>
2,125,583	-	2,125,583	-
473,350	-	473,350	-
42,100	-	42,100	71,810
364,358	-	364,358	-
121,675	-	121,675	-
594,617	-	594,617	-
31,401	-	31,401	-
47,104	-	47,104	-
700,375	-	700,375	-
3,278	3,029	6,307	102
799,927	(799,927)	-	-
<u>5,303,768</u>	<u>(796,898)</u>	<u>4,506,870</u>	<u>71,912</u>
1,637,778	434,254	2,072,032	141,380
<u>15,064,635</u>	<u>18,234,293</u>	<u>33,298,928</u>	<u>1,597,446</u>
<u>\$ 16,702,413</u>	<u>\$ 18,668,547</u>	<u>\$ 35,370,960</u>	<u>\$ 1,738,826</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Cannon Falls, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2021

	General	Debt Service	Other Governmental	Total Governmental
<b>Assets</b>				
Cash and temporary investments	\$ 3,120,591	\$ 2,310,485	\$ 1,926,723	\$ 7,357,799
Receivables				
Accrued interest	2,876	-	-	2,876
Taxes	69,501	-	-	69,501
Accounts	100,638	-	27,593	128,231
Special assessments	54,273	1,066,449	3,705	1,124,427
Due from other funds	14,880	-	-	14,880
Due from other governments	105,537	-	-	105,537
Prepaid items	39,518	-	5,446	44,964
	<u>3,507,814</u>	<u>3,376,934</u>	<u>1,963,467</u>	<u>8,848,215</u>
<b>Total Assets</b>	<b><u>\$ 3,507,814</u></b>	<b><u>\$ 3,376,934</u></b>	<b><u>\$ 1,963,467</u></b>	<b><u>\$ 8,848,215</u></b>
<b>Liabilities</b>				
Accounts and contracts payable	\$ 77,134	\$ -	\$ 6,870	\$ 84,004
Due to other funds	-	-	14,880	14,880
Accrued salaries payable	24,828	-	6,019	30,847
Unearned revenue	27,750	-	221,297	249,047
Deposits payable	94,822	-	-	94,822
<b>Total Liabilities</b>	<u>224,534</u>	<u>-</u>	<u>249,066</u>	<u>473,600</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	16,468	-	-	16,468
Unavailable revenue - special assessments	38,638	946,527	3,705	988,870
<b>Total Deferred Inflows of Resources</b>	<u>55,106</u>	<u>946,527</u>	<u>3,705</u>	<u>1,005,338</u>
<b>Fund Balances</b>				
Nonspendable	39,518	-	5,446	44,964
Restricted	-	2,430,407	172,930	2,603,337
Committed	-	-	1,361,805	1,361,805
Assigned	-	-	641,211	641,211
Unassigned	3,188,656	-	(470,696)	2,717,960
<b>Total Fund Balances</b>	<u>3,228,174</u>	<u>2,430,407</u>	<u>1,710,696</u>	<u>7,369,277</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 3,507,814</u></b>	<b><u>\$ 3,376,934</u></b>	<b><u>\$ 1,963,467</u></b>	<b><u>\$ 8,848,215</u></b>

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

City of Cannon Falls, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2021

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

Total Fund Balances - Governmental Funds	\$ 7,369,277
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	26,633,720
Less: accumulated depreciation	(11,511,567)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	
	158,301
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	(4,780,286)
Compensated absences payable	(245,600)
Net pension liability	(1,278,272)
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	16,468
Special assessments receivable	988,870
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,347,901
Deferred inflows of pension resources	(1,950,006)
Governmental funds do not report a liability for accrued interest until due and payable.	(46,393)
Total Net Position - Governmental Activities	\$ 16,702,413

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, 2021

	General	Debt Service	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 2,739,450	\$ 473,350	\$ 606,638	\$ 3,819,438
Licenses and permits	127,184	-	-	127,184
Intergovernmental	851,468	-	180,379	1,031,847
Charges for services	55,000	-	96,656	151,656
Fines and forfeitures	15,324	-	1,092	16,416
Special assessments	19,093	240,242	4,229	263,564
Interest on investments (loss)	4,390	(924)	(188)	3,278
Miscellaneous	373,791	-	29,884	403,675
Total Revenues	<u>4,185,700</u>	<u>712,668</u>	<u>918,690</u>	<u>5,817,058</u>
Expenditures				
Current				
General government	780,141	-	-	780,141
Public safety	1,080,157	-	237,761	1,317,918
Public works	844,870	-	-	844,870
Culture and recreation	542,641	-	481,919	1,024,560
Miscellaneous	54,138	-	-	54,138
Capital outlay				
Public safety	893	-	512,641	513,534
Public works	21,887	-	114,454	136,341
Culture and recreation	-	-	37,071	37,071
Economic development	-	-	57,437	57,437
Debt service				
Principal	-	989,658	-	989,658
Interest and other charges	-	166,981	-	166,981
Total Expenditures	<u>3,324,727</u>	<u>1,156,639</u>	<u>1,441,283</u>	<u>5,922,649</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>860,973</u>	<u>(443,971)</u>	<u>(522,593)</u>	<u>(105,591)</u>
Other Financing Sources (Uses)				
Transfers in	120,277	612,352	1,258,136	1,990,765
Transfers out	(745,406)	(20,230)	(425,202)	(1,190,838)
Total Other Financing Sources (Uses)	<u>(625,129)</u>	<u>592,122</u>	<u>832,934</u>	<u>799,927</u>
Net Change in Fund Balances	235,844	148,151	310,341	694,336
Fund Balances, January 1	<u>2,992,330</u>	<u>2,282,256</u>	<u>1,400,355</u>	<u>6,674,941</u>
Fund Balances, December 31	<u>\$ 3,228,174</u>	<u>\$ 2,430,407</u>	<u>\$ 1,710,696</u>	<u>\$ 7,369,277</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, 2021

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

Net Change in Fund Balances - Governmental Funds	\$ 694,336
<p>Capital outlays and sales are reported in governmental funds as expenditures and proceeds. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense and the proceeds are reported as reductions of net position and gains or losses on sales.</p>	
Capital outlays	682,948
Depreciation expense	(752,924)
<p>Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.</p>	
Disposals	8,052
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Principal payments	989,658
Amortization of bond premium	15,390
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	7,270
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	220,139
Direct aid contributions	9,364
<p>Certain revenues are recognized as soon as earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(19,250)
Special assessments	(205,176)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	<u>(12,029)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,637,778</u>

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

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City of Cannon Falls, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,739,263	\$ 2,739,263	\$ 2,739,450	\$ 187
Licenses and permits	58,775	58,775	127,184	68,409
Intergovernmental	760,111	760,111	851,468	91,357
Charges for services	43,450	43,450	55,000	11,550
Fines and forfeitures	26,000	26,000	15,324	(10,676)
Special assessments	17,200	17,200	19,093	1,893
Interest on investments	10,000	10,000	4,390	(5,610)
Miscellaneous	305,350	305,350	373,791	68,441
Total Revenues	<u>3,960,149</u>	<u>3,960,149</u>	<u>4,185,700</u>	<u>225,551</u>
Expenditures				
Current				
General government	727,652	727,652	780,141	(52,489)
Public safety	1,086,801	1,086,801	1,080,157	6,644
Public works	844,366	844,366	844,870	(504)
Culture and recreation	491,824	491,824	542,641	(50,817)
Miscellaneous	101,000	101,000	54,138	46,862
Capital outlay	22,700	22,700	22,780	(80)
Total Expenditures	<u>3,274,343</u>	<u>3,274,343</u>	<u>3,324,727</u>	<u>(50,384)</u>
Excess of Revenues Over Expenditures	<u>685,806</u>	<u>685,806</u>	<u>860,973</u>	<u>175,167</u>
Other Financing Sources (Uses)				
Transfers in	-	-	120,277	120,277
Transfers out	(685,806)	(685,806)	(745,406)	(59,600)
Total Other Financing Sources (Uses)	<u>(685,806)</u>	<u>(685,806)</u>	<u>(625,129)</u>	<u>60,677</u>
Net Change in Fund Balances	-	-	235,844	235,844
Fund Balances, January 1	<u>2,992,330</u>	<u>2,992,330</u>	<u>2,992,330</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,992,330</u>	<u>\$ 2,992,330</u>	<u>\$ 3,228,174</u>	<u>\$ 235,844</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, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 1,139,238	\$ 793,335	\$ 385,267	\$ 824,767	\$ 3,142,607
Receivables					
Accounts, net of allowance	82,926	150,103	454,149	22,829	710,007
Special assessments	99,362	105,523	-	7,103	211,988
Inventories, at cost	5,166	5,166	-	-	10,332
Prepaid items	2,494	7,096	11,051	-	20,641
<b>Total Current Assets</b>	<u>1,329,186</u>	<u>1,061,223</u>	<u>850,467</u>	<u>854,699</u>	<u>4,095,575</u>
<b>Noncurrent Assets</b>					
Special assessments receivable	111,611	95,267	-	-	206,878
<b>Capital assets</b>					
Land and construction in progress	87,816	-	-	-	87,816
Depreciable buildings, property, and equipment	14,550,451	20,860,964	917,269	1,419,130	37,747,814
Accumulated depreciation	<u>(7,249,061)</u>	<u>(9,840,212)</u>	<u>(451,408)</u>	<u>(347,126)</u>	<u>(17,887,807)</u>
<b>Total Net Capital Assets</b>	<u>7,389,206</u>	<u>11,020,752</u>	<u>465,861</u>	<u>1,072,004</u>	<u>19,947,823</u>
<b>Total Noncurrent Assets</b>	<u>7,500,817</u>	<u>11,116,019</u>	<u>465,861</u>	<u>1,072,004</u>	<u>20,154,701</u>
<b>Total Assets</b>	<u>8,830,003</u>	<u>12,177,242</u>	<u>1,316,328</u>	<u>1,926,703</u>	<u>24,250,276</u>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	23,613	34,073	106,595	264	164,545

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

City of Cannon Falls, Minnesota  
Statement of Net Position (Continued)  
Proprietary Funds  
December 31, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts and contracts payable	\$ 11,095	\$ 29,719	\$ 7,350	\$ -	\$ 48,164
Accrued interest payable	17,831	24,253	-	5,934	48,018
Due to other governments	2,886	-	-	-	2,886
Accrued salaries payable	974	2,510	7,597	-	11,081
Compensated absences payable	3,798	5,148	16,631	-	25,577
Bonds payable	113,687	649,596	-	42,641	805,924
Total Current Liabilities	<u>150,271</u>	<u>711,226</u>	<u>31,578</u>	<u>48,575</u>	<u>941,650</u>
<b>Noncurrent Liabilities</b>					
Compensated absences payable	11,392	15,440	49,893	-	76,725
Bonds payable	1,753,016	1,881,716	-	619,831	4,254,563
Net pension liability	34,580	49,887	156,042	388	240,897
Total Noncurrent Liabilities	<u>1,798,988</u>	<u>1,947,043</u>	<u>205,935</u>	<u>620,219</u>	<u>4,572,185</u>
Total Liabilities	<u>1,949,259</u>	<u>2,658,269</u>	<u>237,513</u>	<u>668,794</u>	<u>5,513,835</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	<u>33,359</u>	<u>48,134</u>	<u>150,573</u>	<u>373</u>	<u>232,439</u>
<b>Net Position</b>					
Net investment in capital assets	5,522,503	8,489,440	465,861	409,532	14,887,336
Unrestricted	<u>1,348,495</u>	<u>1,015,472</u>	<u>568,976</u>	<u>848,268</u>	<u>3,781,211</u>
Total Net Position	<u>\$ 6,870,998</u>	<u>\$ 9,504,912</u>	<u>\$ 1,034,837</u>	<u>\$ 1,257,800</u>	<u>\$ 18,668,547</u>

