

ANNUAL FINANCIAL REPORT

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Cannon Falls, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
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City of Cannon Falls, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2023

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Montgomery	Mayor	12/31/26
Diane Johnson	Council Member	12/31/26
Ryan Jeppesen	Council Member	12/31/26
Derek Lundell	Council Member	12/31/24
Lisa Groth	Council Member	12/31/24
Steve Gesme	Council Member	12/31/24
Laura Kronenberger	Council Member	12/31/24

APPOINTED

<u>Name</u>	<u>Title</u>
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, 2023

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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, 2023, 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, 2023, 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 May 30, 2024, 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
May 30, 2024



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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, 2023.

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 investment earnings and transfers in. The business-type activities increased due to an increase in charges for services with ambulance and water utility.
- 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

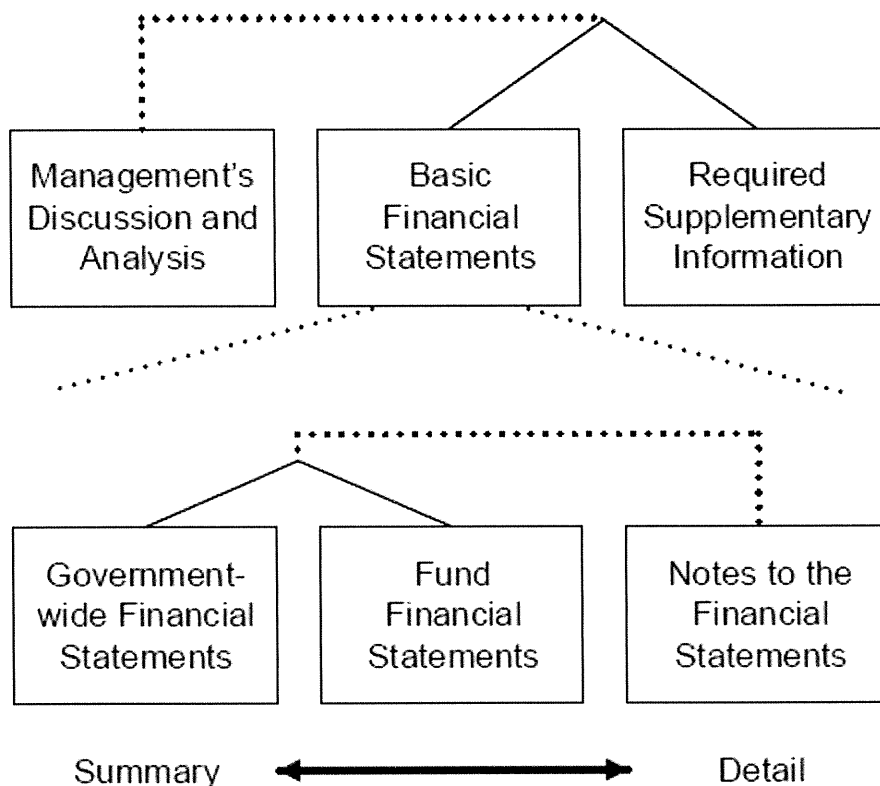


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous, and debt service. The business-type activities of the City include water utility, disposal, ambulance, storm water 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, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General 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 78 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 86 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,676,754 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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Assets						
Current and other assets	\$ 11,129,448	\$ 10,211,987	\$ 917,461	\$ 4,917,305	\$ 4,519,357	\$ 397,948
Capital assets	14,699,715	15,072,951	(373,236)	18,814,458	19,053,073	(238,615)
Total Assets	25,829,163	25,284,938	544,225	23,731,763	23,572,430	159,333
Deferred Outflows of Resources	1,629,445	1,984,396	(354,951)	142,579	131,749	10,830
Liabilities						
Long-term						
liabilities outstanding	5,792,343	8,325,573	(2,533,230)	4,525,946	4,807,408	(281,462)
Other liabilities	284,586	425,574	(140,988)	97,453	77,615	19,838
Total Liabilities	6,076,929	8,751,147	(2,674,218)	4,623,399	4,885,023	(261,624)
Deferred Inflows of Resources	1,679,454	222,254	1,457,200	206,235	13,578	192,657
Net Position						
Net investment in capital assets	10,780,507	10,758,041	22,466	14,877,887	14,813,661	64,226
Restricted	4,447,291	4,219,230	228,061	-	-	-
Unrestricted	4,474,427	3,318,662	1,155,765	4,166,821	3,991,917	174,904
Total Net Position	\$ 19,702,225	\$ 18,295,933	\$ 1,406,292	\$ 19,044,708	\$ 18,805,578	\$ 239,130
Net Position as a Percent of Total						
Net investment in						
capital assets	54.7 %	58.8 %		78.1 %	78.8 %	
Restricted	22.6	23.1		-	-	
Unrestricted	22.7	18.1		21.9	21.2	
	100.0 %	100.0 %		100.0 %	100.0 %	

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

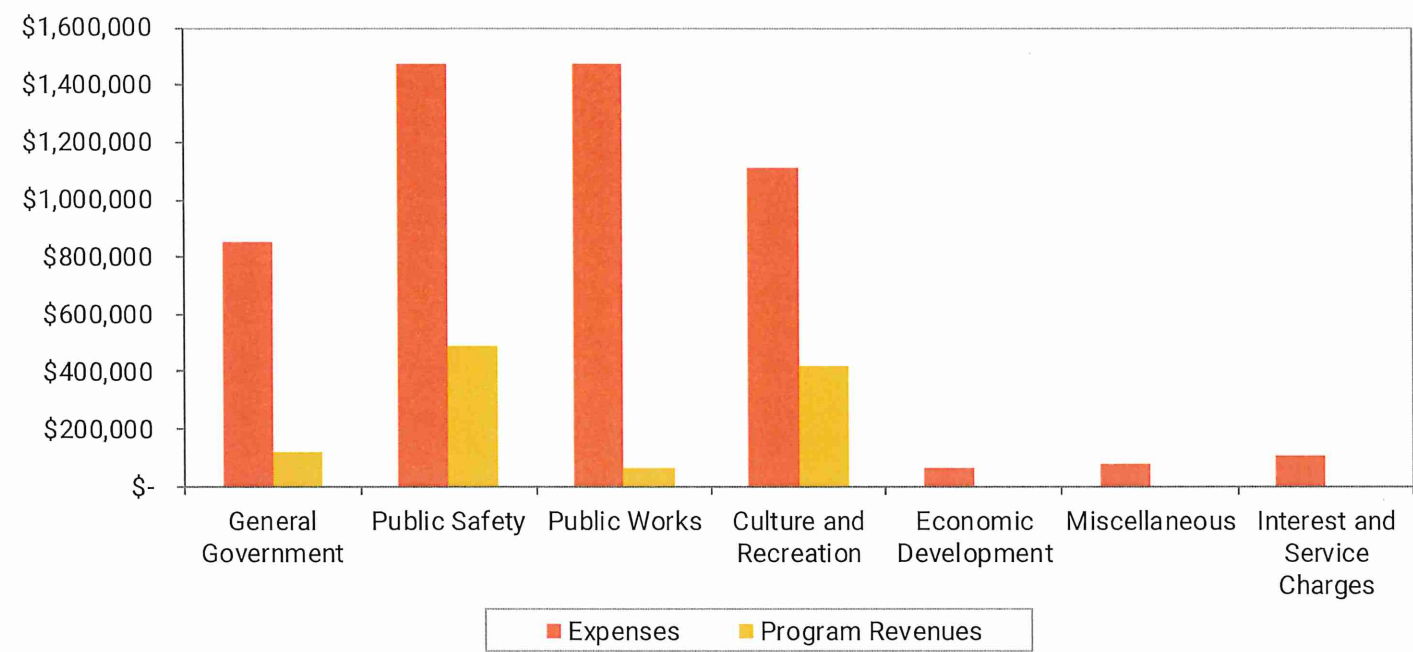
	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 494,009	\$ 775,814	\$ (281,805)	\$ 3,762,084	\$ 3,622,694	\$ 139,390
Operating grants and contributions	532,919	777,642	(244,723)	-	-	-
Capital grants and contributions	62,479	208,121	(145,642)	68,029	13,825	54,204
General Revenues						
Taxes	3,993,497	3,860,677	132,820	-	-	-
Grants and Contributions not Restricted to Specific Programs	708,377	704,876	3,501	-	-	-
Investment Earnings	344,431	52,485	291,946	157,809	38,777	119,032
Gain on Sale of Capital Assets	-	22,320	(22,320)	-	-	-
Total Revenues	<u>6,135,712</u>	<u>6,401,935</u>	<u>(266,223)</u>	<u>3,987,922</u>	<u>3,675,296</u>	<u>312,626</u>
Expenses						
General government	852,431	844,433	7,998	-	-	-
Public safety	1,471,944	1,672,419	(200,475)	-	-	-
Public works	1,477,284	1,353,052	124,232	-	-	-
Culture and recreation	1,109,056	1,138,878	(29,822)	-	-	-
Economic development	63,689	61,488	2,201	-	-	-
Miscellaneous	79,388	53,977	25,411	-	-	-
Interest and service charges	104,612	111,762	(7,150)	-	-	-
Water utility	-	-	-	767,185	699,717	67,468
Disposal	-	-	-	1,237,755	1,146,924	90,831
Storm water	-	-	-	69,494	75,196	(5,702)
Recycling program	-	-	-	71,315	66,654	4,661
Ambulance	-	-	-	1,174,059	1,122,180	51,879
Total Expenses	<u>5,158,404</u>	<u>5,236,009</u>	<u>(77,605)</u>	<u>3,319,808</u>	<u>3,110,671</u>	<u>209,137</u>
Change in Net Position before Transfers	977,308	1,165,926	(188,618)	668,114	564,625	103,489
Transfers	<u>428,984</u>	<u>427,594</u>	<u>1,390</u>	<u>(428,984)</u>	<u>(427,594)</u>	<u>(1,390)</u>
Change in Net Position	1,406,292	1,593,520	(187,228)	239,130	137,031	102,099
Net Position, January 1	<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, December 31	<u>\$ 19,702,225</u>	<u>\$ 18,295,933</u>	<u>\$ 1,406,292</u>	<u>\$ 19,044,708</u>	<u>\$ 18,805,578</u>	<u>\$ 239,130</u>

