



Annual Financial Report

City of Cannon Falls

Cannon Falls, Minnesota

For the year ended December 31, 2022



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INTRODUCTORY SECTION
CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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City of Cannon Falls, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2022

ELECTED

Name	Title	Term Expires
John Althoff	Mayor	12/31/24
Bill Duncan	Council Member	12/31/22
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
Shelley Ryan, Hoff Barry	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, 2022

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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, 2022, 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, 2022, 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 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 13, 2023, 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.



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Minneapolis, Minnesota
June 13, 2023



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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, 2022.

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 as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase from governmental activities primarily due to an increase in charges for services and operating grants. The business-type activities increased due to positive operating income in four of five funds.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- The unassigned fund balance in the General fund as shown in the financial analysis of the City's funds section increased from prior year.
- The City's total bonded debt decreased during the fiscal year. The decrease was a result of scheduled debt service payments as shown on the outstanding debt table.

Overview of the Financial Statements

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

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

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

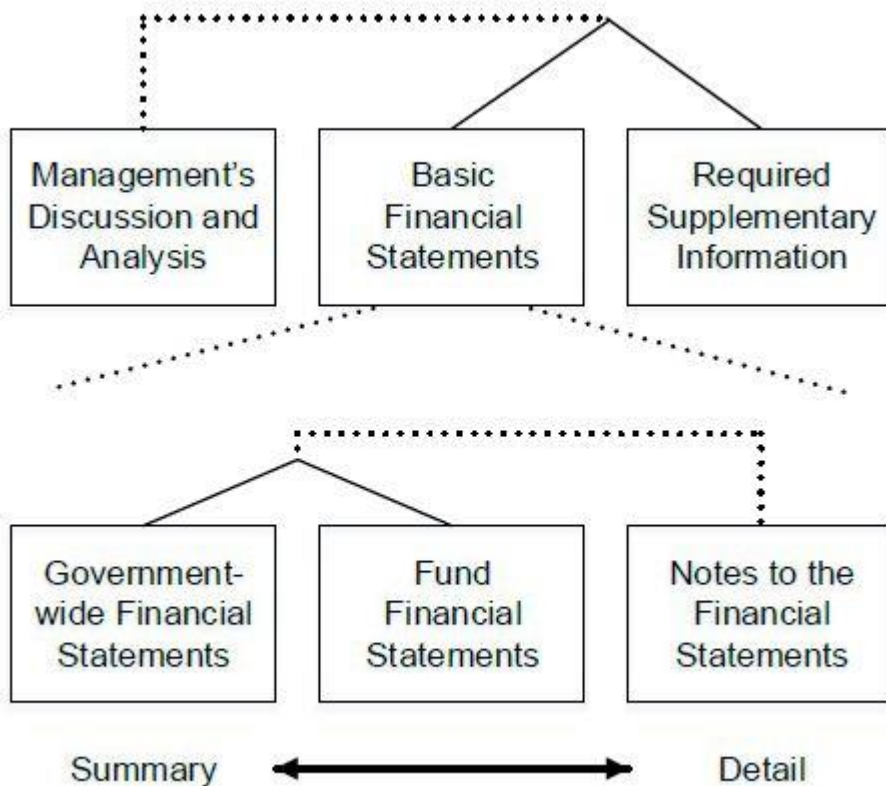


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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.

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 86 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets 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		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	\$ 10,211,987	\$ 8,991,636	\$ 1,220,351	\$ 4,519,357	\$ 4,302,453	\$ 216,904
Capital assets	15,072,951	15,122,153	(49,202)	19,053,073	19,947,823	(894,750)
Total Assets	<u>25,284,938</u>	<u>24,113,789</u>	<u>1,171,149</u>	<u>23,572,430</u>	<u>24,250,276</u>	<u>(677,846)</u>
Deferred Outflows of Resources	<u>1,984,396</u>	<u>1,347,901</u>	<u>636,495</u>	<u>131,749</u>	<u>164,545</u>	<u>(32,796)</u>
Liabilities						
Long-term liabilities outstanding	8,325,573	6,304,158	2,021,415	4,807,408	5,403,686	(596,278)
Other liabilities	425,574	505,113	(79,539)	77,615	110,149	(32,534)
Total Liabilities	<u>8,751,147</u>	<u>6,809,271</u>	<u>1,941,876</u>	<u>4,885,023</u>	<u>5,513,835</u>	<u>(628,812)</u>
Deferred Inflows of Resources	<u>222,254</u>	<u>1,950,006</u>	<u>(1,727,752)</u>	<u>13,578</u>	<u>232,439</u>	<u>(218,861)</u>
Net Position						
Net investment in capital assets	10,758,041	10,360,489	397,552	14,813,661	14,887,336	(73,675)
Restricted	4,219,230	3,503,471	715,759	-	-	-
Unrestricted	<u>3,318,662</u>	<u>2,838,453</u>	<u>480,209</u>	<u>3,991,917</u>	<u>3,781,211</u>	<u>210,706</u>
Total Net Position	<u>\$ 18,295,933</u>	<u>\$ 16,702,413</u>	<u>\$ 1,593,520</u>	<u>\$ 18,805,578</u>	<u>\$ 18,668,547</u>	<u>\$ 137,031</u>
Net Position as a Percent of Total						
Net investment in capital assets	58.8 %	62.0 %		78.8 %	79.7 %	
Restricted	23.1	21.0		-	-	
Unrestricted	<u>18.1</u>	<u>17.0</u>		<u>21.2</u>	<u>20.3</u>	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

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

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

City of Cannon Falls' Changes in Net Position

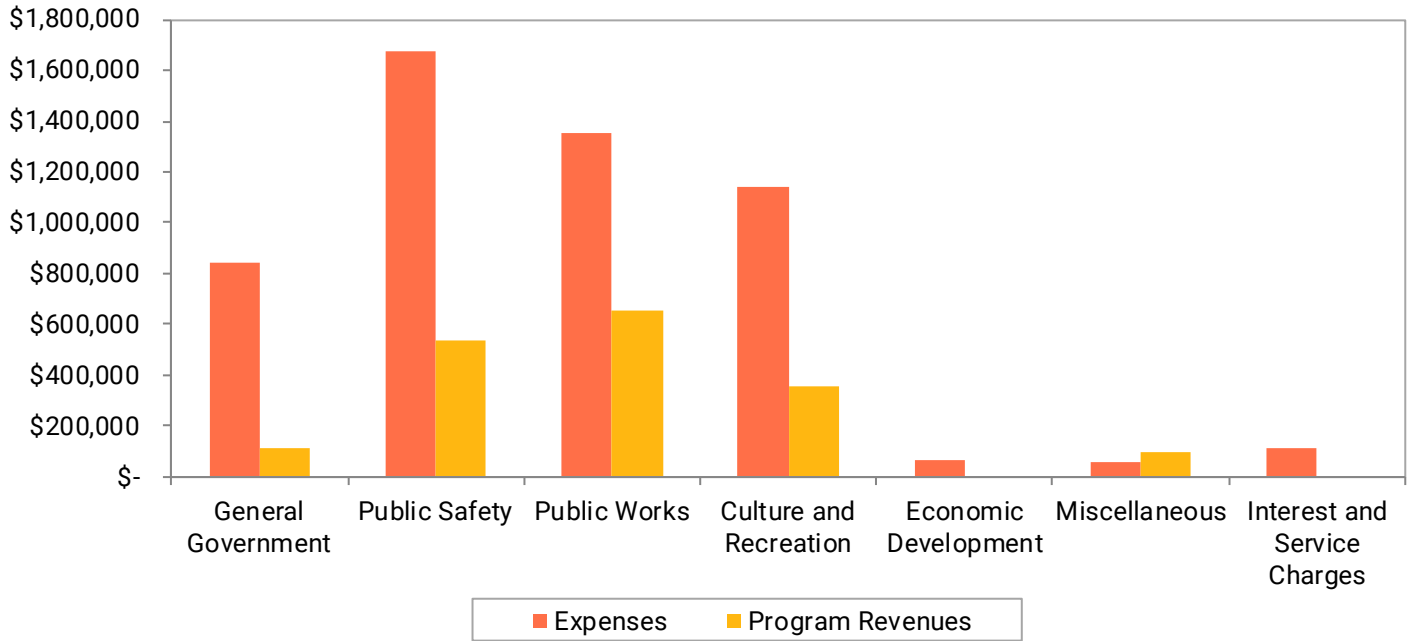
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 775,814	\$ 666,354	\$ 109,460	\$ 3,622,694	\$ 4,015,518	\$ (392,824)
Operating grants and contributions	777,642	341,290	436,352	-	24,012	(24,012)
Capital grants and contributions	208,121	81,147	126,974	13,825	105,135	(91,310)
General Revenues						
Taxes	3,860,677	3,800,188	60,489	-	-	-
Grants and Contributions not Restricted to Specific Programs	704,876	700,375	4,501	-	-	-
Investment Earnings	52,485	3,278	49,207	38,777	3,029	35,748
Gain on Sale of Capital Assets	22,320	-	22,320	-	-	-
Total Revenues	<u>6,401,935</u>	<u>5,592,632</u>	<u>809,303</u>	<u>3,675,296</u>	<u>4,147,694</u>	<u>(472,398)</u>
Expenses						
General government	844,433	831,571	12,862	-	-	-
Public safety	1,672,419	1,272,181	400,238	-	-	-
Public works	1,353,052	1,312,768	40,284	-	-	-
Culture and recreation	1,138,878	1,082,365	56,513	-	-	-
Economic development	61,488	57,437	4,051	-	-	-
Miscellaneous	53,977	54,138	(161)	-	-	-
Interest and service charges	111,762	144,321	(32,559)	-	-	-
Water utility	-	-	-	699,717	688,447	11,270
Disposal	-	-	-	1,146,924	1,099,569	47,355
Storm water	-	-	-	75,196	70,121	5,075
Recycling program	-	-	-	66,654	65,724	930
Ambulance	-	-	-	1,122,180	929,859	192,321
Deputy registrar	-	-	-	-	59,793	(59,793)
Total Expenses	<u>5,236,009</u>	<u>4,754,781</u>	<u>481,228</u>	<u>3,110,671</u>	<u>2,913,513</u>	<u>197,158</u>
Change in Net Position before Transfers	1,165,926	837,851	328,075	564,625	1,234,181	(669,556)
Transfers	<u>427,594</u>	<u>799,927</u>	<u>(372,333)</u>	<u>(427,594)</u>	<u>(799,927)</u>	<u>372,333</u>
Change in Net Position	1,593,520	1,637,778	(44,258)	137,031	434,254	(297,223)
Net Position, January 1	<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>
Net Position, December 31	<u><u>\$ 18,295,933</u></u>	<u><u>\$ 16,702,413</u></u>	<u><u>\$ 1,593,520</u></u>	<u><u>\$ 18,805,578</u></u>	<u><u>\$ 18,668,547</u></u>	<u><u>\$ 137,031</u></u>

The increase in capital grants and contributions is due to the ARPA act funding recognized in 2022.

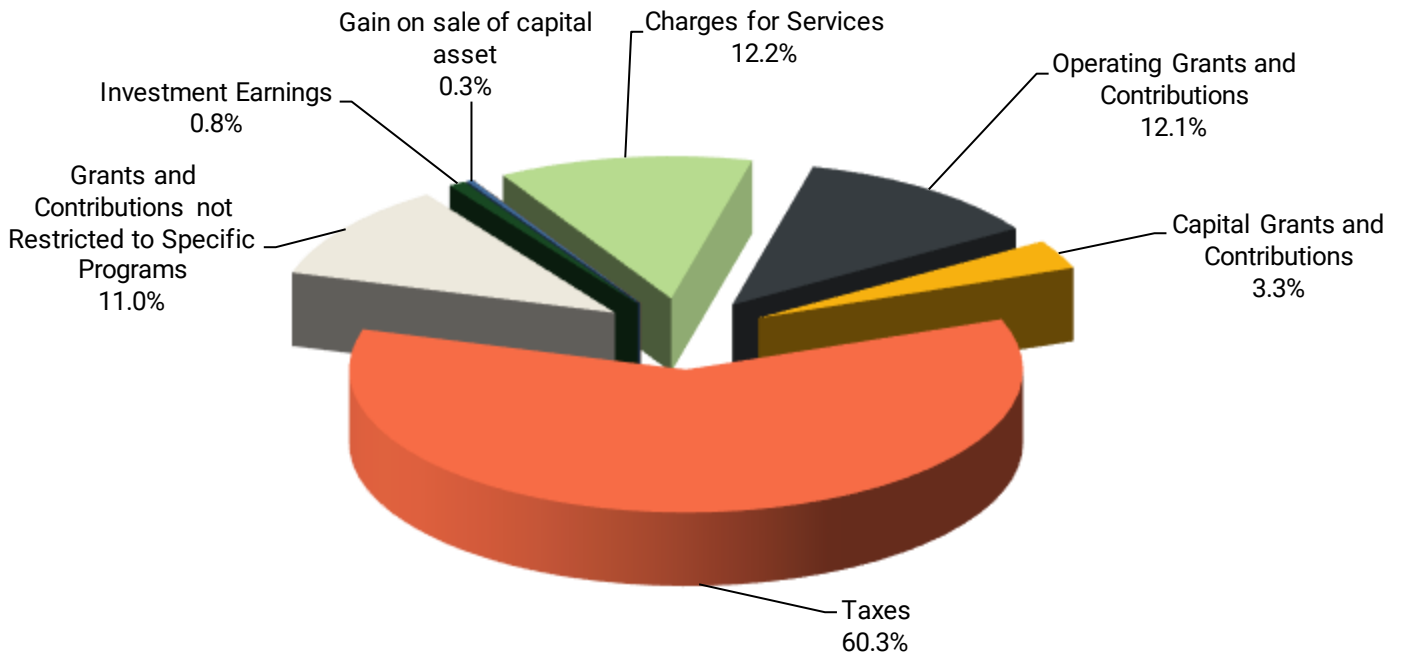
The increase in public safety expenses is due to increased fire and building inspection costs.