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, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise funds	
Operating Revenues					
Charges for services	\$ 1,019,262	\$ 1,630,242	\$ 1,006,363	\$ 359,165	\$ 4,015,032
Operating Expenses					
Personnel services	123,090	187,379	652,906	54,352	1,017,727
Supplies	33,757	45,443	54,236	4,958	138,394
Repairs and maintenance	19,536	16,644	52,159	636	88,975
Depreciation	352,463	535,230	87,025	46,338	1,021,056
Insurance	5,232	17,200	4,689	-	27,121
Utilities	63,220	132,053	14,960	-	210,233
Other services and charges	32,857	89,770	63,884	71,851	258,362
Total Operating Expenses	<u>630,155</u>	<u>1,023,719</u>	<u>929,859</u>	<u>178,135</u>	<u>2,761,868</u>
Operating Income (Loss)	<u>389,107</u>	<u>606,523</u>	<u>76,504</u>	<u>181,030</u>	<u>1,253,164</u>
Nonoperating Revenues (Expenses)					
Interest on investments	1,935	1,031	243	(180)	3,029
Other income	-	-	24,012	486	24,498
Interest expense	(58,292)	(75,850)	-	(17,503)	(151,645)
Total Nonoperating Revenues (Expenses)	<u>(56,357)</u>	<u>(74,819)</u>	<u>24,255</u>	<u>(17,197)</u>	<u>(124,118)</u>
Income Before					
Contributions and Transfers	332,750	531,704	100,759	163,833	1,129,046
Capital Contributions	41,956	55,965	-	7,214	105,135
Transfers In	-	-	50,000	40,000	90,000
Transfers Out	(561,200)	(209,350)	-	(119,377)	(889,927)
Change in Net Position	(186,494)	378,319	150,759	91,670	434,254
Net Position, January 1	<u>7,057,492</u>	<u>9,126,593</u>	<u>884,078</u>	<u>1,166,130</u>	<u>18,234,293</u>
Net Position, December 31	<u>\$ 6,870,998</u>	<u>\$ 9,504,912</u>	<u>\$ 1,034,837</u>	<u>\$ 1,257,800</u>	<u>\$ 18,668,547</u>

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

City of Cannon Falls, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Totals
	Water Utility	Disposal	Ambulance	Nonmajor Enterprise Funds	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,025,439	\$ 1,640,441	\$ 1,037,056	\$ 360,237	\$ 4,063,173
Payments to suppliers	(150,483)	(286,850)	(204,133)	(78,651)	(720,117)
Payments to employees	(139,213)	(197,578)	(676,054)	(135,123)	(1,147,968)
Net Cash Provided (Used) by Operating Activities	<u>735,743</u>	<u>1,156,013</u>	<u>156,869</u>	<u>146,463</u>	<u>2,195,088</u>
Cash Flows from Noncapital and Related Financing Activities					
Transfers in	-	-	50,000	40,000	90,000
Transfers out	(561,200)	(209,350)	-	(119,377)	(889,927)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(561,200)</u>	<u>(209,350)</u>	<u>50,000</u>	<u>(79,377)</u>	<u>(799,927)</u>
Cash Flows from Capital and Related Financing Activities					
Permits and connection fees received	13,384	8,316	-	-	21,700
Special assessments received	122,161	103,056	-	7,214	232,431
Acquisition of capital assets	(93,874)	(60,690)	(37,000)	-	(191,564)
Principal paid on bonds	(472,677)	(947,468)	-	(42,197)	(1,462,342)
Interest paid on bonds and capital leases	(69,830)	(93,603)	-	(20,489)	(183,922)
Net Cash Used by Capital and Related Financing Activities	<u>(500,836)</u>	<u>(990,389)</u>	<u>(37,000)</u>	<u>(55,472)</u>	<u>(1,583,697)</u>
Cash Flows from Investing Activities					
Interest received from investments	1,935	1,031	243	(180)	3,029
Net Increase (Decrease) in Cash and Cash Equivalents	(324,358)	(42,695)	170,112	11,434	(185,507)
Cash and Cash Equivalents, January 1	<u>1,463,596</u>	<u>836,030</u>	<u>215,155</u>	<u>813,333</u>	<u>3,328,114</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,139,238</u>	<u>\$ 793,335</u>	<u>\$ 385,267</u>	<u>\$ 824,767</u>	<u>\$ 3,142,607</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 389,107	\$ 606,523	\$ 76,504	\$ 181,030	\$ 1,253,164
Adjustments to reconcile operating income to net cash provided by operating activities					
Other income	-	-	24,012	486	24,498
Depreciation	352,463	535,230	87,025	46,338	1,021,056
(Increase) decrease in assets/deferred outflows of resources					
Accounts receivable	6,177	10,199	6,681	2,142	25,199
Special assessments receivable	-	-	-	(1,556)	(1,556)
Inventory	896	896	-	-	1,792
Prepaid items	360	(368)	299	189	480
Deferred pension resources	(18,924)	(28,052)	(89,198)	4,563	(131,611)
Increase (decrease) in liabilities/deferred inflows of resources					
Accounts and contracts payable	2,469	13,732	(14,504)	(1,395)	302
Due to other governments	394	-	-	-	394
Accrued salaries payable	(681)	731	(4,441)	(2,075)	(6,466)
Compensated absences payable	883	3,004	6,159	(16,792)	(6,746)
Deferred pension resources	27,956	41,197	130,532	(5,189)	194,496
Net pension liability	(25,357)	(27,079)	(66,200)	(61,278)	(179,914)
Net Cash Provided (Used) by Operating Activities	<u>\$ 735,743</u>	<u>\$ 1,156,013</u>	<u>\$ 156,869</u>	<u>\$ 146,463</u>	<u>\$ 2,195,088</u>
Noncash Capital and Related Financing Activities					
Amortization of bond premiums	<u>\$ 5,554</u>	<u>\$ 7,165</u>	<u>\$ -</u>	<u>\$ 2,433</u>	<u>\$ 15,152</u>

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

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City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

## 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, 2021

**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, 2021

**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, 2021

**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 acknowledgment 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, 2021:

- Negotiable certificates of deposits and US treasury bills of \$480,355 are valued using a matrix pricing model (Level 2 inputs).

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. 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 \$194,635 as of December 31, 2021.

***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, 2021

**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, 2021

**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	\$ (19,203)	\$ (36,937)	\$ 95,616	\$ 39,476

**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 \$347,902 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, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Long-term Obligations***

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

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

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

***Unearned revenue***

The City's unearned revenue consists of grant revenue from the American Rescue Plan Act that has not yet met the revenue recognition criteria

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator or Finance Director.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 40-50 percent of budgeted operating expenditures for cash-flow timing needs.

***Net Position***

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

The appropriated budget is prepared by fund, function and department. The City's Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2021.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2021, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$ 3,274,343	\$ 3,324,727	\$ 50,384
Nonmajor			
Library fund	493,933	504,372	10,439
Component Unit			
Economic Development fund	71,810	73,102	1,292
Industrial Revolving Loan fund	1,250	9,799	8,549

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, 2021

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**C. Deficit Fund Equity**

The following funds had fund equity deficits at December 31, 2021:

Fund	Amount
Capital Project	
3rd Street Bridge	\$ 102,659
Fire Capital	271,042
TIF 2-8	3,980
TIF 2-9	7,900
TIF 2-10	3,000
Alexander Court	80,195
Keith Meyer Abatement	1,920

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

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

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

**Deposits**

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

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



City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 \$6,462,181 and the bank balance was \$6,590,999. The bank balance was covered by federal depository insurance totaling \$6,590,999.

**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, 2021

**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	\$ 3,924,384			
Money market fund	N/A	Less than 6 months	180			
Non-pooled Investments at Fair Value						
U.S. Treasury Bill	N/A	Less than 1 year	150,939	\$ -	\$ 150,939	\$ -
Negotiable CDs	N/A	1 to 5 years	329,416	-	329,416	-
Total Investments			<u>\$ 4,404,919</u>	<u>\$ -</u>	<u>\$ 480,355</u>	<u>\$ -</u>

(1) Ratings are provided by Standard & Poors agency where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

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

	Amount
Carrying Amount of Deposits	\$ 6,462,181
Investments	4,404,919
Cash on Hand	<u>415</u>
Total	<u>\$ 10,867,515</u>
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 10,500,406
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>367,109</u>
Total	<u>\$ 10,867,515</u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2021 was \$70,320.

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, 2021 was \$78,902.

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, 2021 was \$5,095.

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, 2021 was \$41,889

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, 2021 was \$105,480.

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, 2021 was \$65,746.

On July 31, 2020 the EDA loaned \$7,000 to 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, 2022. The outstanding balance as of December 31, 2021 was \$2,000.

On November 15, 2026 the EDA loaned \$37,600 to Magnolia Animal Hospital at the rate of 3 percent. The loan balance is due on August 1, 2021. Monthly payments of \$675.62 are due beginning on December 15, 2021. The outstanding balance as of December 31, 2021 was \$37,018.