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

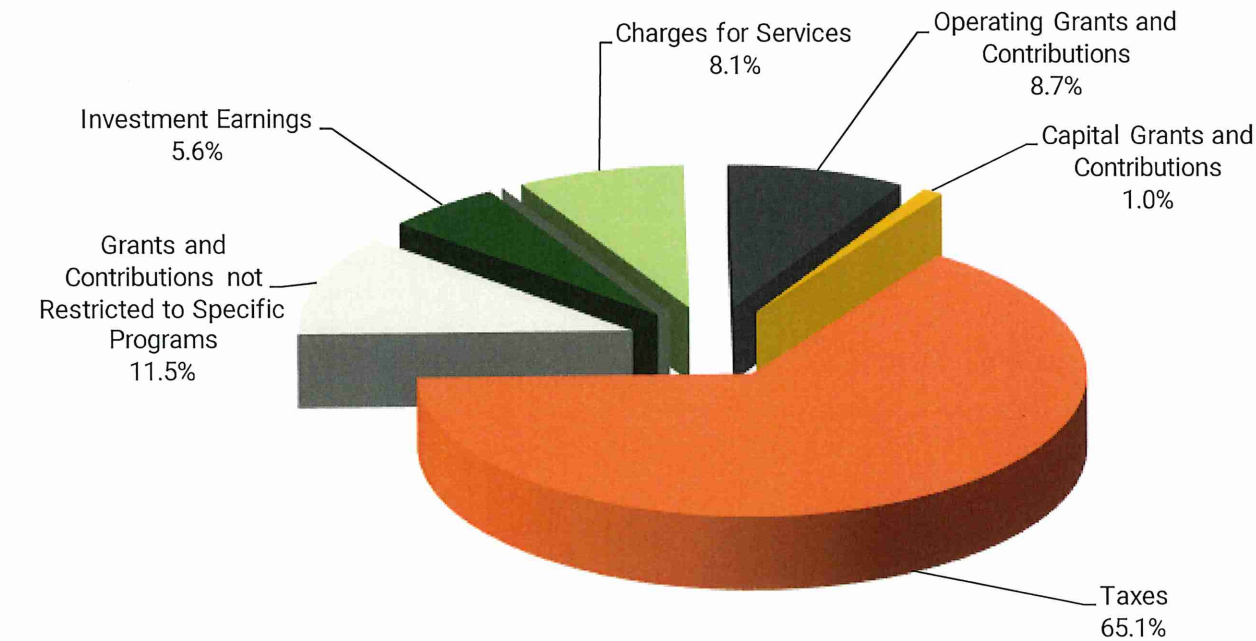
The decrease in charges for services is due to a significantly higher amount of building permit revenue in 2022.

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

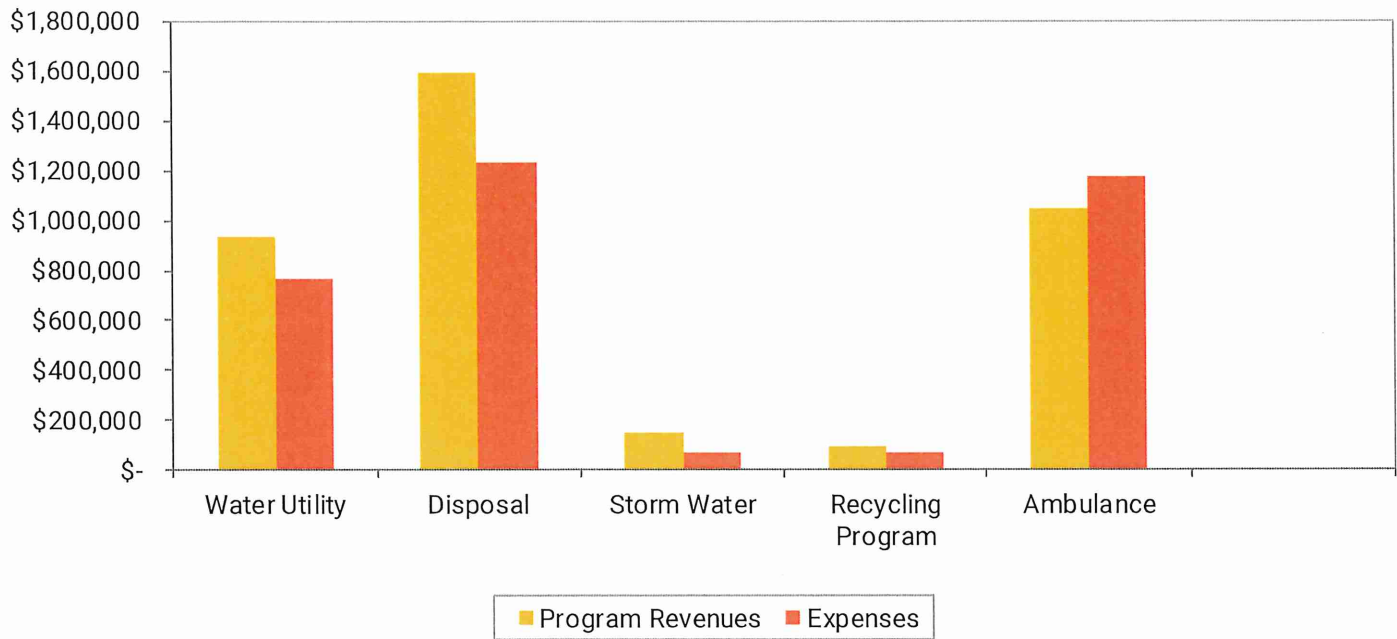
Expenses and Program Revenues - Governmental Activities



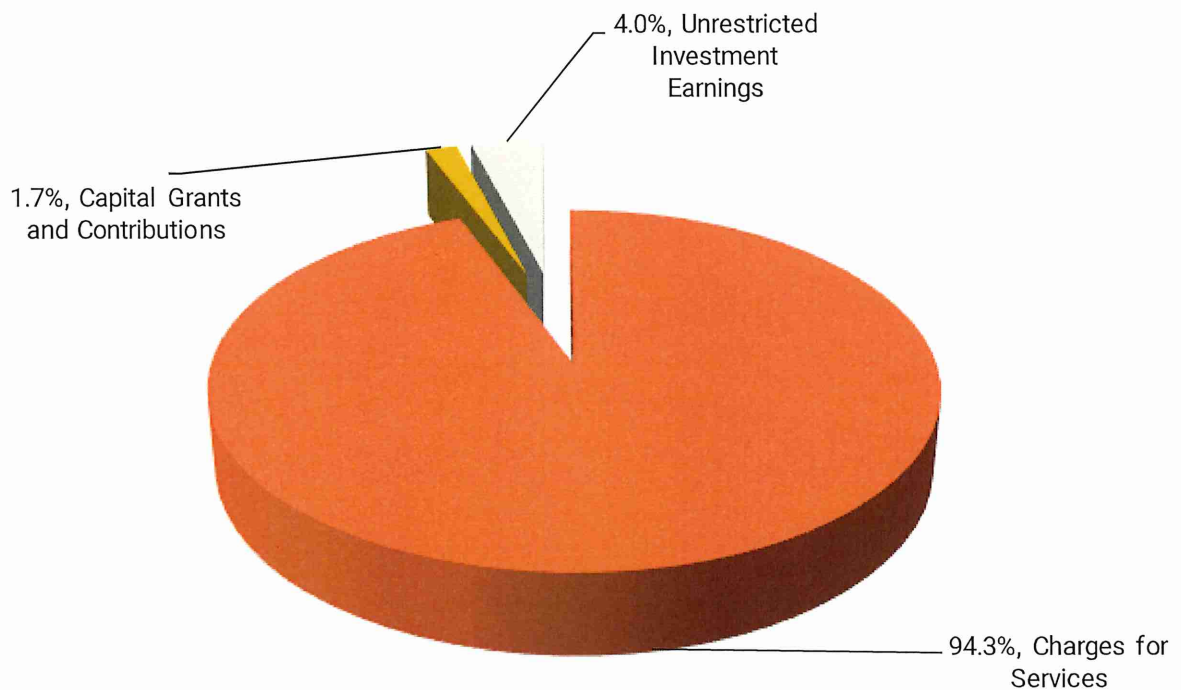
Revenues by Source - Governmental Activities



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, 2023.

	General Fund	Debt Service Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	\$ 47,503	\$ -	\$ 8,883	\$ 56,386	\$ 54,372	\$ 2,014
Restricted	-	3,470,337	209,457	3,679,794	3,225,616	454,178
Committed	185,369	-	1,718,759	1,904,128	1,562,698	341,430
Assigned	-	-	1,523,276	1,523,276	1,047,372	475,904
Unassigned	3,381,735	-	(449,234)	2,932,501	2,719,220	213,281
Total	<u>\$3,614,607</u>	<u>\$3,470,337</u>	<u>\$3,011,141</u>	<u>\$10,096,085</u>	<u>\$8,609,278</u>	<u>\$1,486,807</u>

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	\$ 47,503	\$ 46,265	\$ 1,238
Restricted for public safety	185,369	-	185,369
Unassigned	3,381,735	3,194,464	187,271
Total	<u>\$ 3,614,607</u>	<u>\$ 3,240,729</u>	<u>\$ 373,878</u>
General Fund expenditures	\$ 3,463,694	\$ 3,324,727	
Unassigned as a percent of expenditures	97.6%	96.1%	
Total fund balance as a percent of expenditures	104.4%	97.5%	

Other major governmental fund analysis is shown below:

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2023	2022	
Debt Service	\$ 3,470,337	\$ 3,034,881	\$ 435,456
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. Net position of the City's proprietary funds increased or (decreased) as follows:

	Ending Net Position 2023	Ending Net Position 2022	Increase/ (Decrease)
Water Utility	\$ 6,962,039	\$ 6,880,776	\$ 81,263
<i>The increase relates mainly to positive operating income is due to increased rates.</i>			
Disposal	9,935,629	9,767,192	168,437
<i>The increase relates mainly to positive operating income is due to increased rates.</i>			
Ambulance	736,760	843,555	(106,795)
<i>The decrease is mainly related to lower than expected collections occurring in 2023.</i>			
Storm Water	1,146,840	1,083,580	63,260
<i>The increase relates mainly to positive operating income is due to increased rates.</i>			

General Fund Budgetary Highlights

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 4,218,199	\$ 4,447,205	\$ 229,006
Expenditures	3,490,524	3,463,694	26,830
Excess of Revenues Over Expenditures	727,675	983,511	255,836
Other Financing Sources (Uses)			
Transfers in	-	118,042	118,042
Transfers out	(727,675)	(727,675)	-
Total Other Financing Sources (Uses)	(727,675)	(609,633)	118,042
Net Change in Fund Balances	-	373,878	373,878
Fund Balances, January 1	3,240,729	3,240,729	
Fund Balances, December 31	\$ 3,240,729	\$ 3,614,607	\$ 373,878

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, 2023, 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
- Reroofing for various buildings
- Purchase of two John Deere tractors
- Purchase of 2024 plow truck
- Continued construction in progress for 2023 Street & Utility Project
- Started construction for John Burch Park improvements, Third Street Lift Station, and Hardwood Estates

Additional information on the City's capital assets can be found in Note 3D starting on page 60 of this report.