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

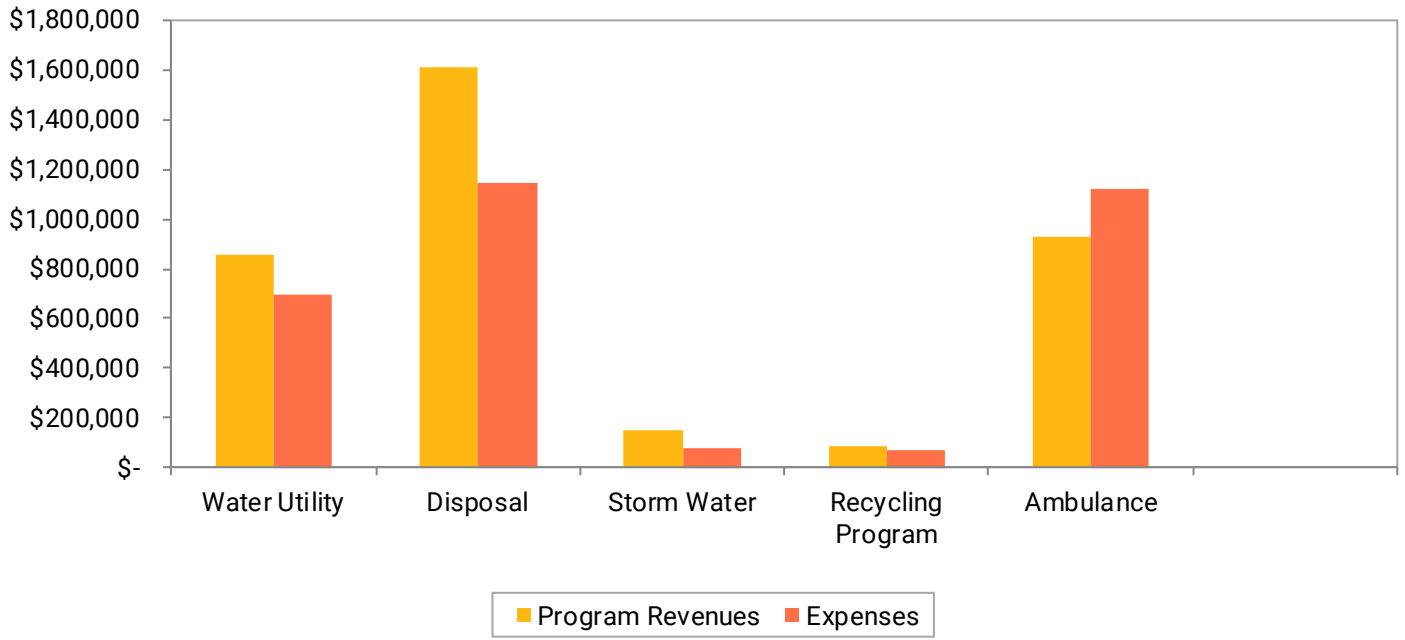
Expenses and Program Revenues - Governmental Activities



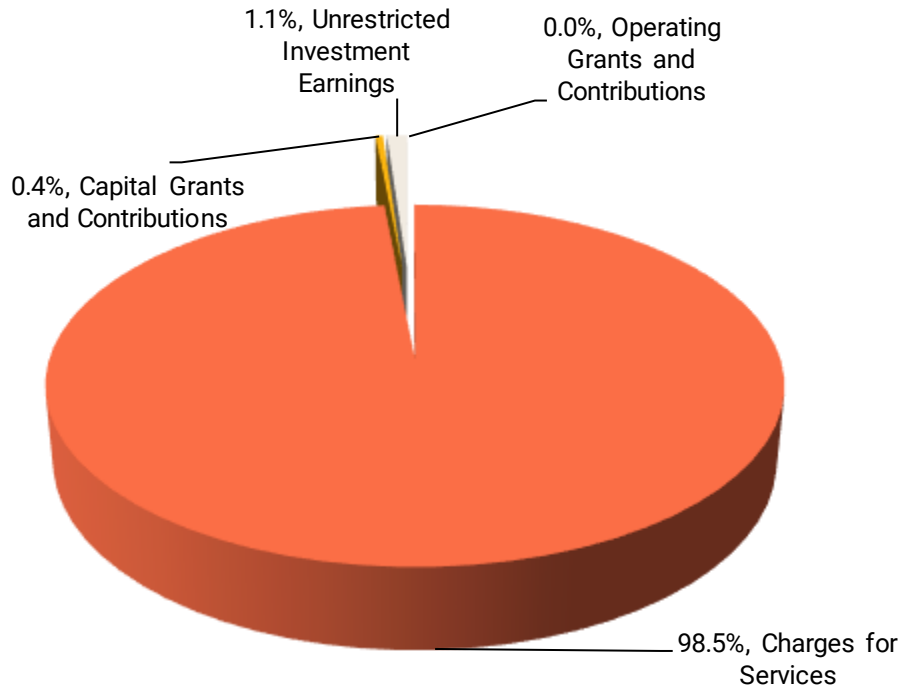
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-type h



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.

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. The table below outlines the governmental fund balances for the year ending December 31, 2022.

	General Fund	Debt Service Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	\$ 46,265	\$ -	\$ 8,107	\$ 54,372	\$ 44,964	\$ 9,408
Restricted	-	3,034,881	190,735	3,225,616	2,603,337	622,279
Committed	-	-	1,562,698	1,562,698	1,361,805	200,893
Assigned	-	-	1,047,372	1,047,372	641,211	406,161
Unassigned	3,194,464	-	(475,244)	2,719,220	2,717,960	1,260
Total	\$3,240,729	\$3,034,881	\$2,333,668	\$8,609,278	\$7,369,277	\$1,240,001

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 54 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 46,265	\$ 39,518	\$ 6,747
Unassigned	3,194,464	3,188,656	5,808
Total	\$ 3,240,729	\$ 3,228,174	\$ 12,555
General Fund expenditures	\$ 3,433,683	\$ 3,324,727	
Unassigned as a percent of expenditures	93.0%	95.9%	
Total fund balance as a percent of expenditures	94.4%	97.1%	

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
General	\$ 3,240,729	\$ 3,228,174	\$ 12,555
Fund balance increased due to an over \$200,000 positive revenue budget variance			
Debt Service	\$ 3,034,881	\$ 2,430,407	\$ 604,474
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.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 3,961,853	\$ 3,961,853	\$ 4,172,071	\$ 210,218
Expenditures	3,314,878	3,314,878	3,433,683	(118,805)
Excess of Revenues Over Expenditures	646,975	646,975	738,388	91,413
Other Financing Sources (Uses)				
Sale of capital assets	-	-	7,508	7,508
Transfers in	-	-	51,764	51,764
Insurance proceeds	-	-	98,317	98,317
Transfers out	(646,975)	(646,975)	(883,422)	(236,447)
Total Other Financing Sources (Uses)	(646,975)	(646,975)	(725,833)	(78,858)
Net Change in Fund Balances	-	-	12,555	12,555
Fund Balances, January 1	3,228,174	3,228,174	3,228,174	
Fund Balances, December 31	\$ 3,228,174	\$ 3,228,174	\$ 3,240,729	\$ 12,555

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, 2022, shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major public project capital asset events during the current fiscal year were as follows:

- Purchase of Land
- Purchase of a John Deere Gator
- Water tower painting and improvements
- Purchase of 2022 GMC Sierra
- Purchase of 2022 Chevy Silverado

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		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 1,149,292	\$ 1,149,292	\$ -	\$ 87,816	\$ 87,816	\$ -
Construction in Progress	38,840	-	38,840	-	-	-
Buildings and Improvements	2,746,683	2,856,956	(110,273)	2,721	3,256	(535)
System Improvements/Infrastruct	9,448,267	9,382,405	65,862	18,386,616	19,194,773	(808,157)
Machinery and Equipment	393,782	393,729	53	265,275	280,305	(15,030)
Vehicles	1,296,087	1,339,771	(43,684)	310,645	381,673	(71,028)
Total	\$ 15,072,951	\$ 15,122,153	\$ (49,202)	\$ 19,053,073	\$ 19,947,823	\$ (894,750)
Percent increase (decrease)			-0.3%			-4.5%

Long-term Debt. At the end of the current fiscal year, the City had total bonded and financed purchase debt outstanding. 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		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
General Obligation Revenue Bonds	\$ 3,882,357	\$ 4,295,342	\$ (412,985)	\$ 4,239,412	\$ 4,868,567	\$ (629,155)
General Obligation Equipment Certificates	253,000	290,000	(37,000)	-	-	-
Total	\$ 4,135,357	\$ 4,585,342	\$ (449,985)	\$ 4,239,412	\$ 4,868,567	\$ (629,155)
Percent increase (decrease)			-9.8%			-12.9%

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 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, 2022

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City of Cannon Falls, Minnesota

Statement of Net Position

December 31, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 8,534,445	\$ 3,616,601	\$ 12,151,046	\$ 300,883
Receivables				
Accrued interest	23,604	-	23,604	-
Taxes	64,728	-	64,728	-
Accounts, net of allowance	169,061	620,518	789,579	1,090
Special assessments	1,050,696	254,542	1,305,238	-
Loans, net of allowance	-	-	-	298,424
Due from other governments	72,540	-	72,540	-
Inventories, at cost	-	6,192	6,192	-
Prepaid items	54,372	21,504	75,876	-
Net pension asset	242,541	-	242,541	-
Land held for resale	-	-	-	316,371
Capital assets				
Land and construction in progress	1,188,132	87,816	1,275,948	734,124
Depreciable buildings, property and equipment, net	13,884,819	18,965,257	32,850,076	-
Total Assets	25,284,938	23,572,430	48,857,368	1,650,892
Deferred Outflows of Resources				1,650,892
Deferred pension resources	1,984,396	131,749	2,116,145	-
Liabilities				
Accounts and contracts payable	259,091	22,046	281,137	1,879
Accrued interest payable	41,843	40,325	82,168	-
Due to other governments	-	2,529	2,529	-
Accrued salaries payable	37,993	12,715	50,708	-
Deposits payable	58,722	-	58,722	-
Unearned revenue	27,925	-	27,925	14,527
Noncurrent liabilities				
Due within one year				
Long-term liabilities	442,360	313,890	756,250	-
Due in more than one year				
Long-term liabilities	4,120,744	4,030,026	8,150,770	-
Net pension liability	3,762,469	463,492	4,225,961	-
Total Liabilities	8,751,147	4,885,023	13,636,170	16,406
Deferred Inflows of Resources				
Deferred pension resources	222,254	13,578	235,832	-
Net Position				
Net investment in capital assets	10,758,041	14,813,661	25,571,702	734,124
Restricted for				
Net pension asset	191,740	-	191,740	-
Debt service	3,836,496	-	3,836,496	-
Cable television	188,883	-	188,883	-
Park improvements	489	-	489	-
Economic development	1,622	-	1,622	-
Unrestricted	3,318,662	3,991,917	7,310,579	900,362
Total Net Position	\$ 18,295,933	\$ 18,805,578	\$ 37,101,511	\$ 1,634,486

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, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 844,433	\$ 114,310	\$ -	\$ -
Public safety	1,672,419	331,203	202,849	-
Public works	1,353,052	-	447,594	208,121
Culture and recreation	1,138,878	231,984	127,199	-
Economic development	61,488	-	-	-
Miscellaneous	53,977	98,317	-	-
Interest on long-term debt	111,762	-	-	-
Total Governmental Activities	<u>5,236,009</u>	<u>775,814</u>	<u>777,642</u>	<u>208,121</u>
Business-type Activities				
Water utility	699,717	844,545	-	10,148
Disposal	1,146,924	1,609,125	-	2,181
Storm water	75,196	151,261	-	1,496
Recycling program	66,654	86,633	-	-
Ambulance	1,122,180	931,130	-	-
Total Business-type Activities	<u>3,110,671</u>	<u>3,622,694</u>	<u>-</u>	<u>13,825</u>
Total Primary Government	<u>\$ 8,346,680</u>	<u>\$ 4,398,508</u>	<u>\$ 777,642</u>	<u>\$ 221,946</u>
Component Unit				
Economic Development Authority	<u>\$ 187,117</u>	<u>\$ 10,211</u>	<u>\$ 900</u>	<u>\$ -</u>