The total net loan receivable balance as of December 31, 2021 was \$386,451 after taking into account \$20,000 worth of allowances described above.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

**Primary Government**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 1,149,292	\$ -	\$ -	\$ 1,149,292
Construction in progress	46,112	47,825	(93,937)	-
Total Capital Assets not being Depreciated	<u>1,195,404</u>	<u>47,825</u>	<u>(93,937)</u>	<u>1,149,292</u>
Capital Assets being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	14,923,819	196,018	-	15,119,837
Machinery and equipment	1,885,563	15,971	(29,020)	1,872,514
Vehicles	3,095,522	580,481	(56,487)	3,619,516
Total Capital Assets being Depreciated	<u>24,777,465</u>	<u>792,470</u>	<u>(85,507)</u>	<u>25,484,428</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,905,332)	(110,273)	-	(2,015,605)
System improvements/infrastructure	(5,285,825)	(451,605)	-	(5,737,430)
Machinery and equipment	(1,423,005)	(80,283)	24,500	(1,478,788)
Vehicles	(2,174,630)	(110,763)	5,649	(2,279,744)
Total Accumulated Depreciation	<u>(10,788,792)</u>	<u>(752,924)</u>	<u>30,149</u>	<u>(11,511,567)</u>
Total Capital Assets being Depreciated, Net	<u>13,988,673</u>	<u>39,546</u>	<u>(55,358)</u>	<u>13,972,861</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,184,077</u>	<u>\$ 87,371</u>	<u>\$ (149,295)</u>	<u>\$ 15,122,153</u>

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

<b>Governmental Activities</b>	
General government	\$ 45,411
Public safety	145,595
Public works	479,506
Culture and recreation	82,412
Total Depreciation Expense - Governmental Activities	<u>\$ 752,924</u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 87,816	\$ -	\$ -	\$ 87,816
Capital Assets being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	35,756,090	93,874	-	35,849,964
Machinery and equipment	1,064,932	97,690	-	1,162,622
Vehicles	719,248	-	-	719,248
Total Capital Assets being Depreciated	<u>37,556,250</u>	<u>191,564</u>	<u>-</u>	<u>37,747,814</u>
Less Accumulated Depreciation for				
Buildings and improvements	(12,189)	(535)	-	(12,724)
System improvements/infrastructure	(15,755,891)	(899,300)	-	(16,655,191)
Machinery and equipment	(832,124)	(50,193)	-	(882,317)
Vehicles	(266,547)	(71,028)	-	(337,575)
Total Accumulated Depreciation	<u>(16,866,751)</u>	<u>(1,021,056)</u>	<u>-</u>	<u>(17,887,807)</u>
Total Capital Assets being Depreciated, Net	<u>20,689,499</u>	<u>(829,492)</u>	<u>-</u>	<u>19,860,007</u>
Business-type Activities Capital Assets, Net	<u>\$ 20,777,315</u>	<u>\$ (829,492)</u>	<u>\$ -</u>	<u>\$ 19,947,823</u>

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

<b>Business-type Activities</b>	
Water Utility	\$ 352,463
Disposal	535,230
Ambulance	87,025
Storm Water	<u>46,338</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,021,056</u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2021 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, 2021 is as follows:

Fund	Transfers in					Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Ambulance Fund	Nonmajor Enterprise Funds	
Transfer Out						
General	\$ -	\$ -	\$ 655,406	\$ 50,000	\$ 40,000	\$ 745,406
Debt Service	-	-	20,230	-	-	20,230
Nonmajor governmental	-	227,702	197,500	-	-	425,202
Water Utility	25,000	161,200	375,000	-	-	561,200
Disposal	25,000	174,350	10,000	-	-	209,350
Nonmajor enterprise	70,277	49,100	-	-	-	119,377
Total	\$ 120,277	\$ 612,352	\$ 1,258,136	\$ 50,000	\$ 40,000	\$ 2,080,765

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, 2021

**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	\$ 78,000
G.O. Improvement Bonds of 2016A	2,480,000	2.00 - 3.00	06/30/16	02/01/37	1,960,000
G.O. Improvement Bonds of 2018A	3,920,000	3.00 - 3.50	07/18/18	02/01/39	3,555,000
G.O. Refunding Permanent Bonds of 2020A	3,330,000	2.00 - 4.00	08/11/20	02/01/34	<u>3,045,000</u>
Total G.O. Improvement Bonds					<u>\$ 8,638,000</u>

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

Year Ending December 31,	<b>G.O. Improvement Bonds</b> Governmental Activities			<b>G.O. Improvement Bonds</b> Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 412,985	\$ 123,891	\$ 536,876	\$ 280,015	\$ 132,847	\$ 412,862
2023	342,312	112,195	454,507	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	370,931	78,344	449,275	319,069	92,794	411,863
2027 - 2031	1,735,886	222,653	1,958,539	1,404,114	316,622	1,720,736
2032 - 2036	727,312	28,732	756,044	1,022,688	146,968	1,169,656
2037 - 2039	-	-	-	425,000	19,675	444,675
Total	<u>\$ 4,295,342</u>	<u>\$ 756,998</u>	<u>\$ 5,052,340</u>	<u>\$ 4,342,658</u>	<u>\$ 1,049,066</u>	<u>\$ 5,391,724</u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 2021, principal and interest paid and total customer revenues for the Water fund were \$542,507 and \$1,019,262, respectively. For 2021, principal and interest paid and total customer revenues for the Disposal fund were \$1,041,071 and \$1,630,242, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. MN Public Facilities Authority Bond 2001 - Wastewater	\$ 8,021,909	2.86 %	11/20/01	08/20/22	<u>\$ 525,909</u>

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

Year Ending December 31,	<b>G.O. Revenue Bonds</b> Business-type Activities		
	Principal	Interest	Total
2022	\$ 525,909	\$ 15,041	<u>\$ 540,950</u>

General Obligation Equipment Certificates

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
2018B G.O. Equipment Certificates	\$ 359,000	4.00 %	07/18/18	02/01/28	<u>\$ 290,000</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
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	43,000	4,500	47,500
2027 - 2028	91,000	3,660	94,660
Total	<u>\$ 290,000</u>	<u>\$ 42,360</u>	<u>\$ 332,360</u>



City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

During the year ended December 31, 2021, 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>
<b>Governmental Activities</b>					
Bonds Payable					
General obligation special assessment bonds	\$ 5,250,000	\$ -	\$ (954,658)	\$ 4,295,342	\$ 412,985
General obligation Equipment certificates	325,000	-	(35,000)	290,000	37,000
Premium on bonds issued	210,334	-	(15,390)	194,944	-
Compensated Absences Payable	<u>233,571</u>	<u>70,422</u>	<u>(58,393)</u>	<u>245,600</u>	<u>61,400</u>
Governmental Activity Long-term Liabilities	<u>\$ 6,018,905</u>	<u>\$ 70,422</u>	<u>\$ (1,063,441)</u>	<u>\$ 5,025,886</u>	<u>\$ 511,385</u>
<b>Business-type Activities</b>					
Bonds Payable					
General obligation revenue bonds	\$ 1,710,910	\$ -	\$ (1,185,001)	\$ 525,909	\$ 525,909
General obligation improvement bonds	4,620,000	-	(277,341)	4,342,659	280,015
Premium on bonds issued	207,071	-	(15,152)	191,919	-
Compensated Absences Payable	<u>109,048</u>	<u>20,516</u>	<u>(27,262)</u>	<u>102,302</u>	<u>25,577</u>
Business-type Activity Long-term Liabilities	<u>\$ 6,647,029</u>	<u>\$ 20,516</u>	<u>\$ (1,504,756)</u>	<u>\$ 5,162,789</u>	<u>\$ 831,501</u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Fund Balance**

At December 31, 2021, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for				
Prepaid items	\$ 39,518	\$ -	\$ 5,446	\$ 44,964
Restricted for				
Debt service	\$ -	\$ 2,430,407	\$ -	\$ 2,430,407
Cable television	-	-	167,881	167,881
Tax increment financing	-	-	4,563	4,563
Park capital	-	-	486	486
Total Restricted	<u>\$ -</u>	<u>\$ 2,430,407</u>	<u>\$ 172,930</u>	<u>\$ 2,603,337</u>
Committed for				
Fire operations	\$ -	\$ -	\$ 165,544	\$ 165,544
Street capital	-	-	40,517	40,517
Public works capital	-	-	351,397	351,397
Police capital	-	-	47,642	47,642
Administration capital	-	-	106,794	106,794
Park capital	-	-	601,139	601,139
Library capital	-	-	48,772	48,772
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,361,805</u>	<u>\$ 1,361,805</u>
Assigned				
Library operations	\$ -	\$ -	\$ 195,568	\$ 195,568
Municipal reserve	-	-	307,331	307,331
Public improvements	-	-	138,312	138,312
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,211</u>	<u>\$ 641,211</u>
Unassigned	<u>\$ 3,188,656</u>	<u>\$ -</u>	<u>\$ (470,696)</u>	<u>\$ 2,717,960</u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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. The postretirement increase is 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. 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, 2021

**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 haired 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. The postretirement increase is 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 2021. The City's contributions to the GERF for the year ending December 31, 2021, 2020 and 2019 were \$144,641, \$150,394 and \$150,778, 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 Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2021, 2020 and 2019 were \$99,075, \$106,806 and \$108,059, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$1,157,291 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 \$35,433. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0271 percent which was a decrease of 0.0001 percent from June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$ 1,157,291
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>35,433</u>
Total	<u><u>\$ 1,192,724</u></u>

For the year ended December 31, 2021, the City recognized negative pension expense of \$22,062 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,859 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, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 7,451	\$ 35,431
Changes in Actuarial Assumptions	706,617	26,055
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,004,870
Changes in Proportion	-	51,112
Contributions to PERA Subsequent to the Measurement Date	<u>77,211</u>	<u>-</u>
Total	<u><u>\$ 791,279</u></u>	<u><u>\$ 1,117,468</u></u>

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

The \$77,211 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (83,891)
2023	(37,269)
2024	(8,870)
2025	(273,370)

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$362,018 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City's proportionate share was 0.0469 percent which was a decrease of 0.0090 percent from its proportionate share measured as of June 30, 2020.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2020. 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 supplemental 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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 \$9 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, 2021, the City recognized negative pension expense of \$39,900 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$2,963 for the year ended December 31, 2021, 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 state aid. The City recognized \$4,221 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.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

At December 31, 2021, 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	\$ 73,797	\$ 10,143
Changes in Actuarial Assumptions	462,427	254,377
Net Difference Between Projected and Actual Earnings on Plan Investments	-	678,692
Changes in Proportion	51,568	23,745
Contributions to PERA Subsequent to the Measurement Date	54,936	-
Total	\$ 642,728	\$ 966,957

The \$54,936 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (270,562)
2023	(53,117)
2024	(55,031)
2025	(97,165)
2026	96,710

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Actuarial assumptions used in the June 30, 2021 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 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

General Employees Fund (Continued)

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.



City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	<u>16.5</u>	5.30
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 6.50 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.

**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 one percentage point lower or one percentage point higher than the current discount rate:

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (5.50%)</u>	<u>Current (6.50%)</u>	<u>1 Percent Increase (7.50%)</u>
	General Employees Fund	\$ 2,360,284	\$ 1,157,291
Police and Fire Fund	1,149,347	362,018	(283,396)

**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](http://www.mnpera.org).

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2020, 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.