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

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	\$ 1,149,292	\$ 1,149,292	\$ -	\$ 139,524	\$ 87,816	\$ 51,708
Construction in Progress	261,604	38,840	222,764	724,843	-	724,843
Buildings and Improvements	2,636,410	2,746,683	(110,273)	2,186	2,721	(535)
System Improvements/Infrastruct	9,043,390	9,448,267	(404,877)	17,501,608	18,386,616	(885,008)
Machinery and Equipment	390,576	393,782	(3,206)	206,680	265,275	(58,595)
Vehicles	1,218,443	1,296,087	(77,644)	239,617	310,645	(71,028)
Total	\$ 14,699,715	\$ 15,072,951	\$ (373,236)	\$ 18,814,458	\$ 19,053,073	\$ (238,615)
Percent increase (decrease)			-2.5%			-1.3%

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		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
General Obligation Revenue Bonds	\$ 3,704,208	\$ 4,061,910	\$ (357,702)	\$ 3,936,571	\$ 4,062,644	\$ (126,073)
General Obligation Equipment Certificates	215,000	253,000	(38,000)	-	-	-
Total	\$ 3,919,208	\$ 4,314,910	\$ (395,702)	\$ 3,936,571	\$ 4,062,644	\$ (126,073)
Percent increase (decrease)			-9.2%			-3.1%

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

Additional information on the City's long-term debt can be found in Note 3F starting on page 62 of this report.

Loan with EDA: On December 30, 2022 the City signed an agreement for the General Fund to loan the EDA \$600,000 for the Hardwood Estates project. In 2023, \$150,000 was paid off, and the remaining will be paid off by December 31, 2026.

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 also increasing with new developments being constructed. Inflation is still causing stress on the existing budget and will be a concern during the 2025 budget cycle.
- Water and sewer rates will need adjustment with rising prices due to inflation.
- The tax levy will need an above average (3%) adjustment due to Capital inflationary increases
- 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2023

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City of Cannon Falls, Minnesota
Statement of Net Position
December 31, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 9,520,060	\$ 3,899,499	\$ 13,419,559	\$ 376,870
Receivables				
Accrued interest	33,657	-	33,657	-
Taxes	58,272	-	58,272	-
Accounts, net of allowance	6,836	767,975	774,811	2,180
Lease	50,066	-	50,066	-
Special assessments	715,901	221,086	936,987	-
Loans, net of allowance	-	-	-	238,839
Due from other governments	101,110	-	101,110	-
Inventories, at cost	-	4,212	4,212	-
Prepaid items	56,386	24,533	80,919	-
Net pension asset	82,046	-	82,046	-
Due from component unit	505,114	-	505,114	-
Land held for resale	-	-	-	916,371
Capital assets				
Land and construction in progress	1,410,896	864,367	2,275,263	1,237,969
Depreciable buildings, property and equipment, net	13,288,819	17,950,091	31,238,910	-
Total Assets	25,829,163	23,731,763	49,560,926	2,772,229
Deferred Outflows of Resources				
Deferred pension resources	1,629,445	142,579	1,772,024	-
Liabilities				
Accounts and contracts payable	121,369	16,471	137,840	180,417
Accrued interest payable	38,065	37,878	75,943	-
Due to other governments	-	2,912	2,912	-
Accrued salaries payable	36,105	40,192	76,297	-
Deposits payable	61,522	-	61,522	-
Unearned revenue	27,525	-	27,525	14,527
Noncurrent liabilities				
Due within one year				
Long-term liabilities	453,268	312,619	765,887	450,000
Due in more than one year				
Long-term liabilities	3,721,837	3,691,602	7,413,439	-
Net pension liability	1,617,238	521,725	2,138,963	-
Advance from primary government	-	-	-	505,114
Total Liabilities	6,076,929	4,623,399	10,700,328	1,150,058
Deferred Inflows of Resources				
Deferred pension resources	1,627,365	206,235	1,833,600	-
Deferred lease resources	52,089	-	52,089	-
Total Deferred Inflows of Resources	1,679,454	206,235	1,885,689	-
Net Position				
Net investment in capital assets	10,780,507	14,877,887	25,658,394	787,969
Restricted for				
Net pension asset	82,046	-	82,046	-
Debt service	3,970,160	-	3,970,160	-
Cable television	209,047	-	209,047	-
Economic development	669	-	669	-
Public safety	185,369	-	185,369	-
Unrestricted	4,474,427	4,166,821	8,641,248	834,202
Total Net Position	\$ 19,702,225	\$ 19,044,708	\$ 38,746,933	\$ 1,622,171

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, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 852,431	\$ 118,387	\$ 500	\$ -
Public safety	1,471,944	136,938	350,483	-
Public works	1,477,284	-	50,000	11,511
Culture and recreation	1,109,056	238,684	131,936	50,968
Economic development	63,689	-	-	-
Miscellaneous	79,388	-	-	-
Interest on long-term debt	104,612	-	-	-
Total Governmental Activities	<u>5,158,404</u>	<u>494,009</u>	<u>532,919</u>	<u>62,479</u>
Business-type Activities				
Water utility	767,185	912,265	-	22,135
Disposal	1,237,755	1,552,894	-	43,265
Storm water	69,494	150,036	-	2,629
Recycling program	71,315	94,585	-	-
Ambulance	1,174,059	1,052,304	-	-
Total Business-type Activities	<u>3,319,808</u>	<u>3,762,084</u>	<u>-</u>	<u>68,029</u>
Total Primary Government	<u>\$ 8,478,212</u>	<u>\$ 4,256,093</u>	<u>\$ 532,919</u>	<u>\$ 130,508</u>
Component Unit				
Economic Development Authority	<u>\$ 173,250</u>	<u>\$ 33,728</u>	<u>\$ 36,328</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

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
\$ (733,544)	\$ -	\$ (733,544)	\$ -
(984,523)	-	(984,523)	-
(1,415,773)	-	(1,415,773)	-
(687,468)	-	(687,468)	-
(63,689)	-	(63,689)	-
(79,388)	-	(79,388)	-
(104,612)	-	(104,612)	-
(4,068,997)	-	(4,068,997)	-
-	167,215	167,215	-
-	358,404	358,404	-
-	83,171	83,171	-
-	23,270	23,270	-
-	(121,755)	(121,755)	-
-	510,305	510,305	-
(4,068,997)	510,305	(3,558,692)	-
			(103,194)
2,321,571	-	2,321,571	-
399,120	-	399,120	-
42,100	-	42,100	77,035
380,936	-	380,936	-
99,394	-	99,394	-
661,702	-	661,702	-
23,663	-	23,663	-
65,011	-	65,011	-
708,377	-	708,377	-
344,431	157,809	502,240	13,844
428,984	(428,984)	-	-
5,475,289	(271,175)	5,204,114	90,879
1,406,292	239,130	1,645,422	(12,315)
18,295,933	18,805,578	37,101,511	1,634,486
<u>\$ 19,702,225</u>	<u>\$ 19,044,708</u>	<u>\$ 38,746,933</u>	<u>\$ 1,622,171</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, 2023

City of Cannon Falls, Minnesota

Balance Sheet

Governmental Funds

December 31, 2023

	General	Debt Service	Other Governmental	Total Governmental
Assets				
Cash and temporary investments	\$ 3,122,677	\$ 3,398,433	\$ 2,998,950	\$ 9,520,060
Receivables				
Accrued interest	33,657	-	-	33,657
Taxes	58,272	-	-	58,272
Accounts	1,961	-	4,875	6,836
Lease	50,066	-	-	50,066
Special assessments	22,464	609,792	83,645	715,901
Due from other funds	4,750	-	-	4,750
Due from component unit	505,114	-	-	505,114
Due from other governments	50,142	-	50,968	101,110
Prepaid items	47,503	-	8,883	56,386
Total Assets	<u>\$ 3,896,606</u>	<u>\$ 4,008,225</u>	<u>\$ 3,147,321</u>	<u>\$ 11,052,152</u>
Liabilities				
Accounts and contracts payable	\$ 72,318	\$ -	\$ 49,051	\$ 121,369
Due to other funds	-	-	4,750	4,750
Accrued salaries payable	30,121	-	5,984	36,105
Unearned revenue	27,525	-	-	27,525
Deposits payable	61,522	-	-	61,522
Total Liabilities	<u>191,486</u>	<u>-</u>	<u>59,785</u>	<u>251,271</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	33,197	-	-	33,197
Unavailable revenue - special assessments	5,227	537,888	76,395	619,510
Deferred lease resources	52,089	-	-	52,089
Total Deferred Inflows of Resources	<u>90,513</u>	<u>537,888</u>	<u>76,395</u>	<u>704,796</u>
Fund Balances				
Nonspendable	47,503	-	8,883	56,386
Restricted	185,369	3,470,337	209,457	3,865,163
Committed	-	-	1,718,759	1,718,759
Assigned	-	-	1,523,276	1,523,276
Unassigned	3,381,735	-	(449,234)	2,932,501
Total Fund Balances	<u>3,614,607</u>	<u>3,470,337</u>	<u>3,011,141</u>	<u>10,096,085</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,896,606</u>	<u>\$ 4,008,225</u>	<u>\$ 3,147,321</u>	<u>\$ 11,052,152</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, 2023

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

Total Fund Balances - Governmental Funds	\$ 10,096,085
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	27,591,034
Less: accumulated depreciation	(12,891,319)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	82,046
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	(3,755,045)
Bond premiums, net of accumulated amortization	(164,163)
Compensated absences payable	(255,897)
Net pension liability	(1,617,238)
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	33,197
Special assessments receivable	619,510
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,629,445
Deferred inflows of pension resources	(1,627,365)
Governmental funds do not report a liability for accrued interest until due and payable.	(38,065)
Total Net Position - Governmental Activities	<u>\$ 19,702,225</u>