General Revenues and Transfers

Taxes

- Property taxes, levied for general purpose
- Property taxes, levied for debt service
- Property taxes, levied for economic development
- Property taxes, levied for library
- Property taxes, levied for public safety
- Payments in lieu of property taxes
- Franchise tax
- Tax increments
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (730,123)	\$ -	\$ (730,123)	\$ -
(1,138,367)	-	(1,138,367)	-
(697,337)	-	(697,337)	-
(779,695)	-	(779,695)	-
(61,488)	-	(61,488)	-
44,340	-	44,340	-
(111,762)	-	(111,762)	-
<u>(3,474,432)</u>	<u>-</u>	<u>(3,474,432)</u>	<u>-</u>
-	154,976	154,976	-
-	464,382	464,382	-
-	77,561	77,561	-
-	19,979	19,979	-
-	(191,050)	(191,050)	-
-	<u>525,848</u>	<u>525,848</u>	<u>-</u>
<u>(3,474,432)</u>	<u>525,848</u>	<u>(2,948,584)</u>	<u>-</u>
			<u>(176,006)</u>
2,170,669	-	2,170,669	-
480,860	-	480,860	-
42,100	-	42,100	72,450
371,645	-	371,645	-
98,859	-	98,859	-
606,509	-	606,509	-
30,870	-	30,870	-
59,165	-	59,165	-
704,876	-	704,876	-
52,485	38,777	91,262	2,122
22,320	-	22,320	(2,906)
427,594	(427,594)	-	-
<u>5,067,952</u>	<u>(388,817)</u>	<u>4,679,135</u>	<u>71,666</u>
1,593,520	137,031	1,730,551	(104,340)
<u>16,702,413</u>	<u>18,668,547</u>	<u>35,370,960</u>	<u>1,738,826</u>
<u>\$ 18,295,933</u>	<u>\$ 18,805,578</u>	<u>\$ 37,101,511</u>	<u>\$ 1,634,486</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, 2022

City of Cannon Falls, Minnesota

Balance Sheet
Governmental Funds
December 31, 2022

	General	Debt Service	Other Governmental	Total Governmental
Assets				
Cash and temporary investments	\$ 3,247,731	\$ 2,950,100	\$ 2,336,614	\$ 8,534,445
Receivables				
Accrued interest	23,604	-	-	23,604
Taxes	64,728	-	-	64,728
Accounts	104,730	14,207	50,124	169,061
Special assessments	38,878	914,032	97,786	1,050,696
Due from other funds	16,755	-	-	16,755
Due from other governments	72,540	-	-	72,540
Prepaid items	46,265	-	8,107	54,372
	<u>3,615,231</u>	<u>3,878,339</u>	<u>2,492,631</u>	<u>9,986,201</u>
Total Assets	<u>\$ 3,615,231</u>	<u>\$ 3,878,339</u>	<u>\$ 2,492,631</u>	<u>\$ 9,986,201</u>
Liabilities				
Accounts and contracts payable	\$ 219,174	\$ -	\$ 39,917	\$ 259,091
Due to other funds	-	-	16,755	16,755
Accrued salaries payable	25,432	-	12,561	37,993
Unearned revenue	27,925	-	-	27,925
Deposits payable	58,722	-	-	58,722
Total Liabilities	<u>331,253</u>	<u>-</u>	<u>69,233</u>	<u>400,486</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	20,784	-	-	20,784
Unavailable revenue - special assessments	22,465	843,458	89,730	955,653
Total Deferred Inflows of Resources	<u>43,249</u>	<u>843,458</u>	<u>89,730</u>	<u>976,437</u>
Fund Balances				
Nonspendable	46,265	-	8,107	54,372
Restricted	-	3,034,881	190,735	3,225,616
Committed	-	-	1,562,698	1,562,698
Assigned	-	-	1,047,372	1,047,372
Unassigned	3,194,464	-	(475,244)	2,719,220
Total Fund Balances	<u>3,240,729</u>	<u>3,034,881</u>	<u>2,333,668</u>	<u>8,609,278</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,615,231</u>	<u>\$ 3,878,339</u>	<u>\$ 2,492,631</u>	<u>\$ 9,986,201</u>

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

City of Cannon Falls, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2022

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

Total Fund Balances - Governmental Funds	\$ 8,609,278
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	27,248,070
Less: accumulated depreciation	(12,175,119)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	
	242,541
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	(4,135,357)
Bond premiums, net of accumulated amortization	(179,553)
Compensated absences payable	(248,194)
Net pension liability	(3,762,469)
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	20,784
Special assessments receivable	955,653
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,984,396
Deferred inflows of pension resources	(222,254)
Governmental funds do not report a liability for accrued interest until due and payable.	(41,843)
Total Net Position - Governmental Activities	\$ 18,295,933

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, 2022

	General	Debt Service	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 2,772,862	\$ 480,860	\$ 602,639	\$ 3,856,361
Licenses and permits	210,585	-	-	210,585
Intergovernmental	769,755	-	627,893	1,397,648
Charges for services	50,336	-	98,898	149,234
Fines and forfeitures	18,543	-	818	19,361
Special assessments	23,719	195,954	15,293	234,966
Interest on investments	28,605	15,730	8,150	52,485
Miscellaneous	297,666	-	77,380	375,046
Total Revenues	<u>4,172,071</u>	<u>692,544</u>	<u>1,431,071</u>	<u>6,295,686</u>
Expenditures				
Current				
General government	799,400	-	18,500	817,900
Public safety	1,230,581	-	254,068	1,484,649
Public works	810,063	-	-	810,063
Culture and recreation	526,005	-	479,502	1,005,507
Miscellaneous	53,977	-	-	53,977
Capital outlay				
Public safety	4,952	-	92,901	97,853
Public works	8,705	-	662,476	671,181
Culture and recreation	-	-	34,123	34,123
Economic development	-	-	61,488	61,488
Debt service				
Principal	-	449,985	-	449,985
Interest and other charges	-	131,703	-	131,703
Total Expenditures	<u>3,433,683</u>	<u>581,688</u>	<u>1,603,058</u>	<u>5,618,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>738,388</u>	<u>110,856</u>	<u>(171,987)</u>	<u>677,257</u>
Other Financing Sources (Uses)				
Sale of capital assets	7,508	-	14,812	22,320
Transfers in	51,764	495,382	765,634	1,312,780
Insurance proceeds	98,317	-	14,513	112,830
Transfers out	(883,422)	(1,764)	-	(885,186)
Total Other Financing Sources (Uses)	<u>(725,833)</u>	<u>493,618</u>	<u>794,959</u>	<u>562,744</u>
Net Change in Fund Balances	12,555	604,474	622,972	1,240,001
Fund Balances, January 1	<u>3,228,174</u>	<u>2,430,407</u>	<u>1,710,696</u>	<u>7,369,277</u>
Fund Balances, December 31	<u>\$ 3,240,729</u>	<u>\$ 3,034,881</u>	<u>\$ 2,333,668</u>	<u>\$ 8,609,278</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, 2022

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

Net Change in Fund Balances - Governmental Funds	\$ 1,240,001
<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	748,573
Depreciation expense	(797,775)
<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	449,985
Amortization of bond premium	15,391
<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>	
	4,550
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(65,246)
Direct aid contributions	29,536
<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	4,316
Special assessments	(33,217)
<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	(2,594)
Change in Net Position - Governmental Activities	\$ 1,593,520

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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,746,129	\$ 2,746,129	\$ 2,772,862	\$ 26,733
Licenses and permits	74,800	74,800	210,585	135,785
Intergovernmental	786,201	786,201	769,755	(16,446)
Charges for services	39,900	39,900	50,336	10,436
Fines and forfeitures	26,000	26,000	18,543	(7,457)
Special assessments	15,200	15,200	23,719	8,519
Interest on investments	9,500	9,500	28,605	19,105
Miscellaneous	264,123	264,123	297,666	33,543
Total Revenues	<u>3,961,853</u>	<u>3,961,853</u>	<u>4,172,071</u>	<u>210,218</u>
Expenditures				
Current				
General government	714,113	714,113	799,400	(85,287)
Public safety	1,091,505	1,091,505	1,230,581	(139,076)
Public works	865,522	865,522	810,063	55,459
Culture and recreation	503,988	503,988	526,005	(22,017)
Miscellaneous	109,250	109,250	53,977	55,273
Capital outlay	30,500	30,500	13,657	16,843
Total Expenditures	<u>3,314,878</u>	<u>3,314,878</u>	<u>3,433,683</u>	<u>(118,805)</u>
Excess of Revenues Over Expenditures	<u>646,975</u>	<u>646,975</u>	<u>738,388</u>	<u>91,413</u>
Other Financing Sources (Uses)				
Transfers in	-	-	51,764	51,764
Insurance proceeds	-	-	98,317	98,317
Sale of capital assets	-	-	7,508	7,508
Transfers out	(646,975)	(646,975)	(883,422)	(236,447)
Total Other Financing Sources (Uses)	<u>(646,975)</u>	<u>(646,975)</u>	<u>(725,833)</u>	<u>(78,858)</u>
Net Change in Fund Balances	-	-	12,555	12,555
Fund Balances, January 1	<u>3,228,174</u>	<u>3,228,174</u>	<u>3,228,174</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,228,174</u>	<u>\$ 3,228,174</u>	<u>\$ 3,240,729</u>	<u>\$ 12,555</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, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Assets						
Current Assets						
Cash and temporary investments	\$ 1,457,630	\$ 876,527	\$ 405,152	\$ 658,070	\$ 219,222	\$ 3,616,601
Receivables						
Accounts, net of allowance	83,208	142,972	371,634	13,938	8,766	620,518
Special assessments	14,414	30,295	-	1,875	2,487	49,071
Inventories, at cost	3,096	3,096	-	-	-	6,192
Prepaid items	2,924	6,876	11,704	-	-	21,504
Total Current Assets	<u>1,561,272</u>	<u>1,059,766</u>	<u>788,490</u>	<u>673,883</u>	<u>230,475</u>	<u>4,313,886</u>
Noncurrent Assets						
Special assessments receivable	110,837	94,634	-	-	-	205,471
Capital assets						
Land and construction in progress	87,816	-	-	-	-	87,816
Depreciable buildings, property, and equipment	14,552,302	20,974,352	905,217	1,428,788	-	37,860,659
Accumulated depreciation	(7,592,602)	(10,376,101)	(532,793)	(393,906)	-	(18,895,402)
Total Net Capital Assets	<u>7,047,516</u>	<u>10,598,251</u>	<u>372,424</u>	<u>1,034,882</u>	<u>-</u>	<u>19,053,073</u>
Total Noncurrent Assets	<u>7,158,353</u>	<u>10,692,885</u>	<u>372,424</u>	<u>1,034,882</u>	<u>-</u>	<u>19,258,544</u>
Total Assets	<u>8,719,625</u>	<u>11,752,651</u>	<u>1,160,914</u>	<u>1,708,765</u>	<u>230,475</u>	<u>23,572,430</u>
Deferred Outflows of Resources						
Deferred pension resources	18,073	24,372	88,465	839	-	131,749