**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 \$55,796 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2020 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, 2021 were \$56,830. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**D. Pension Costs**

At December 31, 2021, the City reported a net pension liability (asset) of \$(158,301) for the plan. The net pension asset was measured as of December 31, 2020. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2020. 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, 2021	\$ 748,221	\$ 834,652	\$ (86,431)
Changes for the Year			
Service cost	40,797	-	40,797
Interest on pension liability (asset)	42,093	-	42,093
Actuarial experience (gains)/losses	(17,774)	-	(17,774)
Changes of assumptions	10,837	-	10,837
Change of benefit terms	-	-	-
Net investment income	-	92,133	(92,133)
Contributions (State)	-	56,830	(56,830)
Benefit payouts	(47,375)	(47,375)	-
Administrative costs	-	(1,140)	1,140
Total Net Changes	<u>28,578</u>	<u>100,448</u>	<u>(71,870)</u>
Ending Balance December 31, 2021	<u>\$ 776,799</u>	<u>\$ 935,100</u>	<u>\$ (158,301)</u>

For the year ended December 31, 2021, the City recognized pension expense of \$95,616.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

At December 31, 2021, the City reported deferred inflows of resources and deferred outflows of resources, its contributions subsequent to the measurement date, related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 40,963
Changes in Actuarial Assumptions	19,931	2,260
Net Difference Between Projected and Actual Earnings on Plan Investments	-	54,907
Contributions to Plan Subsequent to the Measurement Date	58,580	-
Total	\$ 78,511	\$ 98,130

Deferred outflows of resources totaling \$58,580 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, 2022. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2022	\$ (19,381)
2023	(6,397)
2024	(31,794)
2025	(13,072)
2026	(3,369)
Thereafter	(4,186)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2021 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	2.25% per year
Investment Rate of Return	5.25%

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, 2021

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	50.00 %	4.90 %
International Equity	24.00	5.32
Fixed Income	15.00	1.40
Real Estate and Alternatives	0.50	4.43
Cash and Equivalents	<u>10.50</u>	0.09
Total	<u>100.00 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	<u>1 Percent Decrease (4.25%)</u>	<u>Current (5.25%)</u>	<u>1 Percent Increase (6.25%)</u>
Defined Benefit Plan	\$ (133,869)	\$ (158,301)	\$ (182,053)

**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 \$290,000 applied against the limit.

City of Cannon Falls, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 2021 was \$700,111. 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 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS  
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Cannon Falls, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2021

**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
06/30/21	0.0271 %	\$ 1,157,291	\$ 35,433	\$ 1,192,724	\$ 1,952,559	59.3 %	87.0 %
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)
12/31/21	\$ 144,641	\$ 144,641	\$ -	\$ 1,928,550	7.50 %
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, 2021

**Notes to the Required Supplementary Information - General Employees Retirement Plan**

Changes in Actuarial Assumptions

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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, 2021

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

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

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 - There were no changes in plan provisions since the previous valuation.

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, 2021

**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
06/30/21	0.0469 %	\$ 362,018	\$ 16,273	\$ 378,291	\$ 554,282	65.3 %	93.7
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)
12/31/21	\$ 99,075	\$ 99,075	\$ -	\$ 559,746	17.70 %
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, 2021

**Notes to the Required Supplementary Information - Police and Fire Plan**

Changes in Actuarial Assumptions

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

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, 2021

**Notes to the Required Supplementary Information - Police and Fire Plan (Continued)**

Changes in Plan Provisions

2021 – There were no changes in plan provisions since the previous valuation.

2020 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

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 - There were no changes in plan provisions since the previous valuation.

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, 2021

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

	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>							
Service cost	\$ 40,797	\$ 36,907	\$ 31,897	\$ 28,860	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	42,093	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	(17,774)	-	(14,536)	-	(28,496)	-	-
Changes of assumptions	10,837	-	11,433	40,593	4,223	(7,109)	-
Benefit payments	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
<b>Net Change in Total Pension Liability</b>	<b>28,578</b>	<b>25,302</b>	<b>110,680</b>	<b>37,581</b>	<b>(43,641)</b>	<b>803</b>	<b>22,610</b>
<b>Total Pension Liability - January 1</b>	<b>748,221</b>	<b>722,919</b>	<b>612,239</b>	<b>574,658</b>	<b>618,299</b>	<b>617,496</b>	<b>594,886</b>
<b>Total Pension Liability - December 31 (a)</b>	<b>\$ 776,799</b>	<b>\$ 748,221</b>	<b>\$ 722,919</b>	<b>\$ 612,239</b>	<b>\$ 574,658</b>	<b>\$ 618,299</b>	<b>\$ 617,496</b>
<b>Plan Fiduciary Net Position</b>							
Employer contributions	\$ 56,796	\$ 55,398	\$ 51,993	\$ 51,349	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	34	-	-	-	-	-	137
Projected investment return	92,133	126,837	(80,846)	103,115	52,076	(32,964)	15,287
Benefit payments	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Administrative expenses	(1,140)	(1,135)	(1,169)	(1,296)	(1,155)	(239)	(232)
Other	-	-	-	-	-	-	3,000
<b>Net Change in Plan Fiduciary Net Position</b>	<b>100,448</b>	<b>81,764</b>	<b>(30,022)</b>	<b>87,068</b>	<b>15,812</b>	<b>(56,910)</b>	<b>26,742</b>
<b>Plan Fiduciary Net Position - January 1</b>	<b>834,652</b>	<b>752,888</b>	<b>782,910</b>	<b>695,842</b>	<b>680,030</b>	<b>736,940</b>	<b>710,198</b>
<b>Plan Fiduciary Net Position - December 31 (b)</b>	<b>\$ 935,100</b>	<b>\$ 834,652</b>	<b>\$ 752,888</b>	<b>\$ 782,910</b>	<b>\$ 695,842</b>	<b>\$ 680,030</b>	<b>\$ 736,940</b>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)</b>	<b>\$ (158,301)</b>	<b>\$ (86,431)</b>	<b>\$ (29,969)</b>	<b>\$ (170,671)</b>	<b>\$ (121,184)</b>	<b>\$ (61,731)</b>	<b>\$ (119,444)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	120.38%	111.55%	104.15%	127.88%	121.09%	109.98%	119.34%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	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)
12/31/21	\$ 58,580	\$ 58,580	\$ -
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, 2021

City of Cannon Falls, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Funds
<b>Assets</b>			
Cash and temporary investments	\$ 514,087	\$ 1,412,636	\$ 1,926,723
Receivables			
Accounts	27,593	-	27,593
Special assessments	-	3,705	3,705
Prepaid items	5,446	-	5,446
<b>Total Assets</b>	<b>\$ 547,126</b>	<b>\$ 1,416,341</b>	<b>\$ 1,963,467</b>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 6,668	\$ 202	\$ 6,870
Accrued salaries payable	6,019	-	6,019
Due to other funds	-	14,880	14,880
Unearned revenue	-	221,297	221,297
<b>Total Liabilities</b>	<b>12,687</b>	<b>236,379</b>	<b>249,066</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	-	3,705	3,705
<b>Fund Balances</b>			
Nonspendable	5,446	-	5,446
Restricted	167,881	5,049	172,930
Committed	165,544	1,196,261	1,361,805
Assigned	195,568	445,643	641,211
Unassigned	-	(470,696)	(470,696)
<b>Total Fund Balances</b>	<b>534,439</b>	<b>1,176,257</b>	<b>1,710,696</b>
<b>Total Liabilities, Deferred Inflows of     Resources and Fund Balances</b>	<b>\$ 547,126</b>	<b>\$ 1,416,341</b>	<b>\$ 1,963,467</b>



City of Cannon Falls, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 486,033	\$ 42,100	\$ 528,133
Tax increments	-	47,104	47,104
Franchise taxes	31,401	-	31,401
Intergovernmental	180,379	-	180,379
Charges for services	96,656	-	96,656
Fines and forfeitures	1,092	-	1,092
Special assessments	-	4,229	4,229
Interest on investments	(21)	(167)	(188)
Miscellaneous	29,884	-	29,884
Total Revenues	<u>825,424</u>	<u>93,266</u>	<u>918,690</u>
Expenditures			
Current			
Public safety	237,761	-	237,761
Culture and recreation	481,919	-	481,919
Capital outlay			
Public safety	23,072	489,569	512,641
Public works	-	114,454	114,454
Culture and recreation	32,037	5,034	37,071
Economic development	-	57,437	57,437
Total Expenditures	<u>774,789</u>	<u>666,494</u>	<u>1,441,283</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>50,635</u>	<u>(573,228)</u>	<u>(522,593)</u>
Other Financing Sources (Uses)			
Transfers in	-	1,258,136	1,258,136
Transfers out	<u>(31,000)</u>	<u>(394,202)</u>	<u>(425,202)</u>
Total Other Financing Sources	<u>(31,000)</u>	<u>863,934</u>	<u>832,934</u>
Net Change in Fund Balances	19,635	290,706	310,341
Fund Balances, January 1	<u>514,804</u>	<u>885,551</u>	<u>1,400,355</u>
Fund Balances, December 31	<u>\$ 534,439</u>	<u>\$ 1,176,257</u>	<u>\$ 1,710,696</u>

City of Cannon Falls, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2021

	<b>211</b>	<b>220</b>	<b>232</b>	
	Library	Cable Public Television	Fire Department Operations	Total
<b>Assets</b>				
Cash and temporary investments	\$ 206,479	\$ 161,147	\$ 146,461	\$ 514,087
Accounts receivable	-	7,023	20,570	27,593
Prepaid items	2,006	173	3,267	5,446
<b>Total Assets</b>	<b><u>\$ 208,485</u></b>	<b><u>\$ 168,343</u></b>	<b><u>\$ 170,298</u></b>	<b><u>\$ 547,126</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 5,147	\$ 43	\$ 1,478	\$ 6,668
Accrued salaries payable	5,764	246	9	6,019
<b>Total Liabilities</b>	<b><u>10,911</u></b>	<b><u>289</u></b>	<b><u>1,487</u></b>	<b><u>12,687</u></b>
<b>Fund Balances</b>				
Nonspendable	2,006	173	3,267	5,446
Restricted	-	167,881	-	167,881
Committed	-	-	165,544	165,544
Assigned	195,568	-	-	195,568
<b>Total Fund Balances</b>	<b><u>197,574</u></b>	<b><u>168,054</u></b>	<b><u>168,811</u></b>	<b><u>534,439</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 208,485</u></b>	<b><u>\$ 168,343</u></b>	<b><u>\$ 170,298</u></b>	<b><u>\$ 547,126</u></b>

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, 2021

	<b>211</b>	<b>220</b>	<b>232</b>	
	Library	Cable Public Television	Fire Department Operations	Total
<b>Revenues</b>				
<b>Taxes</b>				
Property	\$ 364,358	\$ -	\$ 121,675	\$ 486,033
Franchise taxes	-	31,401	-	31,401
<b>Intergovernmental</b>				
State	-	-	59,810	59,810
County	120,569	-	-	120,569
Charges for services	1,205	-	95,451	96,656
Fines and forfeitures	1,092	-	-	1,092
Interest on investments (loss)	(108)	(82)	169	(21)
<b>Miscellaneous</b>				
Contributions and donations	-	-	17,241	17,241
Other	417	43	12,183	12,643
<b>Total Revenues</b>	<u>487,533</u>	<u>31,362</u>	<u>306,529</u>	<u>825,424</u>
<b>Expenditures</b>				
<b>Current</b>				
Public safety	-	-	237,761	237,761
Culture and recreation	472,335	9,584	-	481,919
<b>Capital outlay</b>				
Public safety	-	-	23,072	23,072
Culture and recreation	32,037	-	-	32,037
<b>Total Expenditures</b>	<u>504,372</u>	<u>9,584</u>	<u>260,833</u>	<u>774,789</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(16,839)	21,778	45,696	50,635
<b>Other Financing Uses</b>				
Transfers out	-	-	(31,000)	(31,000)
<b>Net Change in Fund Balances</b>	(16,839)	21,778	14,696	19,635
<b>Fund Balances, January 1</b>	<u>214,413</u>	<u>146,276</u>	<u>154,115</u>	<u>514,804</u>
<b>Fund Balances, December 31</b>	<u>\$ 197,574</u>	<u>\$ 168,054</u>	<u>\$ 168,811</u>	<u>\$ 534,439</u>