City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023

	General	Debt Service	Other Governmental	Total Governmental
Revenues				
Taxes	\$ 2,970,860	\$ 399,120	\$ 611,104	\$ 3,981,084
Licenses and permits	48,298	-	-	48,298
Intergovernmental	978,380	-	292,866	1,271,246
Charges for services	58,731	-	103,326	162,057
Fines and forfeitures	19,475	-	1,190	20,665
Special assessments	18,348	130,565	28,498	177,411
Interest on investments	84,397	127,872	132,162	344,431
Miscellaneous	268,716	-	25,534	294,250
Total Revenues	<u>4,447,205</u>	<u>657,557</u>	<u>1,194,680</u>	<u>6,299,442</u>
Expenditures				
Current				
General government	827,593	-	12,500	840,093
Public safety	1,164,945	-	300,913	1,465,858
Public works	810,281	-	-	810,281
Culture and recreation	559,895	-	485,952	1,045,847
Miscellaneous	79,388	-	-	79,388
Capital outlay				
General government	280	-	-	280
Public safety	762	-	6,614	7,376
Public works	20,550	-	368,060	388,610
Culture and recreation	-	-	36,105	36,105
Economic development	-	-	63,689	63,689
Debt service				
Principal	-	380,312	-	380,312
Interest and other charges	-	123,780	-	123,780
Total Expenditures	<u>3,463,694</u>	<u>504,092</u>	<u>1,273,833</u>	<u>5,241,619</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>983,511</u>	<u>153,465</u>	<u>(79,153)</u>	<u>1,057,823</u>
Other Financing Sources (Uses)				
Transfers in	118,042	322,984	784,214	1,225,240
Transfers out	<u>(727,675)</u>	<u>(40,993)</u>	<u>(27,588)</u>	<u>(796,256)</u>
Total Other Financing Sources (Uses)	<u>(609,633)</u>	<u>281,991</u>	<u>756,626</u>	<u>428,984</u>
Net Change in Fund Balances	373,878	435,456	677,473	1,486,807
Fund Balances, January 1	<u>3,240,729</u>	<u>3,034,881</u>	<u>2,333,668</u>	<u>8,609,278</u>
Fund Balances, December 31	<u>\$ 3,614,607</u>	<u>\$ 3,470,337</u>	<u>\$ 3,011,141</u>	<u>\$ 10,096,085</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, 2023

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

Net Change in Fund Balances - Governmental Funds	\$ 1,486,807
Capital outlays and sales are reported in governmental funds as expenditures and proceeds. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense and the proceeds are reported as reductions of net position and gains or losses on sales.	
Capital outlays	443,392
Depreciation expense	(826,336)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	9,708
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal payments	380,312
Amortization of bond premium	15,390
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.	
	3,778
Long-term pension activity is not reported in governmental funds.	
Pension expense	222,381
Direct aid contributions	2,293
Certain revenues are recognized as soon as earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	12,413
Special assessments	(336,143)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(7,703)
Change in Net Position - Governmental Activities	<u>\$ 1,406,292</u>

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

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City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,937,110	\$ 2,937,110	\$ 2,970,860	\$ 33,750
Licenses and permits	84,500	84,500	48,298	(36,202)
Intergovernmental	790,297	790,297	978,380	188,083
Charges for services	39,250	39,250	58,731	19,481
Fines and forfeitures	22,000	22,000	19,475	(2,525)
Special assessments	12,000	12,000	18,348	6,348
Interest on investments	9,500	9,500	84,397	74,897
Miscellaneous	323,542	323,542	268,716	(54,826)
Total Revenues	<u>4,218,199</u>	<u>4,218,199</u>	<u>4,447,205</u>	<u>229,006</u>
Expenditures				
Current				
General government	755,900	755,900	827,593	(71,693)
Public safety	1,167,717	1,167,717	1,164,945	2,772
Public works	933,006	933,006	810,281	122,725
Culture and recreation	525,426	525,426	559,895	(34,469)
Miscellaneous	77,500	77,500	79,388	(1,888)
Capital outlay	30,975	30,975	21,592	9,383
Total Expenditures	<u>3,490,524</u>	<u>3,490,524</u>	<u>3,463,694</u>	<u>26,830</u>
Excess of Revenues Over Expenditures	<u>727,675</u>	<u>727,675</u>	<u>983,511</u>	<u>255,836</u>
Other Financing Sources (Uses)				
Transfers in	-	-	118,042	118,042
Transfers out	<u>(727,675)</u>	<u>(727,675)</u>	<u>(727,675)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(727,675)</u>	<u>(727,675)</u>	<u>(609,633)</u>	<u>118,042</u>
Net Change in Fund Balances	-	-	373,878	373,878
Fund Balances, January 1	<u>3,240,729</u>	<u>3,240,729</u>	<u>3,240,729</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,240,729</u>	<u>\$ 3,240,729</u>	<u>\$ 3,614,607</u>	<u>\$ 373,878</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, 2023

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Assets						
Current Assets						
Cash and temporary investments	\$ 1,816,672	\$ 761,417	\$ 403,462	\$ 668,393	\$ 249,555	\$ 3,899,499
Receivables						
Accounts, net of allowance	80,247	148,016	515,314	15,110	9,288	767,975
Special assessments	20,350	44,280	-	2,753	4,597	71,980
Inventories, at cost	2,106	2,106	-	-	-	4,212
Prepaid items	3,672	8,462	12,399	-	-	24,533
Total Current Assets	1,923,047	964,281	931,175	686,256	263,440	4,768,199
Noncurrent Assets						
Special assessments receivable	54,472	94,634	-	-	-	149,106
Capital assets						
Land and construction in progress	87,816	724,843	-	51,708	-	864,367
Depreciable buildings, property, and equipment	14,570,041	20,974,352	905,217	1,428,788	-	37,878,398
Accumulated depreciation	(7,944,450)	(10,927,476)	(615,654)	(440,727)	-	(19,928,307)
Total Net Capital Assets	6,713,407	10,771,719	289,563	1,039,769	-	18,814,458
Total Noncurrent Assets	6,767,879	10,866,353	289,563	1,039,769	-	18,963,564
Total Assets	8,690,926	11,830,634	1,220,738	1,726,025	263,440	23,731,763
Deferred Outflows of Resources						
Deferred pension resources	17,683	26,988	97,256	652	-	142,579

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, 2023

	Business-type Activities - Enterprise Funds					
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	Totals
Liabilities						
Current Liabilities						
Accounts and contracts payable	\$ 9,597	\$ 4,904	\$ 1,970	\$ -	\$ -	\$ 16,471
Accrued interest payable	15,867	16,782	-	5,229	-	37,878
Due to other governments	2,912	-	-	-	-	2,912
Accrued salaries payable	763	3,075	36,354	-	-	40,192
Compensated absences payable - current	485	4,840	11,588	-	-	16,913
Bonds payable - current	119,731	130,959	-	45,016	-	295,706
Total Current Liabilities	149,355	160,560	49,912	50,245	-	410,072
Noncurrent Liabilities						
Compensated absences payable	1,454	14,521	34,762	-	-	50,737
Bonds payable	1,505,480	1,609,122	-	526,263	-	3,640,865
Net pension liability	64,704	98,753	355,882	2,386	-	521,725
Total Noncurrent Liabilities	1,571,638	1,722,396	390,644	528,649	-	4,213,327
Total Liabilities	1,720,993	1,882,956	440,556	578,894	-	4,623,399
Deferred Inflows of Resources						
Deferred pension resources	25,577	39,037	140,678	943	-	206,235
Net Position						
Net investment in capital assets	5,088,196	9,031,638	289,563	468,490	-	14,877,887
Unrestricted	1,873,843	903,991	447,197	678,350	263,440	4,166,821
Total Net Position	\$ 6,962,039	\$ 9,935,629	\$ 736,760	\$ 1,146,840	\$ 263,440	\$ 19,044,708

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, 2023

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Operating Revenues						
Charges for services	\$ 912,265	\$ 1,552,894	\$ 1,042,226	\$ 150,036	\$ 90,120	\$ 3,747,541
Operating Expenses						
Personnel services	144,085	246,372	941,026	4,360	-	1,335,843
Supplies	38,190	68,444	54,588	2,782	-	164,004
Repairs and maintenance	33,712	70,382	21,962	-	-	126,056
Depreciation	351,848	551,375	82,861	46,821	-	1,032,905
Insurance	7,988	17,301	6,523	-	-	31,812
Utilities	82,563	149,615	17,588	-	-	249,766
Other services and charges	64,926	87,505	49,511	447	71,315	273,704
Total Operating Expenses	723,312	1,190,994	1,174,059	54,410	71,315	3,214,090
Operating Income (Loss)	188,953	361,900	(131,833)	95,626	18,805	533,451
Nonoperating Revenues (Expenses)						
Interest on investments	70,180	36,715	14,960	26,259	9,695	157,809
Special assessments	-	-	-	-	4,465	4,465
Other income	-	-	10,078	-	-	10,078
Interest expense	(43,873)	(46,761)	-	(15,084)	-	(105,718)
Total Nonoperating Revenues (Expenses)	26,307	(10,046)	25,038	11,175	14,160	66,634
Income Before Contributions and Transfers	215,260	351,854	(106,795)	106,801	32,965	600,085
Capital Contributions	22,135	43,265	-	2,629	-	68,029
Transfers Out	(156,132)	(226,682)	-	(46,170)	-	(428,984)
Change in Net Position	81,263	168,437	(106,795)	63,260	32,965	239,130
Net Position, January 1	6,880,776	9,767,192	843,555	1,083,580	230,475	18,805,578
Net Position, December 31	\$ 6,962,039	\$ 9,935,629	\$ 736,760	\$ 1,146,840	\$ 263,440	\$ 19,044,708

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, 2023

	Business-type Activities - Enterprise Funds					
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	Totals
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 915,226	\$ 1,547,850	\$ 908,624	\$ 148,864	\$ 91,953	\$ 3,612,517
Payments to suppliers	(225,557)	(395,920)	(155,562)	(3,229)	(71,315)	(851,583)
Payments to employees	(132,377)	(199,188)	(769,712)	(3,883)	-	(1,105,160)
Net Cash Provided (Used) by Operating Activities	557,292	952,742	(16,650)	141,752	20,638	1,655,774
Cash Flows from Noncapital and Related Financing Activities						
Transfers out	(156,132)	(226,682)	-	(46,170)	-	(428,984)
Cash Flows from Capital and Related Financing Activities						
Permits and connection fees received	1,668	582	-	-	-	2,250
Special assessments received	70,896	28,698	-	1,751	-	101,345
Acquisition of capital assets	(17,739)	(724,843)	-	(51,708)	-	(794,290)
Principal paid on bonds	(116,698)	(127,305)	-	(43,686)	-	(287,689)
Interest paid on bonds and finance purchases	(50,425)	(55,017)	-	(17,875)	-	(123,317)
Net Cash Provided (Used) by Capital and Related Financing Activities	(112,298)	(877,885)	-	(111,518)	-	(1,101,701)
Cash Flows from Investing Activities						
Interest received from investments	70,180	36,715	14,960	26,259	9,695	157,809
Net Increase (Decrease) in Cash and Cash Equivalents	359,042	(115,110)	(1,690)	10,323	30,333	282,898
Cash and Cash Equivalents, January 1	1,457,630	876,527	405,152	658,070	219,222	3,616,601
Cash and Cash Equivalents, December 31	<u>\$ 1,816,672</u>	<u>\$ 761,417</u>	<u>\$ 403,462</u>	<u>\$ 668,393</u>	<u>\$ 249,555</u>	<u>\$ 3,899,499</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 188,953	\$ 361,900	\$ (131,833)	\$ 95,626	\$ 18,805	\$ 533,451
Adjustments to reconcile operating income to net cash provided by operating activities						
Other income	-	-	10,078	-	-	10,078
Special assessments	-	-	-	-	4,465	4,465
Depreciation	351,848	551,375	82,861	46,821	-	1,032,905
(Increase) decrease in assets/deferred outflows of resources						
Accounts receivable	2,961	(5,044)	(143,680)	(1,172)	(522)	(147,457)
Special assessments receivable	-	-	-	-	(2,110)	(2,110)
Inventory	990	990	-	-	-	1,980
Prepaid items	(748)	(1,586)	(695)	-	-	(3,029)
Deferred pension resources	390	(2,616)	(8,791)	187	-	(10,830)
Increase (decrease) in liabilities/deferred inflows of resources						
Accounts and contracts payable	1,197	(2,077)	(4,695)	-	-	(5,575)
Due to other governments	383	-	-	-	-	383
Accrued salaries payable	(995)	617	27,855	-	-	27,477
Compensated absences payable	(12,505)	(336)	(24,013)	-	-	(36,854)
Deferred pension resources	23,720	36,531	131,549	857	-	192,657
Net pension liability	1,098	12,988	44,714	(567)	-	58,233
Net Cash Provided (Used) by Operating Activities	<u>\$ 557,292</u>	<u>\$ 952,742</u>	<u>\$ (16,650)</u>	<u>\$ 141,752</u>	<u>\$ 20,638</u>	<u>\$ 1,655,774</u>
Noncash Capital and Related Financing Activities						
Amortization of bond premiums	<u>\$ 5,554</u>	<u>\$ 7,165</u>	<u>\$ -</u>	<u>\$ 2,433</u>	<u>\$ -</u>	<u>\$ 15,152</u>