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, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Liabilities						
Current Liabilities						
Accounts and contracts payable	\$ 8,400	\$ 6,981	\$ 6,665	\$ -	\$ -	\$ 22,046
Accrued interest payable	16,865	17,873	-	5,587	-	40,325
Due to other governments	2,529	-	-	-	-	2,529
Accrued salaries payable	1,758	2,458	8,499	-	-	12,715
Compensated absences payable - current	3,611	5,000	17,591	-	-	26,202
Bonds payable - current	116,698	127,305	-	43,685	-	287,688
Total Current Liabilities	<u>149,861</u>	<u>159,617</u>	<u>32,755</u>	<u>49,272</u>	<u>-</u>	<u>391,505</u>
Noncurrent Liabilities						
Compensated absences payable	10,833	14,697	52,772	-	-	78,302
Bonds payable	1,630,765	1,747,246	-	573,713	-	3,951,724
Net pension liability	63,606	85,765	311,168	2,953	-	463,492
Total Noncurrent Liabilities	<u>1,705,204</u>	<u>1,847,708</u>	<u>363,940</u>	<u>576,666</u>	<u>-</u>	<u>4,493,518</u>
Total Liabilities	<u>1,855,065</u>	<u>2,007,325</u>	<u>396,695</u>	<u>625,938</u>	<u>-</u>	<u>4,885,023</u>
Deferred Inflows of Resources						
Deferred pension resources	1,857	2,506	9,129	86	-	13,578
Net Position						
Net investment in capital assets	5,300,053	8,723,700	372,424	417,484	-	14,813,661
Unrestricted	1,580,723	1,043,492	471,131	666,096	230,475	3,991,917
Total Net Position	<u>\$ 6,880,776</u>	<u>\$ 9,767,192</u>	<u>\$ 843,555</u>	<u>\$ 1,083,580</u>	<u>\$ 230,475</u>	<u>\$ 18,805,578</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, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Operating Revenues						
Charges for services	\$ 844,545	\$ 1,609,125	\$ 920,956	\$ 151,261	\$ 84,735	\$ 3,610,622
Operating Expenses						
Personnel services	143,488	189,647	793,914	7,256	-	1,134,305
Supplies	31,869	55,618	69,615	75	-	157,177
Repairs and maintenance	19,117	28,504	79,303	-	-	126,924
Depreciation	351,418	543,766	87,210	46,780	-	1,029,174
Insurance	7,832	18,126	6,169	-	-	32,127
Utilities	69,026	153,341	16,817	-	-	239,184
Other services and charges	25,299	96,738	62,925	4,351	66,654	255,967
Total Operating Expenses	<u>648,049</u>	<u>1,085,740</u>	<u>1,115,953</u>	<u>58,462</u>	<u>66,654</u>	<u>2,974,858</u>
Operating Income (Loss)	<u>196,496</u>	<u>523,385</u>	<u>(194,997)</u>	<u>92,799</u>	<u>18,081</u>	<u>635,764</u>
Nonoperating Revenues (Expenses)						
Interest on investments	10,523	23,583	(232)	3,663	1,240	38,777
Special assessments	-	-	-	-	1,898	1,898
Other income	-	-	10,174	-	-	10,174
Loss on disposal of assets	-	-	(6,227)	-	-	(6,227)
Bond issuance costs	(3,442)	-	-	-	-	(3,442)
Interest expense	(48,226)	(61,184)	-	(16,734)	-	(126,144)
Total Nonoperating Revenues (Expenses)	<u>(41,145)</u>	<u>(37,601)</u>	<u>3,715</u>	<u>(13,071)</u>	<u>3,138</u>	<u>(84,964)</u>
Income Before Contributions and Transfers	155,351	485,784	(191,282)	79,728	21,219	550,800
Capital Contributions	10,148	2,181	-	1,496	-	13,825
Transfers Out	(155,721)	(225,685)	-	(46,188)	-	(427,594)
Change in Net Position	9,778	262,280	(191,282)	35,036	21,219	137,031
Net Position, January 1	<u>6,870,998</u>	<u>9,504,912</u>	<u>1,034,837</u>	<u>1,048,544</u>	<u>209,256</u>	<u>18,668,547</u>
Net Position, December 31	<u>\$ 6,880,776</u>	<u>\$ 9,767,192</u>	<u>\$ 843,555</u>	<u>\$ 1,083,580</u>	<u>\$ 230,475</u>	<u>\$ 18,805,578</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, 2022

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 844,263	\$ 1,616,256	\$ 1,013,645	\$ 154,076	\$ 84,786	\$ 3,713,026
Payments to suppliers	(154,555)	(372,775)	(236,167)	(4,426)	(66,654)	(834,577)
Payments to employees	(140,386)	(190,639)	(757,361)	(5,553)	-	(1,093,939)
Net Cash Provided by Operating Activities	<u>549,322</u>	<u>1,052,842</u>	<u>20,117</u>	<u>144,097</u>	<u>18,132</u>	<u>1,784,510</u>
Cash Flows from Noncapital and Related Financing Activities						
Transfers out	(155,721)	(225,685)	-	(46,188)	-	(427,594)
Cash Flows from Capital and Related Financing Activities						
Permits and connection fees received	9,492	6,958	-	1,496	-	17,946
Special assessments received	86,378	71,084	-	-	1,898	159,360
Acquisition of capital assets	(9,728)	(121,265)	-	(9,658)	-	(140,651)
Bond issuance costs paid	(3,442)	-	-	-	-	(3,442)
Principal paid on bonds	(113,686)	(649,596)	-	(42,641)	-	(805,923)
Interest paid on bonds and finance purchases	(54,746)	(74,729)	-	(19,514)	-	(148,989)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(85,732)</u>	<u>(767,548)</u>	<u>-</u>	<u>(70,317)</u>	<u>1,898</u>	<u>(921,699)</u>
Cash Flows from Investing Activities						
Interest received from investments	10,523	23,583	(232)	3,663	1,240	38,777
Net Increase (Decrease) in Cash and Cash Equivalents	318,392	83,192	19,885	31,255	21,270	473,994
Cash and Cash Equivalents, January 1	<u>1,139,238</u>	<u>793,335</u>	<u>385,267</u>	<u>626,815</u>	<u>197,952</u>	<u>3,142,607</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,457,630</u>	<u>\$ 876,527</u>	<u>\$ 405,152</u>	<u>\$ 658,070</u>	<u>\$ 219,222</u>	<u>\$ 3,616,601</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 196,496	\$ 523,385	\$ (194,997)	\$ 92,799	\$ 18,081	\$ 635,764
Adjustments to reconcile operating income to net cash provided by operating activities						
Other income	-	-	10,174	-	-	10,174
Depreciation	351,418	543,766	87,210	46,780	-	1,029,174
(Increase) decrease in assets/deferred outflows of resources						
Accounts receivable	(282)	7,131	82,515	314	(189)	89,489
Special assessments receivable	-	-	-	2,501	240	2,741
Inventory	2,070	2,070	-	-	-	4,140
Prepaid items	(430)	220	(653)	-	-	(863)
Deferred pension resources	5,540	9,701	18,130	(575)	-	32,796
Increase (decrease) in liabilities/deferred inflows of resources						
Accounts and contracts payable	(2,695)	(22,738)	(685)	-	-	(26,118)
Due to other governments	(357)	-	-	-	-	(357)
Accrued salaries payable	784	(52)	902	-	-	1,634
Compensated absences payable	(746)	(891)	3,839	-	-	2,202
Deferred pension resources	(31,502)	(45,628)	(141,444)	(287)	-	(218,861)
Net pension liability	29,026	35,878	155,126	2,565	-	222,595
Net Cash Provided by Operating Activities	<u>\$ 549,322</u>	<u>\$ 1,052,842</u>	<u>\$ 20,117</u>	<u>\$ 144,097</u>	<u>\$ 18,132</u>	<u>\$ 1,784,510</u>
Noncash Capital and Related Financing Activities						
Amortization of bond premiums	\$ 5,554	\$ 7,165	\$ -	\$ 2,433	\$ -	\$ 12,719
Net disposal of capital assets	\$ -	\$ -	\$ 6,227	\$ -	\$ -	\$ 6,227

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, 2022

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, 2022

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, 2022

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.

The *Storm Water fund* is used for the activities of the City's storm water collection operations.

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).
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

It is the City's policy to invest in a manner which seeks to insure the preservation of capital. Safety of principal is the foremost objective, but liquidity and yield are also important considerations. It is essential that cash is available when needed, therefore the goal is to maximize yield while matching maturity dates with expenditure needs. All participating in the investment process shall seek to act responsibly as custodians of the public trust.

It is the policy of the City to invest available fund at the highest rates attainable at the time of the investment, however giving preference to local financial institutions where the highest local bid is not more than .25 percent less than the non-local investment.

Investments may be held in safekeeping with any federal reserve bank, any bank authorized under laws of the United States or any state to exercise corporate trust powers, including but not limited to the bank from which it is purchased. The City's ownership of all securities shall be evidenced by a written acknowledge identifying the securities by name of issue, maturity date, interest rate and serial number or other distinguishing mark.

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

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, 2022:

- Negotiable certificates of deposits and US treasury bills of \$2,582,963 are values using a matrix pricing model (Level 2 inputs).

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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 2022. 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 50 percent of the outstanding balance. This amount totaled \$368,628 as of December 31, 2022.

Property Taxes

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

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

Special Assessments

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

Interfund Receivables and Payables

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

Inventories and Prepaid Items

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

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

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years for equipment and \$1,000 for land. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the acquisition value of the item at the date of its donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

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	\$ 231,797	\$ 146,663	\$ 4,034	\$ 382,494
Proportionate share of State's contribution	9,236	17,948	-	27,184
Total pension expense	<u>\$ 241,033</u>	<u>\$ 164,611</u>	<u>\$ 4,034</u>	<u>\$ 409,678</u>

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 \$352,698 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 Blandin foundation that has not yet met the revenue recognition criteria as well as licenses collected for future years.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

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

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

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and certain special revenue funds. All annual appropriations lapse at fiscal yearend. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The City's Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2022.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2022, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$ 3,314,878	\$ 3,433,683	\$ 118,805
Nonmajor			
Library fund	492,296	502,804	10,508
Fire Department Operations fund	267,718	324,525	56,807
Component Unit			
Economic Development fund	72,450	88,834	16,384
Industrial Revolving Loan fund	1,250	98,461	97,211

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

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2022:

Fund	Amount
Capital Projects	
Fire Capital	\$ 271,042
TIF 2-6.2	375
TIF 2-8	1,366
TIF 2-9	7,900
TIF 2-10	4,500
Alexander Court	38,095
Keith Meyer Abatement	3,762
Water Tower Restoration	24,552
Bluff Drive Project	83,881
2023 Street Project	39,771

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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.

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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

At year end, the City's carrying amount of deposits, bank balance FDIC coverage and pledged collateral are shown in the chart below.

Carrying amount of deposits	\$ 2,654,774
Bank balance	\$ 3,021,055
Covered by FDIC	(3,021,055)
Collateralized with securities pledged in City's name	\$ -

Investments

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

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

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	Less than 6 months	\$ 7,213,205			
Money market fund	N/A	Less than 6 months	572			
Non-pooled Investments at Fair Value						
U.S. Treasury Bill	N/A	Less than 1 year	250,829	\$ -	\$ 250,829	\$ -
Negotiable CDs	N/A	1 to 5 years	2,332,134	-	2,332,134	-
Total Investments			\$ 9,796,740	\$ -	\$ 2,582,963	\$ -

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

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

N/A Indicates not applicable or available.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

	Amount
Carrying Amount of Deposits	\$ 2,654,774
Investments	9,796,740
Cash on Hand	415
Total	\$ 12,451,929
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 12,151,046
Component unit	
Economic Development Authority	
Cash and temporary investments	300,883
Total	\$ 12,451,929

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, 2022 was \$59,791.

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, 2022 was \$63,640.

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, 2022 was \$5,095.

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, 2022 was \$98,143.

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, 2022 was \$61,830.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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 \$591.16 are due beginning on December 15, 2021. The outstanding balance as of December 31, 2022 was \$29,925.

The total net loan receivable balance as of December 31, 2022 was \$298,424 after taking into account \$20,000 worth of allowances described above.

C. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,149,292	\$ -	\$ -	\$ 1,149,292
Construction in progress	-	38,840	-	38,840
Total Capital Assets not Being Depreciated	<u>1,149,292</u>	<u>38,840</u>	<u>-</u>	<u>1,188,132</u>
Capital Assets Being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	15,119,835	524,823	-	15,644,658
Machinery and equipment	1,872,517	107,393	-	1,979,910
Vehicles	3,619,515	77,517	(134,223)	3,562,809
Total Capital Assets Being Depreciated	<u>25,484,428</u>	<u>709,733</u>	<u>(134,223)</u>	<u>26,059,938</u>
Less Accumulated Depreciation for				
Buildings and improvements	(2,015,605)	(110,273)	-	(2,125,878)
System improvements/infrastructure	(5,737,430)	(458,961)	-	(6,196,391)
Machinery and equipment	(1,478,788)	(241,563)	134,223	(1,586,128.00)
Vehicles	(2,279,744)	13,022	-	(2,266,722)
Total Accumulated Depreciation	<u>(11,511,567)</u>	<u>(797,775)</u>	<u>134,223</u>	<u>(12,175,119)</u>
Total Capital Assets Being Depreciated, Net	<u>13,972,861</u>	<u>(88,042)</u>	<u>-</u>	<u>13,884,819</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,122,153</u>	<u>\$ (49,202)</u>	<u>\$ -</u>	<u>\$ 15,072,951</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

General government	\$ 43,774
Public safety	183,799
Public works	486,614
Culture and recreation	<u>83,588</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 797,775</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	<u>\$ 87,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,816</u>
 Capital Assets Being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	35,849,964	90,981	-	35,940,945
Machinery and equipment	1,162,622	49,670	(12,052)	1,200,240
Vehicles	<u>719,248</u>	<u>-</u>	<u>(15,754)</u>	<u>703,494</u>
Total Capital Assets Being Depreciated	<u>37,747,814</u>	<u>140,651</u>	<u>(27,806)</u>	<u>37,860,659</u>
 Less Accumulated Depreciation for				
Buildings and improvements	(12,724)	(535)	-	(13,259)
System improvements/infrastructure	(16,655,191)	(899,138)	-	(17,554,329)
Machinery and equipment	(882,317)	(74,227)	21,579	(934,965)
Vehicles	<u>(337,575)</u>	<u>(55,274)</u>	<u>-</u>	<u>(392,849)</u>
Total Accumulated Depreciation	<u>(17,887,807)</u>	<u>(1,029,174)</u>	<u>21,579</u>	<u>(18,895,402)</u>
 Total Capital Assets Being Depreciated, Net	<u>19,860,007</u>	<u>(888,523)</u>	<u>(6,227)</u>	<u>18,965,257</u>
 Business-type Activities Capital Assets, Net	<u><u>\$ 19,947,823</u></u>	<u><u>\$ (888,523)</u></u>	<u><u>\$ (6,227)</u></u>	<u><u>\$ 19,053,073</u></u>

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

Business-type Activities

Water Utility	\$ 351,418
Disposal	543,766
Ambulance	87,210
Storm Water	<u>46,780</u>
 Total Depreciation Expense - Business-type Activities	 <u><u>\$ 1,029,174</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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, 2022 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, 2022 is as follows:

Fund	Transfers in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer Out				
General	\$ -	\$ 173,788	\$ 709,634	\$ 883,422
Debt Service	1,764	-	-	1,764
Water Utility	25,000	124,721	6,000	155,721
Disposal	25,000	150,685	50,000	225,685
Strom Water	-	46,188	-	46,188
Total	<u>\$ 51,764</u>	<u>\$ 495,382</u>	<u>\$ 765,634</u>	<u>\$ 1,312,780</u>

During the year, transfers are used to 1) move General fund resources to provide funds for future capital purchases 2) move enterprise fund resources to debt service funds for debt service requirements and 3) to close out funds no longer in use.