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City of Cannon Falls, Minnesota  
Library Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Property taxes	\$ 364,358	\$ 364,358	\$ 364,358	\$ -	\$ 373,300
Intergovernmental					
Federal	-	-	-	-	8,128
County	124,275	124,275	120,569	(3,706)	124,274
Charges for services	1,300	1,300	1,205	(95)	660
Fines and forfeitures	3,000	3,000	1,092	(1,908)	1,984
Interest on investments (loss)	-	-	(108)	(108)	571
Miscellaneous					
Contributions and donations	1,000	1,000	-	(1,000)	3,531
Other	-	-	417	417	-
Total Revenues	<u>493,933</u>	<u>493,933</u>	<u>487,533</u>	<u>(6,400)</u>	<u>512,448</u>
<b>Expenditures</b>					
Current					
Culture and recreation					
Personnel services	381,633	381,633	398,569	(16,936)	386,463
Supplies	6,000	6,000	4,614	1,386	4,121
Other services and charges	71,900	71,900	69,152	2,748	60,881
Capital outlay					
Culture and recreation	34,400	34,400	32,037	2,363	36,136
Total Expenditures	<u>493,933</u>	<u>493,933</u>	<u>504,372</u>	<u>(10,439)</u>	<u>487,601</u>
Net Change in Fund Balances	-	-	(16,839)	(16,839)	24,847
Fund Balances, January 1	<u>214,413</u>	<u>214,413</u>	<u>214,413</u>	<u>-</u>	<u>189,566</u>
Fund Balances, December 31	<u><u>\$ 214,413</u></u>	<u><u>\$ 214,413</u></u>	<u><u>\$ 197,574</u></u>	<u><u>\$ (16,839)</u></u>	<u><u>\$ 214,413</u></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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Franchise taxes	\$ 32,000	\$ 32,000	31,401	\$ (599)	\$ 41,216
Cares Grant	-	-	-	-	266
Interest on investments	-	-	(82)	(82)	1,297
Miscellaneous	-	-	43	43	-
<b>Total Revenue</b>	<b>32,000</b>	<b>32,000</b>	<b>31,362</b>	<b>(638)</b>	<b>42,779</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Culture and recreation</b>					
Personnel services	17,325	17,325	8,260	9,065	12,794
Supplies	2,300	2,300	591	1,709	289
Other services and charges	2,750	2,750	733	2,017	740
<b>Capital outlay</b>					
Culture and recreation	9,625	9,625	-	9,625	(1,236)
<b>Total Expenditures</b>	<b>32,000</b>	<b>32,000</b>	<b>9,584</b>	<b>22,416</b>	<b>12,587</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>21,778</b>	<b>21,778</b>	<b>30,192</b>
<b>Fund Balances, January 1</b>	<b>146,276</b>	<b>146,276</b>	<b>146,276</b>	<b>-</b>	<b>116,084</b>
<b>Fund Balances, December 31</b>	<b>\$ 146,276</b>	<b>\$ 146,276</b>	<b>\$ 168,054</b>	<b>\$ 21,778</b>	<b>\$ 146,276</b>

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, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Property taxes	\$ 121,675	\$ 121,675	\$ 121,675	\$ -	\$ 121,676
Intergovernmental revenue					
Federal	-	-	-	-	7,598
State	58,000	58,000	59,810	1,810	57,796
Charges for services	93,575	93,575	95,451	1,876	92,829
Interest on investments	-	-	169	169	752
Miscellaneous					
Contributions and donations	3,000	3,000	17,241	14,241	20,000
Other	7,000	7,000	12,183	5,183	10,071
<b>Total Revenues</b>	<b>283,250</b>	<b>283,250</b>	<b>306,529</b>	<b>23,279</b>	<b>310,722</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Public safety</b>					
Personnel services	63,600	63,600	60,267	3,333	52,046
Supplies	29,500	29,500	36,350	(6,850)	25,929
Other services and charges	165,050	165,050	141,144	23,906	159,456
<b>Capital outlay</b>					
Public safety	25,100	25,100	23,072	2,028	5,394
<b>Total Expenditures</b>	<b>283,250</b>	<b>283,250</b>	<b>260,833</b>	<b>22,417</b>	<b>242,825</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	45,696	45,696	67,897
<b>Other financing uses</b>					
Transfers out	-	-	(31,000)	(31,000)	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>-</b>	<b>14,696</b>	<b>14,696</b>	<b>67,897</b>
Fund Balances, January 1	154,115	154,115	154,115	-	86,218
Fund Balances, December 31	<u>\$ 154,115</u>	<u>\$ 154,115</u>	<u>\$ 168,811</u>	<u>\$ 14,696</u>	<u>\$ 154,115</u>

City of Cannon Falls, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet (Continued on the Following Pages)  
 December 31, 2021

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
<b>Assets</b>					
Cash and temporary investments	\$ 138,312	\$ 40,517	\$ 351,397	\$ 47,642	\$ (271,042)
Receivables					
Special assessments	3,705	-	-	-	-
<b>Total Assets</b>	<u>\$ 142,017</u>	<u>\$ 40,517</u>	<u>\$ 351,397</u>	<u>\$ 47,642</u>	<u>\$ (271,042)</u>
<b>Liabilities</b>					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	3,705	-	-	-	-
<b>Fund Balances</b>					
Restricted	-	-	-	-	-
Committed	-	40,517	351,397	47,642	-
Assigned	138,312	-	-	-	-
Unassigned	-	-	-	-	(271,042)
<b>Total Fund Balances</b>	<u>138,312</u>	<u>40,517</u>	<u>351,397</u>	<u>47,642</u>	<u>(271,042)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 142,017</u>	<u>\$ 40,517</u>	<u>\$ 351,397</u>	<u>\$ 47,642</u>	<u>\$ (271,042)</u>



509	510	511	527	225
Administration Capital	Water Tower Restoration	Library Capital	2013 Eastside Improvement Project	Park Board
\$ 106,794	\$ 822,436	\$ 48,772	\$ -	\$ 486
-	-	-	-	-
<u>\$ 106,794</u>	<u>\$ 822,436</u>	<u>\$ 48,772</u>	<u>\$ -</u>	<u>\$ 486</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	221,297	-	-	-
-	<u>221,297</u>	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	486
106,794	601,139	48,772	-	-
-	-	-	-	-
-	-	-	-	-
<u>106,794</u>	<u>601,139</u>	<u>48,772</u>	<u>-</u>	<u>486</u>
<u>\$ 106,794</u>	<u>\$ 822,436</u>	<u>\$ 48,772</u>	<u>\$ -</u>	<u>\$ 486</u>

City of Cannon Falls, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet (Continued)  
 December 31, 2021

	<b>405</b>	<b>249</b>	<b>250</b>	<b>251</b>	<b>252</b>
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	TIF 2-8	TIF 2-9
<b>Assets</b>					
Cash and temporary investments	\$ (102,659)	\$ 736	\$ 4,029	\$ -	\$ -
Receivables					
Special assessments	-	-	-	-	-
<b>Total Assets</b>	<b><u>\$ (102,659)</u></b>	<b><u>\$ 736</u></b>	<b><u>\$ 4,029</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ -	\$ 101	\$ 101	\$ -	\$ -
Due to other funds	-	-	-	3,980	7,900
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b><u>-</u></b>	<b><u>101</u></b>	<b><u>101</u></b>	<b><u>3,980</u></b>	<b><u>7,900</u></b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	-	-	-	-	-
<b>Fund Balances</b>					
Restricted	-	635	3,928		
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(102,659)	-	-	(3,980)	(7,900)
<b>Total Fund Balances</b>	<b><u>(102,659)</u></b>	<b><u>635</u></b>	<b><u>3,928</u></b>	<b><u>(3,980)</u></b>	<b><u>(7,900)</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ (102,659)</u></b>	<b><u>\$ 736</u></b>	<b><u>\$ 4,029</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

<b>253</b>	<b>404</b>	<b>406</b>	<b>408</b>	<b>409</b>	<b>534</b>	
TIF 2-10	2016 Street Improvement Westside Phase II	Alexander Court	2018 Street Project	Keith Meyer Abatement	Municipal Reserve	Total
\$ -	\$ -	\$ (80,195)	\$ -	\$ (1,920)	\$ 307,331	\$ 1,412,636
-	-	-	-	-	-	3,705
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,195)</u>	<u>\$ -</u>	<u>\$ (1,920)</u>	<u>\$ 307,331</u>	<u>\$ 1,416,341</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202
3,000	-	-	-	-	-	14,880
-	-	-	-	-	-	221,297
<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,379</u>
-	-	-	-	-	-	3,705
-	-	-	-	-	-	5,049
-	-	-	-	-	-	1,196,261
-	-	-	-	-	307,331	445,643
<u>(3,000)</u>	<u>-</u>	<u>(80,195)</u>	<u>-</u>	<u>(1,920)</u>	<u>-</u>	<u>(470,696)</u>
<u>(3,000)</u>	<u>-</u>	<u>(80,195)</u>	<u>-</u>	<u>(1,920)</u>	<u>307,331</u>	<u>1,176,257</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (80,195)</u>	<u>\$ -</u>	<u>\$ (1,920)</u>	<u>\$ 307,331</u>	<u>\$ 1,416,341</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, 2021

	<b>502</b>	<b>504</b>	<b>505</b>	<b>506</b>	<b>507</b>
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	4,229	-	-	-	-
Interest on investments (loss)	157	(21)	(153)	(23)	(1)
Total Revenues	<u>4,386</u>	<u>(21)</u>	<u>(153)</u>	<u>(23)</u>	<u>(1)</u>
Expenditures					
Capital outlay					
Public safety	-	-	-	34,492	455,077
Public works	-	10,455	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>10,455</u>	<u>-</u>	<u>34,492</u>	<u>455,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,386</u>	<u>(10,476)</u>	<u>(153)</u>	<u>(34,515)</u>	<u>(455,078)</u>
Other Financing Sources (Uses)					
Transfers in	-	6,150	59,100	30,900	52,175
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,150</u>	<u>59,100</u>	<u>30,900</u>	<u>52,175</u>
Net Change in Fund Balances	4,386	(4,326)	58,947	(3,615)	(402,903)
Fund Balances, January 1	<u>133,926</u>	<u>44,843</u>	<u>292,450</u>	<u>51,257</u>	<u>131,861</u>
Fund Balances, December 31	<u>\$ 138,312</u>	<u>\$ 40,517</u>	<u>\$ 351,397</u>	<u>\$ 47,642</u>	<u>\$ (271,042)</u>