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

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City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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 112.

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, 2023

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, 2023

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, 2023

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, 2023:

- Negotiable certificates of deposits and US treasury bills of \$3,324,412 are values using a matrix pricing model (Level 2 inputs).

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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 2023. 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 \$514,055 as of December 31, 2023.

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.

Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Interfund Receivables and Payables

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

Inventories and Prepaid Items

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

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Land Held for Resale

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

Capital Assets

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

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

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

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

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, 2023

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	\$ 94,138	\$ 193,480	\$ 54,610	\$ 342,228
Proportionate share of State's contribution	168	(1,905)	-	(1,737)
Total pension expense	<u>\$ 94,306</u>	<u>\$ 191,575</u>	<u>\$ 54,610</u>	<u>\$ 340,491</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 \$323,547 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.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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 two types of items, 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 also recognizes a deferred lease receivable, which is reported under both the modified accrual and full accrual basis.

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, 2023

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 2023.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Nonmajor			
Library fund	505,449	510,647	5,198
Fire Department Operations fund	268,174	307,527	39,353
Component Unit			
Economic Development fund	77,035	141,301	64,266
Industrial Revolving Loan fund	-	685,794	685,794

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

C. Deficit Fund Balance

The following funds had fund balance deficits at December 31, 2023:

Fund	Amount
Capital Projects	
Fire Capital	\$ 150,042
TIF 2-10	4,750
Keith Meyer Abatement	3,061
Bluff Drive Project	61,997
2023 Street Project	214,294
72nd Avenue Way	14,249
2024 Street and Utility Improvements	841

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

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

Deposits

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

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

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, 2023

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	<u>\$ 3,477,369</u>
Bank balance	\$ 3,854,212
Covered by FDIC	<u>(3,854,212)</u>
Collateralized with securities pledged in City's name	<u>\$ -</u>

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	\$ 6,990,892			
Money market fund	N/A	Less than 6 months	3,341			
Non-pooled Investments at Fair Value						
Negotiable CDs	N/A	1 to 5 years	\$ 3,324,412	\$ -	\$ 3,324,412	\$ -
Total Investments			\$10,318,645	\$ -	\$ 3,324,412	\$ -

(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, 2023

Note 3: Detailed Notes on All Funds (Continued)

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

	<u>Amount</u>
Carrying Amount of Deposits	\$ 3,477,369
Investments	10,318,645
Cash on Hand	<u>415</u>
 Total	 <u><u>\$ 13,796,429</u></u>
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 13,419,559
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>376,870</u>
 Total	 <u><u>\$ 13,796,429</u></u>

B. Lease Receivable

As of December 31, 2023, the City had the following lease receivables:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Other Payments Received	Balance at Year End
MediaCom - Tower Lease	04/30/23	3.48%	\$ 9,407	\$ -	<u>\$ 50,066</u>

Under the Tower Lease, Mediacom pays the City \$9,407 per year for 74 months in exchange for being able to have its tower up in the city. The lease started 4/30/2024 and runs through 4/30/2029. The discount rate on this lease was calculated at 3.48%.

C. Loans Receivable

Economic Development Authority

On November 29, 2012, the EDA loaned \$150,000 to ArtOrg at the rate of 5 percent per year. The loan is due November 29, 2027. Monthly payments of \$1,036 are due beginning December 29, 2012. The outstanding balance as of December 31, 2023 was \$49,350.

On July 13, 2016, the EDA loaned \$150,000 to Tillion Brewing Company at the rate of 4 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, 2023 was \$47,889.

On January 15, 2019 the EDA loaned \$125,000 to Raw Bistro at the rate of 8.5 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, 2023 was \$86,431.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

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, 2023 was \$52,554.

On November 15, 2021 the EDA loaned \$37,600 to Magnolia Animal Hospital at the rate of 3 percent. The loan balance is due on December 15, 2027. Monthly payments of \$591.16 are due beginning on December 15, 2021. The outstanding balance as of December 31, 2023 was \$22,615.

The total net loan receivable balance as of December 31, 2023 was \$238,839 after taking into account \$20,000 worth of allowances described above.

D. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2023 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	222,764	-	261,604
Total Capital Assets not Being Depreciated	<u>1,188,132</u>	<u>222,764</u>	<u>-</u>	<u>1,410,896</u>
Capital Assets Being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	15,644,658	73,464	-	15,718,122
Machinery and equipment	1,979,910	82,996	(67,180)	1,995,726
Vehicles	3,562,809	119,066	(88,146)	3,593,729
Total Capital Assets Being Depreciated	<u>26,059,938</u>	<u>275,526</u>	<u>(155,326)</u>	<u>26,180,138</u>
Less Accumulated Depreciation for				
Buildings and improvements	(2,125,878)	(110,273)	-	(2,236,151)
System improvements/infrastructure	(6,196,391)	(478,341)	-	(6,674,732)
Machinery and equipment	(1,586,128)	(86,202)	67,180	(1,605,150)
Vehicles	(2,266,722)	(151,520)	42,956	(2,375,286)
Total Accumulated Depreciation	<u>(12,175,119)</u>	<u>(826,336)</u>	<u>110,136</u>	<u>(12,891,319)</u>
Total Capital Assets Being Depreciated, Net	<u>13,884,819</u>	<u>(550,810)</u>	<u>(45,190)</u>	<u>13,288,819</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,072,951</u>	<u>\$ (328,046)</u>	<u>\$ (45,190)</u>	<u>\$ 14,699,715</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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	\$ 45,515
Public safety	179,764
Public works	521,730
Culture and recreation	<u>79,327</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 826,336</u></u>
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 87,816	\$ 51,708	\$ -	\$ 139,524
Construction in progress	<u>-</u>	<u>724,843</u>	<u>-</u>	<u>724,843</u>
Total Capital Assets not being Depreciated	<u>87,816</u>	<u>776,551</u>	<u>-</u>	<u>864,367</u>
Capital Assets Being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	35,940,945	17,739	-	35,958,684
Machinery and equipment	1,200,240	-	-	1,200,240
Vehicles	<u>703,494</u>	<u>-</u>	<u>-</u>	<u>703,494</u>
Total Capital Assets Being Depreciated	<u>37,860,659</u>	<u>17,739</u>	<u>-</u>	<u>37,878,398</u>
Less Accumulated Depreciation for				
Buildings and improvements	(13,259)	(535)	-	(13,794)
System improvements/infrastructure	(17,554,329)	(902,747)	-	(18,457,076)
Machinery and equipment	(934,965)	(58,595)	-	(993,560)
Vehicles	<u>(392,849)</u>	<u>(71,028)</u>	<u>-</u>	<u>(463,877)</u>
Total Accumulated Depreciation	<u>(18,895,402)</u>	<u>(1,032,905)</u>	<u>-</u>	<u>(19,928,307)</u>
Total Capital Assets Being Depreciated, Net	<u>18,965,257</u>	<u>(1,015,166)</u>	<u>-</u>	<u>17,950,091</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 19,053,073</u></u>	<u><u>\$ (238,615)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,814,458</u></u>

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

Business-type Activities

Water Utility	\$ 351,848
Disposal	551,375
Ambulance	82,861
Storm Water	<u>46,821</u>

Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,032,905</u></u>
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City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 734,124	\$ -	\$ -	\$ 734,124
Construction in Progress	-	503,845	-	503,845
Total Capital Assets not being depreciated	<u>734,124</u>	<u>503,845</u>	<u>-</u>	<u>1,237,969</u>

E. Transfers

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2023 is as follows:

Fund	Transfers in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer Out				
General	\$ -	\$ -	\$ 727,675	\$ 727,675
Debt Service	40,993	-	-	40,993
Nonmajor governmental	27,049	-	539	27,588
Water Utility	25,000	125,132	6,000	156,132
Disposal	25,000	151,682	50,000	226,682
Storm Water	-	46,170	-	46,170
Total	<u>\$ 118,042</u>	<u>\$ 322,984</u>	<u>\$ 784,214</u>	<u>\$ 1,225,240</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.

F. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities. In addition, bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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	\$ 1,690,000
G.O. Improvement Bonds of 2018A	3,920,000	3.00 - 3.50	07/18/18	02/01/39	3,165,000
G.O. Refunding Permanent Bonds of 2020A	3,330,000	2.00 - 4.00	08/11/20	02/01/34	2,460,000
Total G.O. Improvement Bonds					<u>\$ 7,315,000</u>

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 349,622	\$ 101,213	\$ 450,835	\$ 287,688	\$ 113,500	\$ 401,188
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	351,021	54,352	405,373	283,979	71,311	355,290
2028 - 2032	1,519,354	127,870	1,647,224	1,235,646	240,471	1,476,117
2033 - 2037	199,927	3,065	202,992	874,745	87,694	962,439
2038 - 2039	-	-	-	128,018	2,100	130,118
Total	<u>\$ 3,540,045</u>	<u>\$ 520,911</u>	<u>\$ 4,060,956</u>	<u>\$ 3,774,955</u>	<u>\$ 792,902</u>	<u>\$ 4,567,857</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>\$ 215,000</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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
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>\$ 215,000</u>	<u>\$ 22,140</u>	<u>\$ 237,140</u>

Changes in Long-term Liabilities

During the year ended December 31, 2023, 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	\$ 3,882,357	\$ -	\$ (342,312)	\$ 3,540,045	\$ 349,622
General obligation Equipment certificates	253,000	-	(38,000)	215,000	40,000
Premium on bonds issued	179,553	-	(15,390)	164,163	-
Compensated Absences Payable	<u>248,194</u>	<u>69,753</u>	<u>(62,050)</u>	<u>255,897</u>	<u>63,646</u>
Governmental Activity Long-term Liabilities	<u>\$ 4,563,104</u>	<u>\$ 69,753</u>	<u>\$ (457,752)</u>	<u>\$ 4,175,105</u>	<u>\$ 453,268</u>
Business-type Activities					
Bonds Payable					
General obligation improvement bonds	\$ 4,062,644	\$ -	\$ (287,689)	\$ 3,774,955	\$ 287,688
Premium on bonds issued	176,768	-	(15,152)	161,616	-
Compensated Absences Payable	<u>104,504</u>	<u>-</u>	<u>(36,854)</u>	<u>67,650</u>	<u>24,931</u>
Business-type Activity Long-term Liabilities	<u>\$ 4,343,916</u>	<u>\$ -</u>	<u>\$ (339,695)</u>	<u>\$ 4,004,221</u>	<u>\$ 312,619</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

Note 3: Detailed Notes on All Funds (Continued)

G. Fund Balance

At December 31, 2023, portions of the City's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), City Council action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for				
Prepaid items	<u>\$ 47,503</u>	<u>\$ -</u>	<u>\$ 8,883</u>	<u>\$ 56,386</u>
Restricted for				
Debt service	\$ -	\$ 3,470,337	\$ -	\$ 3,470,337
Public safety	185,369	-	-	185,369
Cable television	-	-	208,788	208,788
Tax increment financing	-	-	669	669
Total Restricted	<u>\$ 185,369</u>	<u>\$ 3,470,337</u>	<u>\$ 209,457</u>	<u>\$ 3,865,163</u>
Committed for				
Fire operations	\$ -	\$ -	\$ 151,181	\$ 151,181
Street capital	-	-	55,069	55,069
Public works capital	-	-	504,824	504,824
Police capital	-	-	184,258	184,258
Administration capital	-	-	126,088	126,088
Park capital	-	-	646,376	646,376
Library capital	-	-	50,963	50,963
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,718,759</u>	<u>\$ 1,718,759</u>
Assigned				
Library operations	\$ -	\$ -	\$ 197,870	\$ 197,870
Municipal reserve	-	-	1,179,151	1,179,151
Alexander Court	-	-	1,505	1,505
Public improvements	-	-	144,750	144,750
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,523,276</u>	<u>\$ 1,523,276</u>
Unassigned	<u>\$ 3,381,735</u>	<u>\$ -</u>	<u>\$ (449,234)</u>	<u>\$ 2,932,501</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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 state 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 Employees 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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

Police and Fire Plan Benefits

Benefits for 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 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 the June 30 before the effective date of the increase will receive the full increase. 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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$145,407, \$145,660 and \$144,641, 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 2023 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, 2023, 2022 and 2021 were \$114,086, \$103,301 and \$99,075, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$1,353,237 for its proportionate share of the General Employees 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 \$37,353. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0242 percent at the end of the measurement period and 0.0266 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 1,353,237
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>37,353</u>
Total	<u>\$ 1,390,590</u>

For the year ended December 31, 2023, the City recognized pension expense of \$94,138 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$168 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, 2023, 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 Economic Experience	\$ 45,499	\$ 10,439
Changes in Actuarial Assumptions	245,142	370,911
Net Difference Between Projected and Actual Investment Earnings	-	53,198
Changes in Proportion	-	100,379
Contributions Paid to PERA Subsequent to the Measurement Date	<u>79,176</u>	<u>-</u>
Total	<u>\$ 369,817</u>	<u>\$ 534,927</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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

The \$79,176 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ (2,276)
2025	(261,438)
2026	48,785
2027	(29,356)
2028	-
Thereafter	-

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$785,726 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0455 percent at the end of the measurement period and 0.0487 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. 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, 2022. 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, 2023, the City recognized pension expense of \$193,480 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$1,905 as negative pension expense (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 supplemental state aid. The City recognized \$4,095 for the year ended December 31, 2023 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, 2023

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

At December 31, 2023, the City reported its proportionate share of the 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 Economic Experience	\$ 222,908	\$ -
Changes in Actuarial Assumptions	904,328	1,106,014
Net Difference Between Projected and Actual Investment Earnings	-	15,526
Changes in Proportion	17,697	104,707
Contributions Paid to PERA Subsequent to the Measurement Date	66,514	-
	<u>\$ 1,211,447</u>	<u>\$ 1,226,247</u>
Total		

The \$66,514 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 22,713
2025	(19,421)
2026	174,452
2027	(64,114)
2028	(194,943)
Thereafter	-

E. Long-term Expected Return on Investment

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
	<u>100.0 %</u>	
Total		

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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

F. Actuarial Assumptions

The total pension liability in the June 30, 2023, 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 7.0 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 7.0 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 and 1.00 percent for the the Police and Fire Plan.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 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 and Police and Fire Funds were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1 Percent Decrease (6.0%)	Current (7.0%)	1 Percent Increase (8.0%)
General Employees Fund	\$ 2,393,985	\$ 1,353,237	\$ 497,182
Police and Fire Fund	1,558,974	785,726	150,013

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, 2023

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, 2023, 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 \$57,090 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2023 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, 2023 were \$63,252. 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, 2023

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

D. Pension Costs

At December 31, 2023, the City reported a net pension asset of \$82,046 for the plan. The net pension asset was measured as of December 31, 2022. 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, 2022. 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, 2023	\$ 846,305	\$ 1,088,846	\$ (242,541)
Changes for the Year			
Service cost	41,464	-	41,464
Interest on pension liability (asset)	42,604	-	42,604
Differences between actual and expected	-	31,832	(31,832)
Changes of assumptions	-	16,207	(16,207)
Net investment income	182,218	-	182,218
Contributions (State)	-	59,123	(59,123)
Administrative costs	1,371	-	1,371
Total Net Changes	267,657	107,162	160,495
Ending Balance December 31, 2023	<u>\$ 1,113,962</u>	<u>\$ 1,196,008</u>	<u>\$ (82,046)</u>

For the year ended December 31, 2023, the City recognized pension expense of \$54,610

At December 31, 2023, 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	\$ 112,948	\$ 57,299
Changes in Actuarial Assumptions	14,560	15,127
Contributions to Plan Subsequent to the Measurement Date	63,252	-
Total	<u>\$ 190,760</u>	<u>\$ 72,426</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2023

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

Deferred outflows of resources totaling \$63,252 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, 2024. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2024	\$ 8,665
2025	16,062
2026	13,890
2027	13,637
2028	1,846
Thereafter	982

E. Actuarial Assumptions

The total pension liability at December 31, 2023 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at the Later of Age 50 or 20 Years of Service	
Inflation Rate	2.50% per year
Investment Rate of Return	5.75%

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:

	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined Benefit Plan	\$ (55,663)	\$ (82,046)	\$ (107,597)

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, 2023

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 \$215,000 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 2023 was \$708,297. This accounted for 15.9 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, 2023

City of Cannon Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2023

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
06/30/23	0.0242 %	\$ 1,353,237	\$ 37,353	\$ 1,390,590	\$ 1,859,153	72.8 %	83.1 %
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

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)
12/31/23	\$ 145,407	\$ 145,407	\$ -	\$ 1,938,754	7.50 %
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

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, 2023

Notes to the Required Supplementary Information - General Employees Retirement Plan

Changes in Actuarial Assumptions

2023 – The investment return assumptions and single discount rate were changed from 6.5 percent to 7.00 percent.

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, 2023

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

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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, 2023

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0455 %	\$ 785,726	\$ 31,628	\$ 817,354	\$ 571,354	137.5 %	86.5
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

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)
12/31/23	\$ 114,086	\$ 114,086	\$ -	\$ 644,555	17.70 %
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

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, 2023

Notes to the Required Supplementary Information - Police and Fire Plan

Changes in Actuarial Assumptions

2023 - The investment return assumption was changed from 6.5 percent to 7.00 percent. The single discount rate changed from 5.4 percent to 7.0 percent

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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2023

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.

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

Changes in Plan Provisions

2023 - Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability								
Service cost	\$ 41,464	\$ 40,552	\$ 40,797	\$ 36,907	\$ 31,897	\$ 28,860	\$ 30,861	\$ 28,958
Interest on pension liability (asset)	42,604	42,554	42,093	39,059	38,648	34,228	37,821	35,024
Changes of benefit terms	-	-	-	48,672	43,238	-	-	18,597
Differences between expected and actual experience	(31,832)	-	(17,774)	-	(14,536)	-	(28,496)	-
Changes of assumptions	(16,207)	-	10,837	-	11,433	40,593	4,223	(7,109)
Benefit payments	-	(13,600)	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)
Net Change in Total Pension Liability	36,029	69,506	28,578	25,302	110,680	37,581	(43,641)	803
Total Pension Liability - January 1	846,305	776,799	748,221	722,919	612,239	574,658	618,299	617,496
Total Pension Liability - December 31 (a)	\$ 882,334	\$ 846,305	\$ 776,799	\$ 748,221	\$ 722,919	\$ 612,239	\$ 574,658	\$ 618,299
Plan Fiduciary Net Position								
Employer contributions	\$ 59,090	\$ 59,580	\$ 56,796	\$ 55,398	\$ 51,993	\$ 51,349	\$ 52,941	\$ 50,960
Nonemployer contributions	33	-	34	-	-	-	-	-
Projected investment return	(182,218)	109,779	92,133	126,837	(80,846)	103,115	52,076	(32,964)
Benefit payments	-	(13,600)	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)
Administrative expenses	(1,371)	(2,013)	(1,140)	(1,135)	(1,169)	(1,296)	(1,155)	(239)
Other	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(124,466)	153,746	100,448	81,764	(30,022)	87,068	15,812	(56,910)
Plan Fiduciary Net Position - January 1	1,088,846	935,100	834,652	752,888	782,910	695,842	680,030	736,940
Plan Fiduciary Net Position - December 31 (b)	\$ 964,380	\$ 1,088,846	\$ 935,100	\$ 834,652	\$ 752,888	\$ 782,910	\$ 695,842	\$ 680,030
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (82,046)	\$ (242,541)	\$ (158,301)	\$ (86,431)	\$ (29,969)	\$ (170,671)	\$ (121,184)	\$ (61,731)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	109.30%	128.66%	120.38%	111.55%	104.15%	127.88%	121.09%	109.98%
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.