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:

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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 2016A	\$ 2,480,000	2.00 - 3.00 %	06/30/16	02/01/37	\$ 1,825,000
G.O. Improvement Bonds of 2018A	3,920,000	3.00 - 3.50	07/18/18	02/01/39	3,365,000
G.O. Refunding Permanent Bonds of 2020A	3,330,000	2.00 - 4.00	08/11/20	02/01/34	<u>2,755,000</u>
Total G.O. Improvement Bonds					<u>\$ 7,945,000</u>

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

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities			G.O. Improvement Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	392,568	66,099	458,667	337,432	81,689	419,121
2028 - 2032	1,675,120	173,108	1,848,228	1,314,880	276,458	1,591,338
2033 - 2037	395,510	12,177	407,687	964,490	116,805	1,081,295
2038 - 2039	-	-	-	235,000	8,313	243,313
Total	<u>\$ 3,882,357</u>	<u>\$ 633,106</u>	<u>\$ 4,515,463</u>	<u>\$ 4,062,643</u>	<u>\$ 916,219</u>	<u>\$ 4,978,862</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>\$ 253,000</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	45,000	2,740	47,740
2028	46,000	920	46,920
Total	<u>\$ 253,000</u>	<u>\$ 31,500</u>	<u>\$ 284,500</u>

Changes in Long-term Liabilities

During the year ended December 31, 2022, the following changes in long-term liabilities occurred:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation special assessment bonds	\$ 4,295,342	\$ -	\$ (412,985)	\$ 3,882,357	\$ 342,312
General obligation Equipment certificates	290,000	-	(37,000)	253,000	38,000
Premium on bonds issued	194,945	-	(15,392)	179,553	-
Compensated Absences Payable	<u>245,599</u>	<u>63,995</u>	<u>(61,400)</u>	<u>248,194</u>	<u>62,048</u>
Governmental Activity Long-term Liabilities	<u>\$ 5,025,886</u>	<u>\$ 63,995</u>	<u>\$ (526,777)</u>	<u>\$ 4,563,104</u>	<u>\$ 442,360</u>
Business-type Activities					
Bonds Payable					
General obligation revenue bonds	\$ 525,908	\$ -	\$ (525,908)	\$ -	\$ -
General obligation improvement bonds	4,342,659	-	(280,015)	4,062,644	287,688
Premium on bonds issued	191,919	-	(15,151)	176,768	-
Compensated Absences Payable	<u>102,299</u>	<u>27,680</u>	<u>(25,475)</u>	<u>104,504</u>	<u>26,202</u>
Business-type Activity Long-term Liabilities	<u>\$ 5,162,785</u>	<u>\$ 27,680</u>	<u>\$ (846,549)</u>	<u>\$ 4,343,916</u>	<u>\$ 313,890</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

Note 3: Detailed Notes on All Funds (Continued)

F. Fund Balance

At December 31, 2022, 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	\$ 46,265	\$ -	\$ 8,107	\$ 54,372
Restricted for				
Debt service	\$ -	\$ 3,034,881	\$ -	\$ 3,034,881
Cable television	-	-	188,624	188,624
Tax increment financing	-	-	1,622	1,622
Park capital	-	-	489	489
Total Restricted	<u>\$ -</u>	<u>\$ 3,034,881</u>	<u>\$ 190,735</u>	<u>\$ 3,225,616</u>
Committed for				
Fire operations	\$ -	\$ -	\$ 169,587	\$ 169,587
Street capital	-	-	46,801	46,801
Public works capital	-	-	453,569	453,569
Police capital	-	-	115,801	115,801
Administration capital	-	-	114,213	114,213
Park capital	-	-	613,745	613,745
Library capital	-	-	48,982	48,982
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,562,698</u>	<u>\$ 1,562,698</u>
Assigned				
Library operations	\$ -	\$ -	\$ 190,876	\$ 190,876
Municipal reserve	-	-	717,390	717,390
Public improvements	-	-	139,106	139,106
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,047,372</u>	<u>\$ 1,047,372</u>
Unassigned	<u>\$ 3,194,464</u>	<u>\$ -</u>	<u>\$ (475,244)</u>	<u>\$ 2,719,220</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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, 2022

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

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3.0 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of 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 2022. The City's contributions to the GERF for the year ending December 31, 2022, 2021 and 2020 were \$145,660, \$144,641 and \$150,394, 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, 2022, 2021 and 2020 were \$103,301, \$99,075 and \$106,806, 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, 2022

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,106,729 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 \$61,808. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0266 percent which was a decrease of 0.0005 percent from June 30, 2021.

City's Proportionate Share of the Net Pension Liability	\$ 2,106,729
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>61,808</u>
Total	<u><u>\$ 2,168,537</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$231,797 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$9,236 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, 2022, 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	\$ 17,597	\$ 22,935
Changes in Actuarial Assumptions	485,483	8,762
Net Difference Between Projected and Actual Earnings on Plan Investments	23,307	-
Changes in Proportion	-	30,788
Contributions to PERA Subsequent to the Measurement Date	<u>73,206</u>	<u>-</u>
Total	<u><u>\$ 599,593</u></u>	<u><u>\$ 62,485</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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

The \$73,206 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 158,583
2024	186,982
2025	(72,180)
2026	190,517

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$2,119,232 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the City's proportionate share was 0.0487 percent which was an increase of 0.0018 percent from its proportionate share measured as of June 30, 2021.

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.

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, 2022, the City recognized pension expense of \$146,663 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$4,383 for the year ended December 31, 2022, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 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 \$4,383 for the year ended December 31, 2022 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, 2022

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

At December 31, 2022, 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	\$ 129,963	\$ 3,836
Changes in Actuarial Assumptions	1,162,553	26,567
Net Difference Between Projected and Actual Earnings on Plan Investments	58,649	-
Changes in Proportion	37,495	17,808
Contributions to PERA Subsequent to the Measurement Date	53,557	-
Total	\$ 1,442,217	\$ 48,211

The \$53,557 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 265,065
2024	263,151
2025	221,017
2026	414,891
2027	176,325

E. Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.00 %	

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2022 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 27 years of service. 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.

Actuarial assumptions used in the June 30, 2022 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 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

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

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

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, 2022

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The discount rate used to measure the total pension liability in 2022 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 3,327,688	\$ 2,106,729	\$ 1,105,353
	1 Percent Decrease (4.40%)	Current (5.40%)	1 Percent Increase (6.40%)
Police and Fire Fund	3,207,185	2,119,232	1,239,686

I. Pension Plan Fiduciary Net Position

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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, 2021, 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 \$58,580 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2021 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, 2022 were \$57,090. 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, 2022

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

D. Pension Costs

At December 31, 2022, the City reported a net pension liability (asset) of \$(242,541) for the plan. The net pension asset was measured as of December 31, 2021. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Vanlwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2021. 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, 2022	\$ 776,799	\$ 935,100	\$ (158,301)
Changes for the Year			
Service cost	40,552	-	40,552
Interest on pension liability (asset)	42,554	-	42,554
Net investment income	-	109,779	(109,779)
Contributions (State)	-	59,580	(59,580)
Benefit payouts	(13,600)	(13,600)	-
Administrative costs	-	(2,013)	2,013
Total Net Changes	<u>69,506</u>	<u>153,746</u>	<u>(84,240)</u>
Ending Balance December 31, 2022	<u>\$ 846,305</u>	<u>\$ 1,088,846</u>	<u>\$ (242,541)</u>

For the year ended December 31, 2022, the City recognized pension expense of \$4,034.

At December 31, 2022, 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	\$ -	\$ 34,908
Changes in Actuarial Assumptions	17,245	1,453
Net Difference Between Projected and Actual Earnings on Plan Investments	-	88,775
Contributions to Plan Subsequent to the Measurement Date	<u>57,090</u>	<u>-</u>
Total	<u>\$ 74,335</u>	<u>\$ 125,136</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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

Deferred outflows of resources totaling \$57,090 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, 2023. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2023	\$ (18,665)
2024	(44,062)
2025	(25,340)
2026	(15,637)
2027	(2,067)
Thereafter	(2,120)

E. Actuarial Assumptions

The total pension liability at December 31, 2022 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.

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	\$ (219,735)	\$ (242,541)	\$ (264,649)

H. Pension Plan Fiduciary Net Position

The Association issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Cannon Falls Firefighter's Relief Association, 137 4th Street North, Cannon Falls, Minnesota 55009.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2022

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 \$253,000 applied against the limit.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

C. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2022 was \$704,781. This accounted for 17 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

City of Cannon Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2022

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
06/30/22	0.0266 %	\$ 2,106,729	\$ 61,808	\$ 2,168,537	\$ 1,955,535	107.7 %	76.7 %
06/30/21	0.0271	1,157,291	35,433	1,192,724	1,942,969	59.3	87.0
06/30/20	0.0272	1,630,764	50,397	1,619,003	2,010,581	83.9	79.0
06/30/19	0.0284	1,570,172	48,831	1,667,206	1,953,259	78.1	80.2
06/30/18	0.0291	1,614,349	52,857	1,842,293	1,835,533	82.6	79.5
06/30/17	0.0285	1,819,421	22,872	2,352,534	1,774,875	99.1	75.9
06/30/16	0.0286	2,322,178	30,356	1,482,200	1,680,063	130.8	68.9
06/30/15	0.0286	1,482,200	-	1,482,200	3,242,011	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)
12/31/22	\$ 145,660	\$ 145,660	\$ -	\$ 1,942,133	7.50 %
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, 2022

Notes to the Required Supplementary Information - General Employees Retirement Plan

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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, 2022

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

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

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, 2022

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 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
06/30/22	0.0487 %	\$ 2,119,232	\$ 92,530	\$ 2,211,762	\$ 591,408	358.3 %	70.5
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)
12/31/22	\$ 103,301	\$ 103,301	\$ -	\$ 583,619	17.70 %
12/31/21	99,075	99,075	-	559,746	17.70
12/31/20	106,806	106,806	-	603,424	16.95
12/31/19	108,059	108,059	-	637,519	16.20
12/31/18	94,884	94,884	-	585,702	16.20
12/31/17	87,838	87,838	-	542,210	16.20
12/31/16	86,782	86,782	-	535,691	16.20
12/31/15	71,922	71,922	-	443,963	16.20

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

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2022

Notes to the Required Supplementary Information - Police and Fire Plan

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

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, 2022

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

Changes in Plan Provisions

2022 – There were no changes in plan provisions since the previous valuation.

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, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 40,552	\$ 40,797	\$ 36,907	\$ 31,897	\$ 28,860	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	42,554	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	(13,600)	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Net Change in Total Pension Liability	69,506	28,578	25,302	110,680	37,581	(43,641)	803	22,610
Total Pension Liability - January 1	776,799	748,221	722,919	612,239	574,658	618,299	617,496	594,886
Total Pension Liability - December 31 (a)	\$ 846,305	\$ 776,799	\$ 748,221	\$ 722,919	\$ 612,239	\$ 574,658	\$ 618,299	\$ 617,496
Plan Fiduciary Net Position								
Employer contributions	\$ 59,580	\$ 56,796	\$ 55,398	\$ 51,993	\$ 51,349	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	-	34	-	-	-	-	-	137
Projected investment return	109,779	92,133	126,837	(80,846)	103,115	52,076	(32,964)	15,287
Benefit payments	(13,600)	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Administrative expenses	(2,013)	(1,140)	(1,135)	(1,169)	(1,296)	(1,155)	(239)	(232)
Other	-	-	-	-	-	-	-	3,000
Net Change in Plan Fiduciary Net Position	153,746	100,448	81,764	(30,022)	87,068	15,812	(56,910)	26,742
Plan Fiduciary Net Position - January 1	935,100	834,652	752,888	782,910	695,842	680,030	736,940	710,198
Plan Fiduciary Net Position - December 31 (b)	\$ 1,088,846	\$ 935,100	\$ 834,652	\$ 752,888	\$ 782,910	\$ 695,842	\$ 680,030	\$ 736,940
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (242,541)	\$ (158,301)	\$ (86,431)	\$ (29,969)	\$ (170,671)	\$ (121,184)	\$ (61,731)	\$ (119,444)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	128.66%	120.38%	111.55%	104.15%	127.88%	121.09%	109.98%	119.34%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	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.