<b>509</b>	<b>510</b>	<b>511</b>	<b>527</b>	<b>225</b>
Administration Capital	Water Tower Restoration	Library Capital	2013 Eastside Improvement Project	Park Board
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
(48)	(33)	(24)	(11)	(1)
<u>(48)</u>	<u>(33)</u>	<u>(24)</u>	<u>(11)</u>	<u>(1)</u>
-	-	-	-	-
-	-	-	-	-
-	-	5,034	-	-
-	-	-	-	-
-	-	<u>5,034</u>	-	-
(48)	(33)	(5,058)	(11)	(1)
14,700	538,800	2,650	-	-
-	-	-	(21,747)	-
<u>14,700</u>	<u>538,800</u>	<u>2,650</u>	<u>(21,747)</u>	<u>-</u>
14,652	538,767	(2,408)	(21,758)	(1)
<u>92,142</u>	<u>62,372</u>	<u>51,180</u>	<u>21,758</u>	<u>487</u>
<u>\$ 106,794</u>	<u>\$ 601,139</u>	<u>\$ 48,772</u>	<u>\$ -</u>	<u>\$ 486</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, 2021

	<b>405</b>	<b>249</b>	<b>250</b>	<b>251</b>	<b>252</b>
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	TIF 2-8	TIF 2-9
<b>Revenues</b>					
<b>Taxes</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	23,298	23,806	-	-
Special assessments	-	-	-	-	-
Interest on investments (loss)	-	(4)	(5)	-	-
<b>Total Revenues</b>	<u>-</u>	<u>23,294</u>	<u>23,801</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Public safety	-	-	-	-	-
Public works	102,079	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	22,514	23,923	100	7,900
<b>Total Expenditures</b>	<u>102,079</u>	<u>22,514</u>	<u>23,923</u>	<u>100</u>	<u>7,900</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(102,079)</u>	<u>780</u>	<u>(122)</u>	<u>(100)</u>	<u>(7,900)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	20,000	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total Other Financing     Sources</b>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(82,079)	780	(122)	(100)	(7,900)
<b>Fund Balances, January 1</b>	<u>(20,580)</u>	<u>(145)</u>	<u>4,050</u>	<u>(3,880)</u>	<u>-</u>
<b>Fund Balances, December 31</b>	<u>\$ (102,659)</u>	<u>\$ 635</u>	<u>\$ 3,928</u>	<u>\$ (3,980)</u>	<u>\$ (7,900)</u>

<b>253</b>	<b>404</b>	<b>406</b>	<b>408</b>	<b>409</b>	<b>534</b>	
TIF 2-10	2016 Street Improvement Westside Phase II	Alexander Court	2018 Street Project	Keith Meyer Abatement	Municipal Reserve	Total
\$ -	\$ -	\$ 42,100	\$ -	\$ -	\$ -	\$ 42,100
-	-	-	-	-	-	47,104
-	-	-	-	-	-	4,229
-	-	-	-	-	-	(167)
-	-	42,100	-	-	-	93,266
-	-	-	-	-	-	489,569
-	-	-	-	1,920	-	114,454
-	-	-	-	-	-	5,034
3,000	-	-	-	-	-	57,437
3,000	-	-	-	1,920	-	666,494
(3,000)	-	42,100	-	(1,920)	-	(573,228)
-	20,230	39,600	-	-	473,831	1,258,136
-	-	-	(205,955)	-	(166,500)	(394,202)
-	20,230	39,600	(205,955)	-	307,331	863,934
(3,000)	20,230	81,700	(205,955)	(1,920)	307,331	290,706
-	(20,230)	(161,895)	205,955	-	-	885,551
\$ (3,000)	\$ -	\$ (80,195)	\$ -	\$ (1,920)	\$ 307,331	\$ 1,176,257

City of Cannon Falls, Minnesota  
 Nonmajor Proprietary Funds  
 Combining Statement of Net Position  
 December 31, 2021

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 626,815	\$ -	\$ 197,952	\$ 824,767
Receivables				
Accounts	14,252	-	8,577	22,829
Special assessments	4,376	-	2,727	7,103
Total Current Assets	<u>645,443</u>	<u>-</u>	<u>209,256</u>	<u>854,699</u>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Depreciable buildings, property, and equipment	1,419,130	-	-	1,419,130
Accumulated depreciation	<u>(347,126)</u>	<u>-</u>	<u>-</u>	<u>(347,126)</u>
Total Noncurrent Assets	<u>1,072,004</u>	<u>-</u>	<u>-</u>	<u>1,072,004</u>
<b>Total Assets</b>	<u>1,717,447</u>	<u>-</u>	<u>209,256</u>	<u>1,926,703</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>264</u>	<u>-</u>	<u>-</u>	<u>264</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accrued interest payable	5,934	-	-	5,934
Bonds payable	<u>42,641</u>	<u>-</u>	<u>-</u>	<u>42,641</u>
Total Current Liabilities	<u>48,575</u>	<u>-</u>	<u>-</u>	<u>48,575</u>
<b>Noncurrent Liabilities</b>				
Bonds payable	619,831	-	-	619,831
Net pension liability	<u>388</u>	<u>-</u>	<u>-</u>	<u>388</u>
Total Noncurrent Liabilities	<u>620,219</u>	<u>-</u>	<u>-</u>	<u>620,219</u>
<b>Total Liabilities</b>	<u>668,794</u>	<u>-</u>	<u>-</u>	<u>668,794</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>373</u>	<u>-</u>	<u>-</u>	<u>373</u>
<b>Net Position</b>				
Net investment in capital assets	409,532	-	-	409,532
Unrestricted	<u>639,012</u>	<u>-</u>	<u>209,256</u>	<u>848,268</u>
<b>Total Net Position</b>	<u>\$ 1,048,544</u>	<u>\$ -</u>	<u>\$ 209,256</u>	<u>\$ 1,257,800</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, 2021

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
Operating Revenues				
Charges for services	\$ 149,262	\$ 125,847	\$ 84,056	\$ 359,165
Operating Expenses				
Personnel services	(2,684)	57,036	-	54,352
Supplies	3,866	1,092	-	4,958
Repairs and maintenance	-	636	-	636
Depreciation	46,338	-	-	46,338
Other services and charges	5,098	1,029	65,724	71,851
Total Operating Expenses	<u>52,618</u>	<u>59,793</u>	<u>65,724</u>	<u>178,135</u>
Operating Income (Loss)	<u>96,644</u>	<u>66,054</u>	<u>18,332</u>	<u>181,030</u>
Nonoperating Revenues (Expenses)				
Interest on investments (loss)	(372)	(21)	213	(180)
Other income	486	-	-	486
Interest expense	(17,503)	-	-	(17,503)
Total Nonoperating Revenues (Expenses)	<u>(17,389)</u>	<u>(21)</u>	<u>213</u>	<u>(17,197)</u>
Income (Loss) Before Transfers	79,255	66,033	18,545	163,833
Capital Contributions	4,314	-	2,900	7,214
Transfers In	-	40,000	-	40,000
Transfers Out	<u>(49,100)</u>	<u>(70,277)</u>	<u>-</u>	<u>(119,377)</u>
Change in Net Position	34,469	35,756	21,445	91,670
Net Position, January 1	<u>1,014,075</u>	<u>(35,756)</u>	<u>187,811</u>	<u>1,166,130</u>
Net Position, December 31	<u><u>\$ 1,048,544</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 209,256</u></u>	<u><u>\$ 1,257,800</u></u>

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City of Cannon Falls, Minnesota  
Nonmajor Proprietary Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			Totals
	Storm Water	Deputy Registrar	Recycling Program	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 149,668	\$ 127,388	\$ 83,181	\$ 360,237
Payments to suppliers	(10,348)	(2,579)	(65,724)	(78,651)
Payments to employees	(1,245)	(133,878)	-	(135,123)
Net Cash Provided (Used) by Operating Activities	<u>138,075</u>	<u>(9,069)</u>	<u>17,457</u>	<u>146,463</u>
Cash Flows from Noncapital and Related Financing Activities				
Transfers in	-	40,000	-	40,000
Transfers out	(49,100)	(70,277)	-	(119,377)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(49,100)</u>	<u>(30,277)</u>	<u>-</u>	<u>(79,377)</u>
Cash Flows from Capital and Related Financing Activities				
Special assessments received	4,314	-	2,900	7,214
Principal paid on long-term debt	(44,630)	-	-	(44,630)
Interest paid on long-term debt	(18,056)	-	-	(18,056)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(58,372)</u>	<u>-</u>	<u>2,900</u>	<u>(55,472)</u>
Cash Flows from Investing Activities				
Interest received from investments	(372)	(21)	213	(180)
Net Increase (Decrease) in Cash and Cash Equivalents	30,231	(39,367)	20,570	11,434
Cash and Cash Equivalents, January 1	596,584	39,367	177,382	813,333
Cash and Cash Equivalents, December 31	<u>\$ 626,815</u>	<u>\$ -</u>	<u>\$ 197,952</u>	<u>\$ 824,767</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 96,644	\$ 66,054	\$ 18,332	\$ 181,030
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	486	-	-	486
Depreciation	46,338	-	-	46,338
(Increase) decrease in assets/deferred outflows of resources				
Accounts receivable	878	1,541	(277)	2,142
Special assessments receivable	(958)	-	(598)	(1,556)
Prepaid items	-	189	-	189
Deferred pension resources	79	4,484	-	4,563
Increase (decrease) in liabilities/deferred inflows of resources				
Accounts and contracts payable	(1,384)	(11)	-	(1,395)
Accrued salaries payable	-	(2,075)	-	(2,075)
Compensated absences payable	-	(16,792)	-	(16,792)
Deferred pension resources	(22)	(5,167)	-	(5,189)
Net pension liability	(3,986)	(57,292)	-	(61,278)
Net Cash Provided (Used) by Operating Activities	<u>\$ 138,075</u>	<u>\$ (9,069)</u>	<u>\$ 17,457</u>	<u>\$ 146,463</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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 2,739,263	\$ 2,739,263	\$ 2,739,450	\$ 187	\$ 2,545,135
Licenses and permits					
Business	16,875	16,875	50,635	33,760	2,251
Nonbusiness	41,900	41,900	76,549	34,649	100,790
Total licenses and permits	58,775	58,775	127,184	68,409	103,041
Intergovernmental					
Federal					
CARES	-	-	-	-	204,011
Disaster aid	-	-	11,923	11,923	9,766
State					
Local government aid	700,111	700,111	700,111	-	686,141
Market value agricultural credits	-	-	264	264	262
Police and police training	58,500	58,500	67,202	8,702	84,076
Small cities assistance program	-	-	71,968	71,968	-
County					
Police grant	1,500	1,500	-	(1,500)	911
Total intergovernmental	760,111	760,111	851,468	91,357	985,167
Charges for services					
General government	4,500	4,500	6,899	2,399	14,834
Public safety	7,550	7,550	33	(7,517)	308
Public works	3,500	3,500	10,836	7,336	9,510
Culture and recreation	27,900	27,900	37,232	9,332	3,957
Total charges for services	43,450	43,450	55,000	11,550	28,609
Fines and forfeitures	26,000	26,000	15,324	(10,676)	61,739
Special assessments	17,200	17,200	19,093	1,893	18,348
Interest on investments	10,000	10,000	4,390	(5,610)	3,754
Miscellaneous					
Rents	55,000	55,000	43,004	(11,996)	49,219
Contributions and donations	-	-	4,500	4,500	5,075
Reimbursements	182,850	182,850	177,018	(5,832)	179,533
Other	67,500	67,500	149,269	81,769	87,556
Total miscellaneous	305,350	305,350	373,791	68,441	321,383
Total Revenues	3,960,149	3,960,149	4,185,700	225,551	4,067,176