2023 Changes - change in the discount rate from 5.25 percent to 5.75 percent

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/23	\$ 63,252	\$ 63,252	\$ -
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	-

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, 2023

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2023

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 562,382	\$ 2,436,568	\$ 2,998,950
Receivables			
Accounts	4,875	-	4,875
Special assessments	-	83,645	83,645
Due from other governments	-	50,968	50,968
Prepaid items	8,883	-	8,883
	<u>8,883</u>	<u>-</u>	<u>8,883</u>
Total Assets	<u><u>\$ 576,140</u></u>	<u><u>\$ 2,571,181</u></u>	<u><u>\$ 3,147,321</u></u>
Liabilities			
Accounts and contracts payable	\$ 3,434	\$ 45,617	\$ 49,051
Accrued salaries payable	5,984	-	5,984
Due to other funds	-	4,750	4,750
Total Liabilities	<u>9,418</u>	<u>50,367</u>	<u>59,785</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	-	76,395	76,395
	<u>-</u>	<u>76,395</u>	<u>76,395</u>
Fund Balances			
Nonspendable	8,883	-	8,883
Restricted	208,788	669	209,457
Committed	151,181	1,567,578	1,718,759
Assigned	197,870	1,325,406	1,523,276
Unassigned	-	(449,234)	(449,234)
Total Fund Balances	<u>566,722</u>	<u>2,444,419</u>	<u>3,011,141</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 576,140</u></u>	<u><u>\$ 2,571,181</u></u>	<u><u>\$ 3,147,321</u></u>

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2023

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 480,330	\$ 42,100	\$ 522,430
Tax increments	-	65,011	65,011
Franchise taxes	23,663	-	23,663
Intergovernmental	191,898	100,968	292,866
Charges for services	103,326	-	103,326
Fines and forfeitures	1,190	-	1,190
Special assessments	-	28,498	28,498
Interest on investments	21,071	111,091	132,162
Miscellaneous	17,634	7,900	25,534
Total Revenues	<u>839,112</u>	<u>355,568</u>	<u>1,194,680</u>
Expenditures			
Current			
General government	-	12,500	12,500
Public safety	300,913	-	300,913
Culture and recreation	485,952	-	485,952
Capital outlay			
Public safety	6,614	-	6,614
Public works	-	368,060	368,060
Culture and recreation	36,105	-	36,105
Economic development	-	63,689	63,689
Total Expenditures	<u>829,584</u>	<u>444,249</u>	<u>1,273,833</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,528</u>	<u>(88,681)</u>	<u>(79,153)</u>
Other Financing Sources			
Transfers in	-	784,214	784,214
Transfers out	-	(27,588)	(27,588)
Total Other Financing Sources	<u>-</u>	<u>756,626</u>	<u>756,626</u>
Net Change in Fund Balances	9,528	667,945	677,473
Fund Balances, January 1	<u>557,194</u>	<u>1,776,474</u>	<u>2,333,668</u>
Fund Balances, December 31	<u>\$ 566,722</u>	<u>\$ 2,444,419</u>	<u>\$ 3,011,141</u>

City of Cannon Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2023

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 206,270	\$ 203,913	\$ 152,199	\$ 562,382
Accounts receivable	-	4,875	-	4,875
Prepaid items	2,302	259	6,322	8,883
Total Assets	<u>\$ 208,572</u>	<u>\$ 209,047</u>	<u>\$ 158,521</u>	<u>\$ 576,140</u>
Liabilities				
Accounts payable	\$ 2,416	\$ -	\$ 1,018	\$ 3,434
Accrued salaries payable	5,984	-	-	5,984
Total Liabilities	<u>8,400</u>	<u>-</u>	<u>1,018</u>	<u>9,418</u>
Fund Balances				
Nonspendable	2,302	259	6,322	8,883
Restricted	-	208,788	-	208,788
Committed	-	-	151,181	151,181
Assigned	197,870	-	-	197,870
Total Fund Balances	<u>200,172</u>	<u>209,047</u>	<u>157,503</u>	<u>566,722</u>
Total Liabilities and Fund Balances	<u>\$ 208,572</u>	<u>\$ 209,047</u>	<u>\$ 158,521</u>	<u>\$ 576,140</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, 2023

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 380,936	\$ -	\$ 99,394	\$ 480,330
Franchise taxes	-	23,663	-	23,663
Intergovernmental				
State	-	-	69,886	69,886
County	122,012	-	-	122,012
Charges for services	2,073	-	101,253	103,326
Fines and forfeitures	1,190	-	-	1,190
Interest on investments	7,760	7,911	5,400	21,071
Miscellaneous				
Contributions and donations	4,000	-	9,494	13,494
Other	-	-	4,140	4,140
Total Revenues	<u>517,971</u>	<u>31,574</u>	<u>289,567</u>	<u>839,112</u>
Expenditures				
Current				
Public safety	-	-	300,913	300,913
Culture and recreation	475,120	10,832	-	485,952
Capital outlay				
Public safety	-	-	6,614	6,614
Culture and recreation	35,527	578	-	36,105
Total Expenditures	<u>510,647</u>	<u>11,410</u>	<u>307,527</u>	<u>829,584</u>
Net Change in Fund Balances	7,324	20,164	(17,960)	9,528
Fund Balances, January 1	<u>192,848</u>	<u>188,883</u>	<u>175,463</u>	<u>557,194</u>
Fund Balances, December 31	<u>\$ 200,172</u>	<u>\$ 209,047</u>	<u>\$ 157,503</u>	<u>\$ 566,722</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Property taxes	\$ 380,936	\$ 380,936	\$ 380,936	\$ -	\$ 371,645
Intergovernmental					
County	122,012	122,012	122,012	-	122,209
Charges for services	1,000	1,000	2,073	1,073	1,539
Fines and forfeitures	1,000	1,000	1,190	190	818
Interest on investments	-	-	7,760	7,760	1,867
Miscellaneous					
Contributions and donations	500	500	4,000	3,500	-
Total Revenues	505,448	505,448	517,971	12,523	498,078
Expenditures					
Current					
Culture and recreation					
Personnel services	399,349	399,349	405,438	(6,089)	398,438
Supplies	5,700	5,700	3,177	2,523	3,500
Other services and charges	66,600	66,600	66,505	95	66,743
Capital outlay					
Culture and recreation	33,800	33,800	35,527	(1,727)	34,123
Total Expenditures	505,449	505,449	510,647	(5,198)	502,804
Net Change in Fund Balances	(1)	(1)	7,324	7,325	(4,726)
Fund Balances, January 1	192,848	192,848	192,848	-	197,574
Fund Balances, December 31	\$ 192,847	\$ 192,847	\$ 200,172	\$ 7,325	\$ 192,848

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Franchise taxes	\$ 33,000	\$ 33,000	\$ 23,663	\$ (9,337)	\$ 30,870
Interest on investments	-	-	7,911	7,911	780
Total Revenues	<u>33,000</u>	<u>33,000</u>	<u>31,574</u>	<u>(1,426)</u>	<u>31,650</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	17,890	17,890	9,133	8,757	9,370
Supplies	2,300	2,300	1,020	1,280	790
Other services and charges	2,850	2,850	679	2,171	661
Capital outlay					
Culture and recreation	10,000	10,000	578	9,422	-
Total Expenditures	<u>33,040</u>	<u>33,040</u>	<u>11,410</u>	<u>21,630</u>	<u>10,821</u>
Net Change in Fund Balances	(40)	(40)	20,164	20,204	20,829
Fund Balances, January 1	<u>188,883</u>	<u>188,883</u>	<u>188,883</u>	<u>-</u>	<u>168,054</u>
Fund Balances, December 31	<u>\$ 188,843</u>	<u>\$ 188,843</u>	<u>\$ 209,047</u>	<u>\$ 20,204</u>	<u>\$ 188,883</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 99,394	\$ 99,394	\$ 99,394	\$ -	\$ 98,859
Intergovernmental revenue					
State	58,500	58,500	69,886	11,386	58,090
Charges for services	100,280	100,280	101,253	973	97,359
Interest on investments (loss)	-	-	5,400	5,400	(511)
Miscellaneous					
Contributions and donations	3,000	3,000	9,494	6,494	77,380
Other	7,000	7,000	4,140	(2,860)	-
Total Revenues	268,174	268,174	289,567	21,393	331,177
Expenditures					
Current					
Public safety					
Personnel services	68,142	68,142	80,638	(12,496)	65,276
Supplies	34,000	34,000	34,015	(15)	39,238
Other services and charges	154,932	154,932	186,260	(31,328)	149,554
Capital outlay					
Public safety	11,100	11,100	6,614	4,486	70,457
Total Expenditures	268,174	268,174	307,527	(39,353)	324,525
Net Change in Fund Balances	-	-	(17,960)	(17,960)	6,652
Fund Balances, January 1	175,463	175,463	175,463	-	168,811
Fund Balances, December 31	\$ 175,463	\$ 175,463	\$ 157,503	\$ (17,960)	\$ 175,463

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2023

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
Assets					
Cash and temporary investments	\$ 144,750	\$ 55,069	\$ 504,824	\$ 184,258	\$ (150,042)
Receivables					
Special assessments	3,705	-	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	<u>\$ 148,455</u>	<u>\$ 55,069</u>	<u>\$ 504,824</u>	<u>\$ 184,258</u>	<u>\$ (150,042)</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	3,705	-	-	-	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	55,069	504,824	184,258	-
Assigned	144,750	-	-	-	-
Unassigned	-	-	-	-	(150,042)
Total Fund Balances	<u>144,750</u>	<u>55,069</u>	<u>504,824</u>	<u>184,258</u>	<u>(150,042)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 148,455</u>	<u>\$ 55,069</u>	<u>\$ 504,824</u>	<u>\$ 184,258</u>	<u>\$ (150,042)</u>

509	510	511	225	249	250	251
Administration Capital	Park Capital	Library Capital	Park Board	TIF 2-6.2	TIF 2-7	TIF 2-8
\$ 126,088	\$ 646,376	\$ 50,963	\$ -	\$ 1,838	\$ -	\$ 11,272
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 126,088</u>	<u>\$ 646,376</u>	<u>\$ 50,963</u>	<u>\$ -</u>	<u>\$ 1,838</u>	<u>\$ -</u>	<u>\$ 11,272</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,441
-	-	-	-	-	-	-
-	-	-	-	-	-	12,441
-	-	-	-	-	-	-
-	-	-	-	1,838	-	(1,169)
126,088	646,376	50,963	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>126,088</u>	<u>646,376</u>	<u>50,963</u>	<u>-</u>	<u>1,838</u>	<u>-</u>	<u>(1,169)</u>
<u>\$ 126,088</u>	<u>\$ 646,376</u>	<u>\$ 50,963</u>	<u>\$ -</u>	<u>\$ 1,838</u>	<u>\$ -</u>	<u>\$ 11,272</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2023