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/22	\$ 57,090	\$ 57,090	\$ -
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, 2022

City of Cannon Falls, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 540,209	\$ 1,796,405	\$ 2,336,614
Receivables			
Accounts	30,610	19,514	50,124
Special assessments	-	97,786	97,786
Prepaid items	8,107	-	8,107
 Total Assets	 \$ 578,926	 \$ 1,913,705	 \$ 2,492,631
Liabilities			
Accounts and contracts payable	\$ 9,171	\$ 30,746	\$ 39,917
Accrued salaries payable	12,561	-	12,561
Due to other funds	-	16,755	16,755
Total Liabilities	21,732	47,501	69,233
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	89,730	89,730
Fund Balances			
Nonspendable	8,107	-	8,107
Restricted	188,624	2,111	190,735
Committed	169,587	1,393,111	1,562,698
Assigned	190,876	856,496	1,047,372
Unassigned	-	(475,244)	(475,244)
Total Fund Balances	557,194	1,776,474	2,333,668
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 578,926	 \$ 1,913,705	 \$ 2,492,631

City of Cannon Falls, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2022

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 470,504	\$ 42,100	\$ 512,604
Tax increments	-	59,165	59,165
Franchise taxes	30,870	-	30,870
Intergovernmental	180,299	447,594	627,893
Charges for services	98,898	-	98,898
Fines and forfeitures	818	-	818
Special assessments	-	15,293	15,293
Interest on investments	2,136	6,014	8,150
Miscellaneous	77,380	-	77,380
Total Revenues	<u>860,905</u>	<u>570,166</u>	<u>1,431,071</u>
Expenditures			
Current			
General government	-	18,500	18,500
Public safety	254,068	-	254,068
Culture and recreation	479,502	-	479,502
Capital outlay			
Public safety	70,457	22,444	92,901
Public works	-	662,476	662,476
Culture and recreation	34,123	-	34,123
Economic development	-	61,488	61,488
Total Expenditures	<u>838,150</u>	<u>764,908</u>	<u>1,603,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>22,755</u>	<u>(194,742)</u>	<u>(171,987)</u>
Other Financing Sources			
Insurance proceeds	-	14,513	14,513
Sale of capital assets	-	14,812	14,812
Transfers in	-	765,634	765,634
Total Other Financing Sources	<u>-</u>	<u>794,959</u>	<u>794,959</u>
Net Change in Fund Balances	22,755	600,217	622,972
Fund Balances, January 1	<u>534,439</u>	<u>1,176,257</u>	<u>1,710,696</u>
Fund Balances, December 31	<u>\$ 557,194</u>	<u>\$ 1,776,474</u>	<u>\$ 2,333,668</u>

City of Cannon Falls, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2022

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 210,283	\$ 181,830	\$ 148,096	\$ 540,209
Accounts receivable	-	6,892	23,718	30,610
Prepaid items	1,972	259	5,876	8,107
Total Assets	<u>\$ 212,255</u>	<u>\$ 188,981</u>	<u>\$ 177,690</u>	<u>\$ 578,926</u>
Liabilities				
Accounts payable	\$ 6,900	\$ 44	\$ 2,227	\$ 9,171
Accrued salaries payable	12,507	54	-	12,561
Total Liabilities	<u>19,407</u>	<u>98</u>	<u>2,227</u>	<u>21,732</u>
Fund Balances				
Nonspendable	1,972	259	5,876	8,107
Restricted	-	188,624	-	188,624
Committed	-	-	169,587	169,587
Assigned	190,876	-	-	190,876
Total Fund Balances	<u>192,848</u>	<u>188,883</u>	<u>175,463</u>	<u>557,194</u>
Total Liabilities and Fund Balances	<u>\$ 212,255</u>	<u>\$ 188,981</u>	<u>\$ 177,690</u>	<u>\$ 578,926</u>

City of Cannon Falls, Minnesota
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2022

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 371,645	\$ -	\$ 98,859	\$ 470,504
Franchise taxes	-	30,870	-	30,870
Intergovernmental				
State	-	-	58,090	58,090
County	122,209	-	-	122,209
Charges for services	1,539	-	97,359	98,898
Fines and forfeitures	818	-	-	818
Interest on investments (loss)	1,867	780	(511)	2,136
Miscellaneous				
Contributions and donations	-	-	77,380	77,380
Total Revenues	<u>498,078</u>	<u>31,650</u>	<u>331,177</u>	<u>860,905</u>
Expenditures				
Current				
Public safety	-	-	254,068	254,068
Culture and recreation	468,681	10,821	-	479,502
Capital outlay				
Public safety	-	-	70,457	70,457
Culture and recreation	34,123	-	-	34,123
Total Expenditures	<u>502,804</u>	<u>10,821</u>	<u>324,525</u>	<u>838,150</u>
Net Change in Fund Balances	(4,726)	20,829	6,652	22,755
Fund Balances, January 1	<u>197,574</u>	<u>168,054</u>	<u>168,811</u>	<u>534,439</u>
Fund Balances, December 31	<u>\$ 192,848</u>	<u>\$ 188,883</u>	<u>\$ 175,463</u>	<u>\$ 557,194</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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 371,645	\$ 371,645	\$ 371,645	\$ -	\$ 364,358
Intergovernmental					
County	118,530	118,530	122,209	3,679	120,569
Charges for services	1,000	1,000	1,539	539	1,205
Fines and forfeitures	1,121	1,121	818	(303)	1,092
Interest on investments (loss)	-	-	1,867	1,867	(108)
Miscellaneous					
Other	-	-	-	-	417
Total Revenues	492,296	492,296	498,078	5,782	487,533
Expenditures					
Current					
Culture and recreation					
Personnel services	390,596	390,596	398,438	(7,842)	398,569
Supplies	5,400	5,400	3,500	1,900	4,614
Other services and charges	64,300	64,300	66,743	(2,443)	69,152
Capital outlay					
Culture and recreation	32,000	32,000	34,123	(2,123)	32,037
Total Expenditures	492,296	492,296	502,804	(10,508)	504,372
Net Change in Fund Balances	-	-	(4,726)	(4,726)	(16,839)
Fund Balances, January 1	197,574	197,574	197,574	-	214,413
Fund Balances, December 31	<u>\$ 197,574</u>	<u>\$ 197,574</u>	<u>\$ 192,848</u>	<u>\$ (4,726)</u>	<u>\$ 197,574</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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Franchise taxes	\$ 32,263	\$ 32,263	\$ 30,870	\$ (1,393)	\$ 31,401
Interest on investments (loss)	-	-	780	780	(82)
Miscellaneous	-	-	-	-	43
Total Revenues	<u>32,263</u>	<u>32,263</u>	<u>31,650</u>	<u>(613)</u>	<u>31,362</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	17,213	17,213	9,370	7,843	8,260
Supplies	2,300	2,300	790	1,510	591
Other services and charges	2,750	2,750	661	2,089	733
Capital outlay					
Culture and recreation	10,000	10,000	-	10,000	-
Total Expenditures	<u>32,263</u>	<u>32,263</u>	<u>10,821</u>	<u>21,442</u>	<u>9,584</u>
Net Change in Fund Balances	-	-	20,829	20,829	21,778
Fund Balances, January 1	<u>168,054</u>	<u>168,054</u>	<u>168,054</u>	<u>-</u>	<u>146,276</u>
Fund Balances, December 31	<u>\$ 168,054</u>	<u>\$ 168,054</u>	<u>\$ 188,883</u>	<u>\$ 20,829</u>	<u>\$ 168,054</u>

City of Cannon Falls, Minnesota
 Fire Department Operations Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Budget and Actual
 For the Year Ended December 31, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 98,859	\$ 98,859	\$ 98,859	\$ -	\$ 121,675
Intergovernmental revenue					
State	61,500	61,500	58,090	(3,410)	59,810
Charges for services	97,359	97,359	97,359	-	95,451
Interest on investments (loss)	-	-	(511)	(511)	169
Miscellaneous					
Contributions and donations	3,000	3,000	77,380	74,380	17,241
Other	7,000	7,000	-	(7,000)	12,183
Total Revenues	<u>267,718</u>	<u>267,718</u>	<u>331,177</u>	<u>63,459</u>	<u>306,529</u>
Expenditures					
Current					
Public safety					
Personnel services	58,068	58,068	65,276	(7,208)	60,267
Supplies	32,500	32,500	39,238	(6,738)	36,350
Other services and charges	166,050	166,050	149,554	16,496	141,144
Capital outlay					
Public safety	11,100	11,100	70,457	(59,357)	23,072
Total Expenditures	<u>267,718</u>	<u>267,718</u>	<u>324,525</u>	<u>(56,807)</u>	<u>260,833</u>
Excess of Revenues Over Expenditures	-	-	6,652	6,652	45,696
Other Financing Uses					
Transfers out	-	-	-	-	(31,000)
Net Change in Fund Balances	-	-	6,652	6,652	14,696
Fund Balances, January 1	<u>168,811</u>	<u>168,811</u>	<u>168,811</u>	<u>-</u>	<u>154,115</u>
Fund Balances, December 31	<u>\$ 168,811</u>	<u>\$ 168,811</u>	<u>\$ 175,463</u>	<u>\$ 6,652</u>	<u>\$ 168,811</u>

City of Cannon Falls, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet (Continued on the Following Pages)
 December 31, 2022

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
Assets					
Cash and temporary investments	\$ 139,106	\$ 46,801	\$ 461,114	\$ 101,287	\$ (271,042)
Receivables					
Accounts	-	-	-	14,514	-
Special assessments	3,705	-	-	-	-
Total Assets	<u>\$ 142,811</u>	<u>\$ 46,801</u>	<u>\$ 461,114</u>	<u>\$ 115,801</u>	<u>\$ (271,042)</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ 7,545	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>7,545</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	3,705	-	-	-	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	46,801	453,569	115,801	-
Assigned	139,106	-	-	-	-
Unassigned	-	-	-	-	(271,042)
Total Fund Balances	<u>139,106</u>	<u>46,801</u>	<u>453,569</u>	<u>115,801</u>	<u>(271,042)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 142,811</u>	<u>\$ 46,801</u>	<u>\$ 461,114</u>	<u>\$ 115,801</u>	<u>\$ (271,042)</u>

509	510	511	225
<u>Administration Capital</u>	<u>Park Capital</u>	<u>Library Capital</u>	<u>Park Board</u>
\$ 114,213	\$ 613,745	\$ 48,982	\$ 489
-	-	-	-
-	-	-	-
<u>\$ 114,213</u>	<u>\$ 613,745</u>	<u>\$ 48,982</u>	<u>\$ 489</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	489
114,213	613,745	48,982	-
-	-	-	-
-	-	-	-
<u>114,213</u>	<u>613,745</u>	<u>48,982</u>	<u>489</u>
<u>\$ 114,213</u>	<u>\$ 613,745</u>	<u>\$ 48,982</u>	<u>\$ 489</u>

City of Cannon Falls, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet (Continued)
 December 31, 2022

	405	249	250	251	252
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	TIF 2-8	TIF 2-9
Assets					
Cash and temporary investments	\$ -	\$ -	\$ 1,622	\$ 25,815	\$ -
Receivables					
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ 1,622	\$ 25,815	\$ -
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 23,201	\$ -
Due to other funds	-	375	-	3,980	7,900
Total Liabilities	-	375	-	27,181	7,900
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	-	-	-	-
Fund Balances					
Restricted	-	-	1,622	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(375)	-	(1,366)	(7,900)
Total Fund Balances	-	(375)	1,622	(1,366)	(7,900)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ -	\$ 1,622	\$ 25,815	\$ -

253	406	409	410	411	412	534	
TIF 2-10	Alexander Court	Keith Meyer Abatement	Water Tower Restoration	Bluff Drive Project	2023 Street Project	Municipal Reserve	Total
\$ -	\$ (38,095)	\$ (3,762)	\$ (29,552)	\$ (91,937)	\$ (39,771)	\$ 717,390	\$ 1,796,405
-	-	-	5,000	-	-	-	19,514
-	-	-	-	94,081	-	-	97,786
<u>\$ -</u>	<u>\$ (38,095)</u>	<u>\$ (3,762)</u>	<u>\$ (24,552)</u>	<u>\$ 2,144</u>	<u>\$ (39,771)</u>	<u>\$ 717,390</u>	<u>\$ 1,913,705</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,746
4,500	-	-	-	-	-	-	16,755
<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,501</u>
-	-	-	-	86,025	-	-	89,730
-	-	-	-	-	-	-	2,111
-	-	-	-	-	-	-	1,393,111
-	-	-	-	-	-	717,390	856,496
(4,500)	(38,095)	(3,762)	(24,552)	(83,881)	(39,771)	-	(475,244)
<u>(4,500)</u>	<u>(38,095)</u>	<u>(3,762)</u>	<u>(24,552)</u>	<u>(83,881)</u>	<u>(39,771)</u>	<u>717,390</u>	<u>1,776,474</u>
<u>\$ -</u>	<u>\$ (38,095)</u>	<u>\$ (3,762)</u>	<u>\$ (24,552)</u>	<u>\$ 2,144</u>	<u>\$ (39,771)</u>	<u>\$ 717,390</u>	<u>\$ 1,913,705</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, 2022