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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and Council					
Personnel services	\$ 29,050	\$ 29,050	\$ 27,930	\$ 1,120	\$ 27,739
Other services and charges	9,100	9,100	7,292	1,808	3,631
Total Mayor and Council	<u>38,150</u>	<u>38,150</u>	<u>35,222</u>	<u>2,928</u>	<u>31,370</u>
Elections					
Personnel services	-	-	-	-	10,506
Supplies	50	50	-	50	75
Other services and charges	15,650	15,650	7,557	8,093	14,478
Total elections	<u>15,700</u>	<u>15,700</u>	<u>7,557</u>	<u>8,143</u>	<u>25,059</u>
Administrative					
Personnel services	386,408	386,408	457,503	(71,095)	469,116
Supplies	2,800	2,800	3,367	(567)	2,788
Other services and charges	47,575	47,575	31,724	15,851	38,132
Total administrative	<u>436,783</u>	<u>436,783</u>	<u>492,594</u>	<u>(55,811)</u>	<u>510,036</u>
Audit and consulting fees					
Other services and charges	<u>33,000</u>	<u>33,000</u>	<u>49,875</u>	<u>(16,875)</u>	<u>81,179</u>
Planning and zoning					
Personnel services	24,550	24,550	35,249	(10,699)	22,716
Other services and charges	1,350	1,350	1,309	41	897
Total planning and zoning	<u>25,900</u>	<u>25,900</u>	<u>36,558</u>	<u>(10,658)</u>	<u>23,613</u>
Legal					
Other services and charges	<u>63,500</u>	<u>63,500</u>	<u>49,618</u>	<u>13,882</u>	<u>87,387</u>
Information and technology					
Personnel services	17,275	17,275	-	17,275	-
Other services and charges	29,500	29,500	39,773	(10,273)	41,602
Total information and technology	<u>46,775</u>	<u>46,775</u>	<u>39,773</u>	<u>7,002</u>	<u>41,602</u>
General government building					
Personnel services	13,644	13,644	22,097	(8,453)	50,132
Supplies	9,200	9,200	4,489	4,711	4,244
Other services and charges	45,000	45,000	42,358	2,642	35,023
Total general government building	<u>67,844</u>	<u>67,844</u>	<u>68,944</u>	<u>(1,100)</u>	<u>89,399</u>
Total general government	<u>727,652</u>	<u>727,652</u>	<u>780,141</u>	<u>(52,489)</u>	<u>889,645</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, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Personnel services	\$ 904,534	\$ 904,534	\$ 877,382	\$ 27,152	\$ 989,832
Supplies	37,100	37,100	46,420	(9,320)	21,165
Other services and charges	85,900	85,900	90,771	(4,871)	154,037
Total police protection	<u>1,027,534</u>	<u>1,027,534</u>	<u>1,014,573</u>	<u>12,961</u>	<u>1,165,034</u>
Building inspection					
Personnel services	23,267	23,267	6,685	16,582	6,785
Other services and charges	35,000	35,000	57,899	(22,899)	81,305
Total building inspection	<u>58,267</u>	<u>58,267</u>	<u>64,584</u>	<u>(6,317)</u>	<u>88,090</u>
Animal control					
Other services and charges	1,000	1,000	1,000	-	1,000
Total public safety	<u>1,086,801</u>	<u>1,086,801</u>	<u>1,080,157</u>	<u>6,644</u>	<u>1,254,124</u>
Public works					
Public works administration					
Personnel services	267,434	267,434	201,674	65,760	114,441
Supplies	26,500	26,500	21,598	4,902	14,331
Other services and charges	27,150	27,150	28,121	(971)	37,112
Total public works administration	<u>321,084</u>	<u>321,084</u>	<u>251,393</u>	<u>69,691</u>	<u>165,884</u>
Streets and highways					
Personnel services	64,700	64,700	67,630	(2,930)	70,480
Supplies	42,500	42,500	35,379	7,121	45,624
Other services and charges	176,000	176,000	265,865	(89,865)	153,502
Total streets and highways	<u>283,200</u>	<u>283,200</u>	<u>368,874</u>	<u>(85,674)</u>	<u>269,606</u>
Snow and ice removal					
Personnel services	55,309	55,309	35,889	19,420	38,081
Supplies	22,100	22,100	15,889	6,211	15,700
Other services and charges	7,650	7,650	1,903	5,747	4,092
Total snow and ice removal	<u>85,059</u>	<u>85,059</u>	<u>53,681</u>	<u>31,378</u>	<u>57,873</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, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Road equipment and garage					
Personnel services	\$ 28,896	\$ 28,896	\$ 28,680	\$ 216	\$ 28,837
Supplies	8,600	8,600	9,897	(1,297)	7,494
Other services and charges	13,400	13,400	5,943	7,457	8,888
Total road equipment and garage	<u>50,896</u>	<u>50,896</u>	<u>44,520</u>	<u>6,376</u>	<u>45,219</u>
Garage building					
Personnel services	13,527	13,527	5,978	7,549	12,779
Supplies	2,600	2,600	1,395	1,205	3,710
Other services and charges	9,700	9,700	11,738	(2,038)	11,039
Total garage building	<u>25,827</u>	<u>25,827</u>	<u>19,111</u>	<u>6,716</u>	<u>27,528</u>
Street lighting					
Supplies	500	500	6	494	107
Other services and charges	65,800	65,800	73,772	(7,972)	66,780
Total street lighting	<u>66,300</u>	<u>66,300</u>	<u>73,778</u>	<u>(7,478)</u>	<u>66,887</u>
Engineering					
Other services and charges	12,000	12,000	33,513	(21,513)	21,764
Total public works	<u>844,366</u>	<u>844,366</u>	<u>844,870</u>	<u>(504)</u>	<u>654,761</u>
Culture and recreation					
Tree maintenance					
Personnel services	26,452	26,452	12,263	14,189	25,164
Supplies	850	850	411	439	248
Other services and charges	9,300	9,300	6,795	2,505	9,134
Total tree maintenance	<u>36,602</u>	<u>36,602</u>	<u>19,469</u>	<u>17,133</u>	<u>34,546</u>
Parks					
Personnel services	52,852	52,852	48,247	4,605	56,044
Supplies	16,000	16,000	14,320	1,680	16,254
Other services and charges	23,900	23,900	42,184	(18,284)	29,237
Total parks	<u>92,752</u>	<u>92,752</u>	<u>104,751</u>	<u>(11,999)</u>	<u>101,535</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, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Swimming pool					
Personnel services	\$ 72,535	\$ 72,535	\$ 83,427	\$ (10,892)	\$ 9,240
Supplies	5,700	5,700	11,366	(5,666)	1,672
Other services and charges	15,750	15,750	64,306	(48,556)	56,477
Total swimming pool	<u>93,985</u>	<u>93,985</u>	<u>159,099</u>	<u>(65,114)</u>	<u>67,389</u>
Athletic fields					
Personnel services	15,251	15,251	14,612	639	8,835
Supplies	4,200	4,200	4,681	(481)	8,479
Other services and charges	13,000	13,000	6,943	6,057	7,543
Total athletic fields	<u>32,451</u>	<u>32,451</u>	<u>26,236</u>	<u>6,215</u>	<u>24,857</u>
Skating					
Personnel services	6,692	6,692	5,828	864	4,449
Supplies	200	200	24	176	-
Other services and charges	1,450	1,450	566	884	1,804
Total skating	<u>8,342</u>	<u>8,342</u>	<u>6,418</u>	<u>1,924</u>	<u>6,253</u>
Cannon Valley Trail					
Personnel services	178,142	178,142	177,940	202	179,327
Supplies	50	50	-	50	-
Other services and charges	49,500	49,500	48,728	772	51,237
Total Cannon Valley Trail	<u>227,692</u>	<u>227,692</u>	<u>226,668</u>	<u>1,024</u>	<u>230,564</u>
Total culture and recreation	<u>491,824</u>	<u>491,824</u>	<u>542,641</u>	<u>(50,817)</u>	<u>465,144</u>
Miscellaneous					
Unallocated					
Personnel services	2,300	2,300	1,964	336	2,186
Other services and charges	98,700	98,700	52,174	46,526	203,692
Total miscellaneous	<u>101,000</u>	<u>101,000</u>	<u>54,138</u>	<u>46,862</u>	<u>205,878</u>
Total current	<u>3,251,643</u>	<u>3,251,643</u>	<u>3,301,947</u>	<u>(50,304)</u>	<u>3,469,552</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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Capital outlay					
General government	\$ 3,200	\$ 3,200	\$ -	\$ 3,200	\$ 8,130
Public safety	5,000	5,000	893	4,107	-
Public works	14,500	14,500	21,887	(7,387)	13,974
Total capital outlay	<u>22,700</u>	<u>22,700</u>	<u>22,780</u>	<u>(80)</u>	<u>22,104</u>
Debt service					
Capital lease					
Principal	-	-	-	-	8,378
Interest	-	-	-	-	969
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,347</u>
Total Expenditures	<u>3,274,343</u>	<u>3,274,343</u>	<u>3,324,727</u>	<u>(50,384)</u>	<u>3,501,003</u>
Excess of Revenues Over Expenditures	<u>685,806</u>	<u>685,806</u>	<u>860,973</u>	<u>175,167</u>	<u>566,173</u>
Other Financing Sources (Uses)					
Transfers in	-	-	120,277	120,277	-
Transfers out	<u>(685,806)</u>	<u>(685,806)</u>	<u>(745,406)</u>	<u>(59,600)</u>	<u>(159,500)</u>
Total Other Financing Sources (Uses)	<u>(685,806)</u>	<u>(685,806)</u>	<u>(625,129)</u>	<u>60,677</u>	<u>(159,500)</u>
Net Change in Fund Balances	-	-	235,844	235,844	406,673
Fund Balances, January 1	<u>2,992,330</u>	<u>2,992,330</u>	<u>2,992,330</u>	<u>-</u>	<u>2,585,657</u>
Fund Balances, December 31	<u>\$ 2,992,330</u>	<u>\$ 2,992,330</u>	<u>\$ 3,228,174</u>	<u>\$ 235,844</u>	<u>\$ 2,992,330</u>

City of Cannon Falls, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2021

	<b>524</b> 2011A G.O. Bonds	<b>526</b> 2012A G.O. Improvement Bond	<b>528</b> 2012B G.O. Refunding Bond	<b>529</b> 2013A G.O. Improvemen Bond
<b>Assets</b>				
Cash and temporary investments	\$ -	\$ 45,444	\$ (273,788)	\$ -
Receivables				
Special assessments	-	-	107,599	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 45,444</u>	<u>\$ (166,189)</u>	<u>\$ -</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - special assessments	\$ -	\$ -	\$ 58,865	\$ -
<b>Fund Balances</b>				
Restricted for debt service	-	45,444	-	-
Unassigned	-	-	(225,054)	-
<b>Total Fund Balances</b>	<u>-</u>	<u>45,444</u>	<u>(225,054)</u>	<u>-</u>
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<u>\$ -</u>	<u>\$ 45,444</u>	<u>\$ (166,189)</u>	<u>\$ -</u>