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital	509 Administration Capital
Revenues						
Taxes						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Interest on investments (loss)	794	134	715	(247)	-	419
Total Revenues	<u>794</u>	<u>134</u>	<u>715</u>	<u>(247)</u>	<u>-</u>	<u>419</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Capital outlay						
Public safety	-	-	-	22,444	-	-
Public works	-	-	49,543	-	-	-
Economic development	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>49,543</u>	<u>22,444</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>794</u>	<u>134</u>	<u>(48,828)</u>	<u>(22,691)</u>	<u>-</u>	<u>419</u>
Other Financing Sources						
Insurance proceeds	-	-	-	14,513	-	-
Sale of capital assets	-	-	-	14,812	-	-
Transfers in	-	6,150	151,000	61,525	-	7,000
Total Other Financing Sources	<u>-</u>	<u>6,150</u>	<u>151,000</u>	<u>90,850</u>	<u>-</u>	<u>7,000</u>
Net Change in Fund Balances	794	6,284	102,172	68,159	-	7,419
Fund Balances, January 1	<u>138,312</u>	<u>40,517</u>	<u>351,397</u>	<u>47,642</u>	<u>(271,042)</u>	<u>106,794</u>
Fund Balances, December 31	<u>\$ 139,106</u>	<u>\$ 46,801</u>	<u>\$ 453,569</u>	<u>\$ 115,801</u>	<u>\$ (271,042)</u>	<u>\$ 114,213</u>

510	511	225
Park Capital	Library Capital	Park Board
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
5,306	210	3
<u>5,306</u>	<u>210</u>	<u>3</u>
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>5,306</u>	<u>210</u>	<u>3</u>
-	-	-
-	-	-
<u>7,300</u>	<u>-</u>	<u>-</u>
<u>7,300</u>	<u>-</u>	<u>-</u>
12,606	210	3
<u>601,139</u>	<u>48,772</u>	<u>486</u>
<u>\$ 613,745</u>	<u>\$ 48,982</u>	<u>\$ 489</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, 2022

	405	249	250	251	252	253
	3rd Street Bridge	TIF 2-6.2	TIF 2-7	TIF 2-8	TIF 2-9	TIF 2-10
Revenues						
Taxes						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	22,976	10,410	25,779	-	-
Intergovernmental	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Interest on investments (loss)	-	-	(14)	135	-	-
Total Revenues	<u>-</u>	<u>22,976</u>	<u>10,396</u>	<u>25,914</u>	<u>-</u>	<u>-</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Capital outlay						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Economic development	-	23,986	12,702	23,300	-	1,500
Total Expenditures	<u>-</u>	<u>23,986</u>	<u>12,702</u>	<u>23,300</u>	<u>-</u>	<u>1,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures						
	<u>-</u>	<u>(1,010)</u>	<u>(2,306)</u>	<u>2,614</u>	<u>-</u>	<u>(1,500)</u>
Other Financing Sources						
Insurance proceeds	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	102,659	-	-	-	-	-
Total Other Financing Sources	<u>102,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	102,659	(1,010)	(2,306)	2,614	-	(1,500)
Fund Balances, January 1	<u>(102,659)</u>	<u>635</u>	<u>3,928</u>	<u>(3,980)</u>	<u>(7,900)</u>	<u>(3,000)</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (375)</u>	<u>\$ 1,622</u>	<u>\$ (1,366)</u>	<u>\$ (7,900)</u>	<u>\$ (4,500)</u>

406	409	410	411	412	534	
Alexander Court	Keith Meyer Abatement	Water Tower Restoration	Bluff Drive Project	2023 Street Project	Municipal Reserve	Total
\$ 42,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,100
-	-	-	-	-	-	59,165
-	-	447,594	-	-	-	447,594
-	-	-	15,293	-	-	15,293
-	-	-	-	-	(1,441)	6,014
<u>42,100</u>	<u>-</u>	<u>447,594</u>	<u>15,293</u>	<u>-</u>	<u>(1,441)</u>	<u>570,166</u>
-	-	-	-	-	18,500	18,500
-	-	-	-	-	-	22,444
-	1,842	472,146	99,174	39,771	-	662,476
-	-	-	-	-	-	61,488
<u>-</u>	<u>1,842</u>	<u>472,146</u>	<u>99,174</u>	<u>39,771</u>	<u>18,500</u>	<u>764,908</u>
<u>42,100</u>	<u>(1,842)</u>	<u>(24,552)</u>	<u>(83,881)</u>	<u>(39,771)</u>	<u>(19,941)</u>	<u>(194,742)</u>
-	-	-	-	-	-	14,513
-	-	-	-	-	-	14,812
-	-	-	-	-	430,000	765,634
-	-	-	-	-	430,000	794,959
42,100	(1,842)	(24,552)	(83,881)	(39,771)	410,059	600,217
<u>(80,195)</u>	<u>(1,920)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>307,331</u>	<u>1,176,257</u>
<u>\$ (38,095)</u>	<u>\$ (3,762)</u>	<u>\$ (24,552)</u>	<u>\$ (83,881)</u>	<u>\$ (39,771)</u>	<u>\$ 717,390</u>	<u>\$ 1,776,474</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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 2,746,129	\$ 2,746,129	\$ 2,772,862	\$ 26,733	\$ 2,739,450
Licenses and permits					
Business	31,000	31,000	4,982	(26,018)	50,635
Nonbusiness	43,800	43,800	205,603	161,803	76,549
Total licenses and permits	74,800	74,800	210,585	135,785	127,184
Intergovernmental					
Federal					
Disaster aid	-	-	-	-	11,923
State					
Local government aid	704,701	704,701	704,781	80	700,111
Market value agricultural credits	-	-	95	95	264
Police and police training	80,000	80,000	64,879	(15,121)	67,202
Small cities assistance program	-	-	-	-	71,968
County					
Police grant	1,500	1,500	-	(1,500)	-
Total intergovernmental	786,201	786,201	769,755	(16,446)	851,468
Charges for services					
General government	4,800	4,800	6,929	2,129	6,899
Public safety	2,100	2,100	37	(2,063)	33
Public works	4,000	4,000	6,372	2,372	10,836
Culture and recreation	29,000	29,000	36,998	7,998	37,232
Total charges for services	39,900	39,900	50,336	10,436	55,000
Fines and forfeitures	26,000	26,000	18,543	(7,457)	15,324
Special assessments	15,200	15,200	23,719	8,519	19,093
Interest on investments	9,500	9,500	28,605	19,105	4,390
Miscellaneous					
Rents	55,000	55,000	55,520	520	43,004
Contributions and donations	-	-	7,490	7,490	4,500
Reimbursements	174,123	174,123	191,398	17,275	177,018
Other	35,000	35,000	43,258	8,258	145,275
Total miscellaneous	264,123	264,123	297,666	33,543	369,797
Total Revenues	3,961,853	3,961,853	4,172,071	210,218	4,181,706

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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	\$ 29,060	\$ 29,060	\$ 26,936	\$ 2,124	\$ 27,930
Other services and charges	8,700	8,700	7,219	1,481	7,292
Total mayor and council	<u>37,760</u>	<u>37,760</u>	<u>34,155</u>	<u>3,605</u>	<u>35,222</u>
Elections					
Supplies	50	50	11	39	-
Other services and charges	15,650	15,650	10,007	5,643	7,557
Total elections	<u>15,700</u>	<u>15,700</u>	<u>10,018</u>	<u>5,682</u>	<u>7,557</u>
Administrative					
Personnel services	405,908	405,908	491,306	(85,398)	457,503
Supplies	2,500	2,500	2,504	(4)	3,367
Other services and charges	33,250	33,250	37,430	(4,180)	31,724
Total administrative	<u>441,658</u>	<u>441,658</u>	<u>531,240</u>	<u>(89,582)</u>	<u>492,594</u>
Audit and consulting fees					
Other services and charges	<u>36,000</u>	<u>36,000</u>	<u>35,775</u>	<u>225</u>	<u>49,875</u>
Planning and zoning					
Personnel services	25,043	25,043	32,147	(7,104)	35,249
Other services and charges	1,300	1,300	1,190	110	1,309
Total planning and zoning	<u>26,343</u>	<u>26,343</u>	<u>33,337</u>	<u>(6,994)</u>	<u>36,558</u>
Legal					
Other services and charges	<u>46,500</u>	<u>46,500</u>	<u>51,462</u>	<u>(4,962)</u>	<u>49,618</u>
Information and technology					
Other services and charges	<u>42,000</u>	<u>42,000</u>	<u>37,440</u>	<u>4,560</u>	<u>39,773</u>
General government building					
Personnel services	15,252	15,252	10,013	5,239	22,097
Supplies	8,900	8,900	3,098	5,802	4,489
Other services and charges	44,000	44,000	52,862	(8,862)	42,358
Total general government building	<u>68,152</u>	<u>68,152</u>	<u>65,973</u>	<u>2,179</u>	<u>68,944</u>
Total general government	<u>714,113</u>	<u>714,113</u>	<u>799,400</u>	<u>(85,287)</u>	<u>780,141</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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Personnel services	\$ 895,539	\$ 895,539	\$ 911,356	\$ (15,817)	\$ 877,382
Supplies	41,200	41,200	43,002	(1,802)	46,420
Other services and charges	89,950	89,950	93,040	(3,090)	90,771
Total police protection	<u>1,026,689</u>	<u>1,026,689</u>	<u>1,047,398</u>	<u>(20,709)</u>	<u>1,014,573</u>
Building inspection					
Personnel services	23,816	23,816	13,858	9,958	6,685
Other services and charges	40,000	40,000	169,325	(129,325)	57,899
Total building inspection	<u>63,816</u>	<u>63,816</u>	<u>183,183</u>	<u>(119,367)</u>	<u>64,584</u>
Animal control					
Other services and charges	1,000	1,000	-	1,000	1,000
Total public safety	<u>1,091,505</u>	<u>1,091,505</u>	<u>1,230,581</u>	<u>(139,076)</u>	<u>1,080,157</u>
Public works					
Public works administration					
Personnel services	260,962	260,962	254,749	6,213	201,674
Supplies	27,030	27,030	40,389	(13,359)	21,598
Other services and charges	27,870	27,870	32,528	(4,658)	28,121
Total public works administration	<u>315,862</u>	<u>315,862</u>	<u>327,666</u>	<u>(11,804)</u>	<u>251,393</u>
Streets and highways					
Personnel services	65,164	65,164	54,019	11,145	67,630
Supplies	43,350	43,350	39,898	3,452	35,379
Other services and charges	201,540	201,540	78,086	123,454	265,865
Total streets and highways	<u>310,054</u>	<u>310,054</u>	<u>172,003</u>	<u>138,051</u>	<u>368,874</u>
Snow and ice removal					
Personnel services	54,039	54,039	40,648	13,391	35,889
Supplies	22,570	22,570	27,235	(4,665)	15,889
Other services and charges	7,850	7,850	8,168	(318)	1,903
Total snow and ice removal	<u>84,459</u>	<u>84,459</u>	<u>76,051</u>	<u>8,408</u>	<u>53,681</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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Road equipment and garage					
Personnel services	\$ 29,064	\$ 29,064	\$ 28,812	\$ 252	\$ 28,680
Supplies	8,800	8,800	8,066	734	9,897
Other services and charges	13,570	13,570	5,089	8,481	5,943
Total road equipment and garage	<u>51,434</u>	<u>51,434</u>	<u>41,967</u>	<u>9,467</u>	<u>44,520</u>
Garage building					
Personnel services	12,338	12,338	15,971	(3,633)	5,978
Supplies	2,650	2,650	1,495	1,155	1,395
Other services and charges	10,400	10,400	12,302	(1,902)	11,738
Total garage building	<u>25,388</u>	<u>25,388</u>	<u>29,768</u>	<u>(4,380)</u>	<u>19,111</u>
Street lighting					
Supplies	500	500	8,370	(7,870)	6
Other services and charges	65,825	65,825	132,613	(66,788)	73,772
Total street lighting	<u>66,325</u>	<u>66,325</u>	<u>140,983</u>	<u>(74,658)</u>	<u>73,778</u>
Engineering					
Other services and charges	12,000	12,000	21,625	(9,625)	33,513
Total public works	<u>865,522</u>	<u>865,522</u>	<u>810,063</u>	<u>55,459</u>	<u>844,870</u>
Culture and recreation					
Tree maintenance					
Personnel services	26,929	26,929	19,939	6,990	12,263
Supplies	850	850	59	791	411
Other services and charges	9,500	9,500	10,452	(952)	6,795
Total tree maintenance	<u>37,279</u>	<u>37,279</u>	<u>30,450</u>	<u>6,829</u>	<u>19,469</u>
Parks					
Personnel services	54,277	54,277	57,496	(3,219)	48,247
Supplies	16,600	16,600	14,100	2,500	14,320
Other services and charges	24,150	24,150	52,587	(28,437)	42,184
Total parks	<u>95,027</u>	<u>95,027</u>	<u>124,183</u>	<u>(29,156)</u>	<u>104,751</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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Swimming pool					
Personnel services	\$ 73,966	\$ 73,966	\$ 74,158	\$ (192)	\$ 83,427
Supplies	6,575	6,575	11,497	(4,922)	11,366
Other services and charges	15,700	15,700	21,080	(5,380)	64,306
Total swimming pool	<u>96,241</u>	<u>96,241</u>	<u>106,735</u>	<u>(10,494)</u>	<u>159,099</u>
Athletic fields					
Personnel services	15,540	15,540	12,777	2,763	14,612
Supplies	4,300	4,300	3,413	887	4,681
Other services and charges	13,025	13,025	7,348	5,677	6,943
Total athletic fields	<u>32,865</u>	<u>32,865</u>	<u>23,538</u>	<u>9,327</u>	<u>26,236</u>
Skating					
Personnel services	6,699	6,699	4,877	1,822	5,828
Supplies	200	200	-	200	24
Other services and charges	1,450	1,450	1,023	427	566
Total skating	<u>8,349</u>	<u>8,349</u>	<u>5,900</u>	<u>2,449</u>	<u>6,418</u>
Cannon Valley Trail					
Personnel services	184,953	184,953	186,187	(1,234)	177,940
Other services and charges	49,274	49,274	49,012	262	48,728
Total Cannon Valley Trail	<u>234,227</u>	<u>234,227</u>	<u>235,199</u>	<u>(972)</u>	<u>226,668</u>
Total culture and recreation	<u>503,988</u>	<u>503,988</u>	<u>526,005</u>	<u>(22,017)</u>	<u>542,641</u>
Miscellaneous					
Unallocated					
Personnel services	-	-	2,438	(2,438)	1,964
Other services and charges	109,250	109,250	51,539	57,711	52,174
Total miscellaneous	<u>109,250</u>	<u>109,250</u>	<u>53,977</u>	<u>55,273</u>	<u>54,138</u>
Total current	<u>3,284,378</u>	<u>3,284,378</u>	<u>3,420,026</u>	<u>(135,648)</u>	<u>3,301,947</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, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 2,700	\$ 2,700	\$ -	\$ 2,700	\$ -
Public safety	13,000	13,000	4,952	8,048	893
Public works	14,800	14,800	8,705	6,095	21,887
Total capital outlay	<u>30,500</u>	<u>30,500</u>	<u>13,657</u>	<u>16,843</u>	<u>22,780</u>
Total Expenditures	<u>3,314,878</u>	<u>3,314,878</u>	<u>3,433,683</u>	<u>(118,805)</u>	<u>3,324,727</u>
Excess of Revenues Over Expenditures	<u>646,975</u>	<u>646,975</u>	<u>738,388</u>	<u>91,413</u>	<u>856,979</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	7,508	7,508	-
Transfers in	-	-	51,764	51,764	120,277
Insurance proceeds	-	-	98,317	98,317	3,994
Transfers out	(646,975)	(646,975)	(883,422)	(236,447)	(745,406)
Total Other Financing Sources (Uses)	<u>(646,975)</u>	<u>(646,975)</u>	<u>(725,833)</u>	<u>(78,858)</u>	<u>(621,135)</u>
Net Change in Fund Balances	-	-	12,555	12,555	235,844
Fund Balances, January 1	<u>3,228,174</u>	<u>3,228,174</u>	<u>3,228,174</u>	-	<u>2,992,330</u>
Fund Balances, December 31	<u>\$ 3,228,174</u>	<u>\$ 3,228,174</u>	<u>\$ 3,240,729</u>	<u>\$ 12,555</u>	<u>\$ 3,228,174</u>