<b>530</b> 2016A G.O. Bond	<b>531</b> 2018A G.O. Bond	<b>532</b> 2018B G.O. Equipment Certificates	<b>533</b> 2020A G.O. Refunding Bond	Total
\$ 450,564	\$ 804,476	\$ 35,229	\$ 1,248,560	\$ 2,310,485
<u>202,112</u>	<u>360,970</u>	<u>-</u>	<u>395,768</u>	<u>1,066,449</u>
<u>\$ 652,676</u>	<u>\$ 1,165,446</u>	<u>\$ 35,229</u>	<u>\$ 1,644,328</u>	<u>\$ 3,376,934</u>
<u>\$ 186,097</u>	<u>\$ 338,866</u>	<u>\$ -</u>	<u>\$ 362,699</u>	<u>\$ 946,527</u>
466,579	826,580	35,229	1,281,629	2,655,461
-	-	-	-	(225,054)
<u>466,579</u>	<u>826,580</u>	<u>35,229</u>	<u>1,281,629</u>	<u>2,430,407</u>
<u>\$ 652,676</u>	<u>\$ 1,165,446</u>	<u>\$ 35,229</u>	<u>\$ 1,644,328</u>	<u>\$ 3,376,934</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, 2021

	<b>524</b> 2011A G.O. Bonds	<b>526</b> 2012A G.O. Improvement Bond	<b>528</b> 2012B G.O. Refunding Bond	<b>529</b> 2013A G.O. Improvement Bond
Revenues				
Taxes	\$ -	\$ 41,850	\$ 29,500	\$ -
Special assessments	218	-	64,676	-
Interest on investments	-	(57)	-	-
Total Revenues	<u>218</u>	<u>41,793</u>	<u>94,176</u>	<u>-</u>
Expenditures				
Debt service				
Principal	-	77,000	555,000	-
Interest and other charges	-	2,874	10,715	-
Total Expenditures	<u>-</u>	<u>79,874</u>	<u>565,715</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>218</u>	<u>(38,081)</u>	<u>(471,539)</u>	<u>-</u>
Other Financing Sources				
Transfers in	-	-	40,500	-
Transfers out	(549,940)	-	-	(523,483)
Total Other Financing Sources (Uses)	<u>(549,940)</u>	<u>-</u>	<u>40,500</u>	<u>(523,483)</u>
Net Change in Fund Balances	(549,722)	(38,081)	(431,039)	(523,483)
Fund Balances, January 1	<u>549,722</u>	<u>83,525</u>	<u>205,985</u>	<u>523,483</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 45,444</u>	<u>\$ (225,054)</u>	<u>\$ -</u>

	<b>530</b> 2016A G.O. Bond	<b>531</b> 2018A G.O. Bond	<b>532</b> 2018B G.O. Equipment Certificates	<b>533</b> 2020A G.O. Refunding Bond	Total
	\$ 83,000	\$ 144,000	\$ 48,000	\$ 127,000	\$ 473,350
	42,620	67,814	-	64,914	240,242
	(144)	(273)	(12)	(438)	(924)
	<u>125,476</u>	<u>211,541</u>	<u>47,988</u>	<u>191,476</u>	<u>712,668</u>
	75,000	115,000	35,000	132,658	989,658
	29,032	59,551	12,300	52,509	166,981
	<u>104,032</u>	<u>174,551</u>	<u>47,300</u>	<u>185,167</u>	<u>1,156,639</u>
	21,444	36,990	688	6,309	(443,971)
	62,500	307,455	-	1,275,320	1,685,775
	(20,230)	-	-	-	(1,093,653)
	<u>42,270</u>	<u>307,455</u>	<u>-</u>	<u>1,275,320</u>	<u>592,122</u>
	63,714	344,445	688	1,281,629	148,151
	<u>402,865</u>	<u>482,135</u>	<u>34,541</u>	<u>-</u>	<u>2,282,256</u>
	<u>\$ 466,579</u>	<u>\$ 826,580</u>	<u>\$ 35,229</u>	<u>\$ 1,281,629</u>	<u>\$ 2,430,407</u>

City of Cannon Falls, Minnesota  
Economic Development Authority  
(Discretely Presented Component Unit)  
Combining Balance Sheet  
December 31, 2021

	Economic Development	Industrial Revolving Loan	Total
<b>Assets</b>			
Cash and temporary investments	\$ 199,980	\$ 167,129	\$ 367,109
Receivables			
Loans, net	-	386,451	386,451
Land held for resale	-	265,900	265,900
Total Assets	\$ 199,980	\$ 819,480	\$ 1,019,460
<b>Liabilities</b>			
Accounts and contracts payable	\$ 53	\$ -	\$ 53
Unearned revenue	14,527	-	14,527
Total Liabilities	14,580	-	14,580
<b>Fund Balances</b>			
Nonspendable			
Land held for resale	-	265,900	265,900
Committed			
Economic development	185,400	-	185,400
Revolving loan program	-	553,580	553,580
Total Fund Balances	185,400	819,480	1,004,880
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 199,980	\$ 819,480	\$ 1,019,460

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

Total Fund Balances Reported above	\$ 1,004,880
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	(140)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	72
Deferred inflows of pension resources	(110)
Total Net Position - Economic Development Authority	\$ 1,738,826

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, 2021

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 71,810	\$ -	\$ 71,810
Interest on investments (loss)	(91)	193	102
Miscellaneous	12,259	10,761	23,020
Contributions and donations	8,607	-	8,607
Total Revenues	92,585	10,954	103,539
Expenditures			
Current			
Economic development	73,102	9,799	82,901
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,483	1,155	20,638
Special Item			
Land held for resale	-	115,900	115,900
Net Change in Fund Balances	19,483	117,055	136,538
Fund Balances, January 1	165,917	702,425	868,342
Fund Balances, December 31	\$ 185,400	\$ 819,480	\$ 1,004,880

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

Net Changes in Fund Balances - Economic Development Authority	\$ 136,538
Long-term pension activity is not reported in governmental funds.	
Pension expense	4,841
Pension revenue	1
	1
Change in Net Position - Economic Development Authority	\$ 141,380

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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 71,810	\$ 71,810	\$ 71,810	\$ -	\$ 113,500
Intergovernmental	-	-	-	-	16,651
Contributions and donations	-	-	8,607	8,607	45,892
Interest on investments (loss)	-	-	(91)	(91)	1,424
Miscellaneous revenue	-	-	12,259	12,259	8,980
Total Revenues	<u>71,810</u>	<u>71,810</u>	<u>92,585</u>	<u>20,775</u>	<u>186,447</u>
Expenditures					
Current					
Economic development					
Personnel services	660	660	445	215	50,214
Supplies	100	100	-	100	-
Other services and charges	71,050	71,050	72,657	(1,607)	118,396
Total Expenditures	<u>71,810</u>	<u>71,810</u>	<u>73,102</u>	<u>(1,292)</u>	<u>168,610</u>
Net Change in Fund Balances	-	-	19,483	19,483	17,837
Fund Balances, January 1	<u>165,917</u>	<u>165,917</u>	<u>165,917</u>	<u>-</u>	<u>148,080</u>
Fund Balances, December 31	<u>\$ 165,917</u>	<u>\$ 165,917</u>	<u>\$ 185,400</u>	<u>\$ 19,483</u>	<u>\$ 165,917</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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest on investments	\$ -	\$ -	\$ 193	\$ 193	\$ 2,082
Miscellaneous	1,250	1,250	10,761	9,511	12,259
Total Revenues	<u>1,250</u>	<u>1,250</u>	<u>10,954</u>	<u>9,704</u>	<u>14,341</u>
Expenditures					
Current					
Economic development					
Other services and charges	<u>1,250</u>	<u>1,250</u>	<u>9,799</u>	<u>(8,549)</u>	<u>90,524</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1,155	1,155	(76,183)
Special Item					
Land held for resale	<u>-</u>	<u>-</u>	<u>115,900</u>	<u>115,900</u>	<u>150,000</u>
Net Change in Fund Balances	-	-	117,055	117,055	73,817
Fund Balances, January 1	<u>702,425</u>	<u>702,425</u>	<u>702,425</u>	<u>-</u>	<u>628,608</u>
Fund Balances, December 31	<u><u>\$ 702,425</u></u>	<u><u>\$ 702,425</u></u>	<u><u>\$ 819,480</u></u>	<u><u>\$ 117,055</u></u>	<u><u>\$ 702,425</u></u>

City of Cannon Falls, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
<b>Revenues</b>			
Taxes	\$ 3,819,438	\$ 3,802,999	0.43 %
Special assessments	263,564	273,919	(3.78)
Licenses and permits	127,184	103,041	23.43
Intergovernmental	1,031,847	1,183,229	(12.79)
Charges for services	151,656	122,098	24.21
Fines and forfeits	16,416	63,723	(74.24)
Investment earnings	3,278	22,944	(85.71)
Miscellaneous	403,675	365,985	10.30
Total Revenues	<u>\$ 5,817,058</u>	<u>\$ 5,937,938</u>	(2.04) %
Per Capita	<u>\$ 1,378</u>	<u>\$ 1,450</u>	(4.96) %
<b>Expenditures</b>			
Current			
General government	\$ 780,141	\$ 889,645	(12.31) %
Public safety	1,317,918	1,491,555	(11.64)
Public works	844,870	654,761	29.03
Culture and recreation	1,024,560	930,432	10.12
Miscellaneous	54,138	205,878	(73.70)
Capital outlay			
General government	-	8,130	(100.00)
Public safety	513,534	5,394	9,420.47
Public works	136,341	39,042	249.22
Culture and recreation	37,071	55,553	(33.27)
Economic development	57,437	49,750	15.45
Debt service			
Principal	989,658	807,378	22.58
Interest and other charges	166,981	213,052	(21.62)
Total Expenditures	<u>\$ 5,922,649</u>	<u>\$ 5,350,570</u>	10.69 %
Per Capita	<u>\$ 1,403</u>	<u>\$ 1,307</u>	7.39 %
<b>Total Long-term Indebtedness</b>	\$ 4,585,342	\$ 5,575,000	(17.75) %
Per Capita	1,087	1,362	(20.21)
<b>General Fund Balance - December 31</b>	\$ 3,228,174	\$ 2,992,330	7.88 %
Per Capita	765	731	4.66

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, 2021

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**INDEPENDENT AUDITOR’S REPORT  
ON MINNESOTA LEGAL COMPLIANCE**

Honorable Mayor and City Council  
City of Cannon Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cannon Falls, Minnesota as of and for the year ended December 31, 2021, 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 15, 2022.

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**  
Minneapolis, Minnesota  
June 15, 2022

**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, 2021, 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 15, 2022.

**Report on 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 2021-001 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 statements. 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**  
Minneapolis, Minnesota  
June 15, 2022



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City of Cannon Falls, Minnesota  
Schedule of Finding and Response  
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
<b>2021-001</b>	<b>Preparation of Financial Statements</b>
<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.

*Management Response:*

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.