City of Cannon Falls, Minnesota

Debt Service Funds

Combining Balance Sheet

December 31, 2022

	519 PFA Loan Fund	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond	530 2016A G.O. Bond
Assets				
Cash and temporary investments	\$ (10,556)	\$ 40,993	\$ (1,873)	\$ 536,018
Receivables				
Accounts	10,556	-	1,873	248
Special assessments	-	-	59,380	182,427
Total Assets	<u>\$ -</u>	<u>\$ 40,993</u>	<u>\$ 59,380</u>	<u>\$ 718,693</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	\$ -	\$ -	\$ 59,380	\$ 166,162
Fund Balances				
Restricted for debt service	-	40,993	-	552,531
Total Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 40,993</u>	<u>\$ 59,380</u>	<u>\$ 718,693</u>

531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	533 2020A G.O. Refunding Bond	Total
\$ 939,648	\$ 35,482	\$ 1,410,388	\$ 2,950,100
743	-	787	14,207
<u>323,437</u>	<u>-</u>	<u>348,788</u>	<u>914,032</u>
<u>\$ 1,263,828</u>	<u>\$ 35,482</u>	<u>\$ 1,759,963</u>	<u>\$ 3,878,339</u>
\$ 301,248	-	\$ 316,668	\$ 843,458
<u>962,580</u>	<u>35,482</u>	<u>1,443,295</u>	<u>3,034,881</u>
<u>\$ 1,263,828</u>	<u>\$ 35,482</u>	<u>\$ 1,759,963</u>	<u>\$ 3,878,339</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, 2022

	519 PFA Loan Fund	526 2012A G.O. Improvement Bond	528 2012B G.O. Refunding Bond	530 2016A G.O. Bond
Revenues				
Taxes	\$ -	\$ 78,000	\$ -	\$ 82,000
Special assessments	-	-	51,266	26,842
Interest on investments	1,764	1,974	-	5,834
Total Revenues	<u>1,764</u>	<u>79,974</u>	<u>51,266</u>	<u>114,676</u>
Expenditures				
Debt service				
Principal	-	78,000	-	80,000
Interest and other charges	-	6,425	-	9,676
Total Expenditures	<u>-</u>	<u>84,425</u>	<u>-</u>	<u>89,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,764</u>	<u>(4,451)</u>	<u>51,266</u>	<u>25,000</u>
Other Financing Sources (Uses)				
Transfers in	-	-	173,788	60,952
Transfers out	(1,764)	-	-	-
Total Other Financing Sources (Uses)	<u>(1,764)</u>	<u>-</u>	<u>173,788</u>	<u>60,952</u>
Net Change in Fund Balances	-	(4,451)	225,054	85,952
Fund Balances, January 1	<u>-</u>	<u>45,444</u>	<u>(225,054)</u>	<u>466,579</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 40,993</u>	<u>\$ -</u>	<u>\$ 552,531</u>

531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	533 2020A G.O. Refunding Bond	Total
\$ 939,648	\$ 35,482	\$ 1,410,388	\$ 2,950,100
743	-	787	14,207
<u>323,437</u>	<u>-</u>	<u>348,788</u>	<u>914,032</u>
<u>\$ 1,263,828</u>	<u>\$ 35,482</u>	<u>\$ 1,759,963</u>	<u>\$ 3,878,339</u>
\$ 301,248	\$ -	\$ 316,668	\$ 843,458
<u>962,580</u>	<u>35,482</u>	<u>1,443,295</u>	<u>3,034,881</u>
<u>\$ 1,263,828</u>	<u>\$ 35,482</u>	<u>\$ 1,759,963</u>	<u>\$ 3,878,339</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2022

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 186,707	\$ 114,176	\$ 300,883
Receivables			
Accounts	-	1,090	1,090
Loans, net	-	298,424	298,424
Land held for resale	-	316,371	316,371
Total Assets	\$ 186,707	\$ 730,061	\$ 916,768
Liabilities			
Accounts and contracts payable	\$ 1,879	\$ -	\$ 1,879
Unearned revenue	14,527	-	14,527
Total Liabilities	16,406	-	16,406
Fund Balances			
Committed			
Land held for resale	-	316,371	316,371
Economic development	170,301	-	170,301
Revolving loan program	-	413,690	413,690
Total Fund Balances	170,301	730,061	900,362
Total Liabilities and Fund Balances	\$ 186,707	\$ 730,061	\$ 916,768
Amounts reported for the Economic Development Authority in the statement of net position are different because			
Total Fund Balances Reported above			\$ 900,362
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
Total Net Position - Economic Development Authority			\$ 1,634,486

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, 2022

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 72,450	\$ -	\$ 72,450
Interest on investments	885	1,237	2,122
Miscellaneous	400	10,211	10,611
Contributions and donations	-	500	500
Total Revenues	73,735	11,948	85,683
Expenditures			
Current			
Economic development	88,834	98,461	187,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,099)	(86,513)	(101,612)
Other Financing Sources			
Loss on sale of land held for resale	-	(2,906)	(2,906)
Net Change in Fund Balances	(15,099)	(89,419)	(104,518)
Fund Balances, January 1	185,400	819,480	1,004,880
Fund Balances, December 31	\$ 170,301	\$ 730,061	\$ 900,362

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

Net Changes in Fund Balances - Economic Development Authority	\$ (104,518)
Long-term pension activity is not reported in governmental funds. Pension expense	178
Change in Net Position - Economic Development Authority	\$ (104,340)

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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022				2021
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 72,450	\$ 72,450	\$ 72,450	\$ -	\$ 71,810
Contributions and donations	-	-	-	-	8,607
Interest on investments (loss)	-	-	885	885	(91)
Miscellaneous revenue	-	-	400	400	12,259
Total Revenues	<u>72,450</u>	<u>72,450</u>	<u>73,735</u>	<u>1,285</u>	<u>92,585</u>
Expenditures					
Current					
Economic development					
Personnel services	-	-	-	-	445
Supplies	100	100	-	100	-
Other services and charges	72,350	72,350	88,834	(16,484)	72,657
Total Expenditures	<u>72,450</u>	<u>72,450</u>	<u>88,834</u>	<u>(16,384)</u>	<u>73,102</u>
Net Change in Fund Balances	-	-	(15,099)	(15,099)	19,483
Fund Balances, January 1	<u>185,400</u>	<u>185,400</u>	<u>185,400</u>	<u>-</u>	<u>165,917</u>
Fund Balances, December 31	<u>\$ 185,400</u>	<u>\$ 185,400</u>	<u>\$ 170,301</u>	<u>\$ (15,099)</u>	<u>\$ 185,400</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, 2022
 (With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2022			Variance with Final Budget	2021
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Interest on investments	\$ -	\$ -	\$ 1,237	\$ 1,237	\$ 193
Miscellaneous	1,250	1,250	10,211	8,961	10,761
Donations	-	-	500	500	-
Total Revenues	<u>1,250</u>	<u>1,250</u>	<u>11,948</u>	<u>10,698</u>	<u>10,954</u>
Expenditures					
Current					
Economic development					
Other services and charges	<u>1,250</u>	<u>1,250</u>	<u>98,461</u>	<u>(97,211)</u>	<u>9,799</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(86,513)	(86,513)	1,155
Other Financing Sources (Uses)					
Loss on sale of land held for resale	-	-	(2,906)	-	-
Special Item					
Land held for resale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,900</u>
Net Change in Fund Balances	-	-	(89,419)	(89,419)	117,055
Fund Balances, January 1	<u>819,480</u>	<u>819,480</u>	<u>819,480</u>	<u>-</u>	<u>702,425</u>
Fund Balances, December 31	<u>\$ 819,480</u>	<u>\$ 819,480</u>	<u>\$ 730,061</u>	<u>\$ (89,419)</u>	<u>\$ 819,480</u>

City of Cannon Falls, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2022 and 2021

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 3,856,361	\$ 3,819,438	0.97 %
Special assessments	234,966	263,564	(10.85)
Licenses and permits	210,585	127,184	65.58
Intergovernmental	1,397,648	1,031,847	35.45
Charges for services	149,234	151,656	(1.60)
Fines and forfeits	19,361	16,416	17.94
Investment earnings	52,485	3,278	1,501.13
Miscellaneous	375,046	403,675	(7.09)
Total Revenues	<u>\$ 6,295,686</u>	<u>\$ 5,817,058</u>	8.23 %
Per Capita	<u>\$ 1,486</u>	<u>\$ 1,378</u>	7.82 %
Expenditures			
Current			
General government	\$ 817,900	\$ 780,141	4.84 %
Public safety	1,484,649	1,317,918	12.65
Public works	810,063	844,870	(4.12)
Culture and recreation	1,005,507	1,024,560	(1.86)
Miscellaneous	53,977	54,138	(0.30)
Capital outlay			
Public safety	97,853	513,534	(80.95)
Public works	671,181	136,341	392.28
Culture and recreation	34,123	37,071	(7.95)
Economic development	61,488	57,437	7.05
Debt service			
Principal	449,985	989,658	(54.53)
Interest and other charges	131,703	166,981	(21.13)
Total Expenditures	<u>\$ 5,618,429</u>	<u>\$ 5,922,649</u>	(5.14) %
Per Capita	<u>\$ 1,326</u>	<u>\$ 1,403</u>	(5.49) %
Total Long-term Indebtedness	\$ 4,135,357	\$ 4,585,342	(9.81) %
Per Capita	976	1,087	(10.15)
General Fund Balance - December 31	\$ 3,240,729	\$ 3,228,174	0.39 %
Per Capita	765	765	0.01

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, 2022

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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, 2022, 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 13, 2023.

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 13, 2023

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, 2022, 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 13, 2023.

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 2022-001 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 13, 2023



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City of Cannon Falls, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
2022-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.

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.