	252	253	406	409	410
	TIF 2-9	TIF 2-10	Alexander Court	Keith Meyer Abatement	Water Tower Restoration
Assets					
Cash and temporary investments	\$ -	\$ -	\$ 1,505	\$ (3,061)	\$ -
Receivables					
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,505</u>	<u>\$ (3,061)</u>	<u>\$ -</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	4,750	-	-	-
Total Liabilities	<u>-</u>	<u>4,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	-	-	-	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	1,505	-	-
Unassigned	-	(4,750)	-	(3,061)	-
Total Fund Balances	<u>-</u>	<u>(4,750)</u>	<u>1,505</u>	<u>(3,061)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,505</u>	<u>\$ (3,061)</u>	<u>\$ -</u>

411	412	414	415	416	534	
Bluff Drive Project	2023 Street Project	72nd Avenue Way	2024 Street and Utility Improv.	John Burch Park	Municipal Reserve	Total
\$ (69,247)	\$ (211,714)	\$ (12,003)	\$ (841)	\$ (22,618)	\$ 1,179,151	\$ 2,436,568
79,940	-	-	-	-	-	83,645
-	-	-	-	50,968	-	50,968
<u>\$ 10,693</u>	<u>\$ (211,714)</u>	<u>\$ (12,003)</u>	<u>\$ (841)</u>	<u>\$ 28,350</u>	<u>\$ 1,179,151</u>	<u>\$ 2,571,181</u>
\$ -	\$ 2,580	\$ 2,246	\$ -	\$ 28,350	\$ -	\$ 45,617
-	-	-	-	-	-	4,750
-	2,580	2,246	-	28,350	-	50,367
72,690	-	-	-	-	-	76,395
-	-	-	-	-	-	669
-	-	-	-	-	-	1,567,578
-	-	-	-	-	1,179,151	1,325,406
(61,997)	(214,294)	(14,249)	(841)	-	-	(449,234)
(61,997)	(214,294)	(14,249)	(841)	-	1,179,151	2,444,419
<u>\$ 10,693</u>	<u>\$ (211,714)</u>	<u>\$ (12,003)</u>	<u>\$ (841)</u>	<u>\$ 28,350</u>	<u>\$ 1,179,151</u>	<u>\$ 2,571,181</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, 2023

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Special assessments	-	-	-	-	-
Interest on investments	5,644	2,118	19,321	6,932	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>5,644</u>	<u>2,118</u>	<u>19,321</u>	<u>6,932</u>	<u>-</u>
Expenditures					
Current					
General government	-	-	-	-	-
Capital outlay					
Public works	-	-	119,066	-	-
Economic development	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>119,066</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,644</u>	<u>2,118</u>	<u>(99,745)</u>	<u>6,932</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	6,150	151,000	61,525	121,000
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>6,150</u>	<u>151,000</u>	<u>61,525</u>	<u>121,000</u>
Net Change in Fund Balances	5,644	8,268	51,255	68,457	121,000
Fund Balances, January 1	<u>139,106</u>	<u>46,801</u>	<u>453,569</u>	<u>115,801</u>	<u>(271,042)</u>
Fund Balances, December 31	<u>\$ 144,750</u>	<u>\$ 55,069</u>	<u>\$ 504,824</u>	<u>\$ 184,258</u>	<u>\$ (150,042)</u>

509	510	511	225	249	250	251
Administration Capital	Park Capital	Library Capital	Park Board	TIF 2-6.2	TIF 2-7	TIF 2-8
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	26,954	10,410	27,647
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,875	25,092	1,981	50	80	151	586
-	-	-	-	-	-	-
4,875	25,092	1,981	50	27,034	10,561	28,233
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	24,821	10,582	28,036
-	-	-	-	24,821	10,582	28,036
4,875	25,092	1,981	50	2,213	(21)	197
7,000	7,539	-	-	-	-	-
-	-	-	(539)	-	(1,601)	-
7,000	7,539	-	(539)	-	(1,601)	-
11,875	32,631	1,981	(489)	2,213	(1,622)	197
114,213	613,745	48,982	489	(375)	1,622	(1,366)
\$ 126,088	\$ 646,376	\$ 50,963	\$ -	\$ 1,838	\$ -	\$ (1,169)

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, 2023

	252	253	406	409	410
	TIF 2-9	TIF 2-10	Alexander Court	Keith Meyer Abatement	Water Tower Restoration
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ 39,600	\$ 2,500	\$ -
Tax increments	-	-	-	-	-
Intergovernmental	-	-	-	-	50,000
Special assessments	-	-	-	-	-
Interest on investments	-	-	-	-	-
Miscellaneous	7,900	-	-	-	-
Total Revenues	<u>7,900</u>	<u>-</u>	<u>39,600</u>	<u>2,500</u>	<u>50,000</u>
Expenditures					
Current					
General government	-	-	-	-	-
Capital outlay					
Public works	-	-	-	1,799	-
Economic development	-	250	-	-	-
Total Expenditures	<u>-</u>	<u>250</u>	<u>-</u>	<u>1,799</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,900</u>	<u>(250)</u>	<u>39,600</u>	<u>701</u>	<u>50,000</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(25,448)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,448)</u>
Net Change in Fund Balances	7,900	(250)	39,600	701	24,552
Fund Balances, January 1	<u>(7,900)</u>	<u>(4,500)</u>	<u>(38,095)</u>	<u>(3,762)</u>	<u>(24,552)</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (4,750)</u>	<u>\$ 1,505</u>	<u>\$ (3,061)</u>	<u>\$ -</u>

411	412	414	415	416	534	
Bluff Drive Project	2023 Street Project	72nd Avenue Way	2024 Street and Utility Improv.	John Burch Park	Municipal Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,100
-	-	-	-	-	-	65,011
-	-	-	-	50,968	-	100,968
28,498	-	-	-	-	-	28,498
-	-	-	-	-	44,261	111,091
-	-	-	-	-	-	7,900
28,498	-	-	-	50,968	44,261	355,568
-	-	-	-	-	12,500	12,500
6,614	174,523	14,249	841	50,968	-	368,060
-	-	-	-	-	-	63,689
6,614	174,523	14,249	841	50,968	12,500	444,249
21,884	(174,523)	(14,249)	(841)	-	31,761	(88,681)
-	-	-	-	-	430,000	784,214
-	-	-	-	-	-	(27,588)
-	-	-	-	-	430,000	756,626
21,884	(174,523)	(14,249)	(841)	-	461,761	667,945
(83,881)	(39,771)	-	-	-	717,390	1,776,474
\$ (61,997)	\$ (214,294)	\$ (14,249)	\$ (841)	\$ -	\$ 1,179,151	\$ 2,444,419

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023			2022	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 2,937,110	\$ 2,937,110	\$ 2,970,860	\$ 33,750	\$ 2,772,862
Licenses and permits					
Business	30,700	30,700	32,925	2,225	4,982
Nonbusiness	53,800	53,800	15,373	(38,427)	205,603
Total licenses and permits	84,500	84,500	48,298	(36,202)	210,585
Intergovernmental					
State					
Local government aid	708,297	708,297	708,297	-	704,781
Market value agricultural credits	-	-	80	80	95
Police aid and police training	82,000	82,000	84,308	2,308	64,879
Public safety aid	-	-	185,369	185,369	-
County					
Police grant	-	-	326	326	-
Total intergovernmental	790,297	790,297	978,380	188,083	769,755
Charges for services					
General government	4,200	4,200	7,784	3,584	6,929
Public safety	1,050	1,050	34	(1,016)	37
Public works	4,000	4,000	10,243	6,243	6,372
Culture and recreation	30,000	30,000	40,670	10,670	36,998
Total charges for services	39,250	39,250	58,731	19,481	50,336
Fines and forfeitures	22,000	22,000	19,475	(2,525)	18,543
Special assessments	12,000	12,000	18,348	6,348	23,719
Interest on investments	9,500	9,500	84,397	74,897	28,605
Miscellaneous					
Rents	50,000	50,000	44,919	(5,081)	55,520
Contributions and donations	-	-	7,524	7,524	7,490
Reimbursements	188,542	188,542	193,308	4,766	191,398
Other	85,000	85,000	22,965	(62,035)	43,258
Total miscellaneous	323,542	323,542	268,716	(54,826)	297,666
Total Revenues	4,218,199	4,218,199	4,447,205	229,006	4,172,071

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	\$ 29,071	\$ 29,071	\$ 27,406	\$ 1,665	\$ 26,936
Other services and charges	8,500	8,500	8,673	(173)	7,219
Total mayor and council	37,571	37,571	36,079	1,492	34,155
Elections					
Supplies	50	50	-	50	11
Other services and charges	15,650	15,650	960	14,690	10,007
Total elections	15,700	15,700	960	14,740	10,018
Administrative					
Personnel services	424,246	424,246	504,550	(80,304)	491,306
Supplies	2,500	2,500	3,104	(604)	2,504
Other services and charges	36,750	36,750	33,617	3,133	37,430
Total administrative	463,496	463,496	541,271	(77,775)	531,240
Audit and consulting fees					
Other services and charges	34,000	34,000	39,350	(5,350)	35,775
Planning and zoning					
Personnel services	32,454	32,454	25,539	6,915	32,147
Other services and charges	1,300	1,300	6,550	(5,250)	1,190
Total planning and zoning	33,754	33,754	32,089	1,665	33,337
Legal					
Other services and charges	51,500	51,500	46,534	4,966	51,462
Information and technology					
Other services and charges	42,000	42,000	44,070	(2,070)	37,440
Total information and technology	42,000	42,000	44,070	(2,070)	37,440
General government building					
Personnel services	13,279	13,279	1,262	12,017	10,013
Supplies	8,900	8,900	2,855	6,045	3,098
Other services and charges	55,700	55,700	83,123	(27,423)	52,862
Total general government building	77,879	77,879	87,240	(9,361)	65,973
Total general government	755,900	755,900	827,593	(71,693)	799,400

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police protection					
Personnel services	\$ 941,945	\$ 941,945	\$ 984,846	\$ (42,901)	\$ 911,356
Supplies	56,950	56,950	59,134	(2,184)	43,002
Other services and charges	95,368	95,368	111,258	(15,890)	93,040
Total police protection	1,094,263	1,094,263	1,155,238	(60,975)	1,047,398
Building inspection					
Personnel services	32,454	32,454	4,345	28,109	13,858
Other services and charges	40,000	40,000	5,362	34,638	169,325
Total building inspection	72,454	72,454	9,707	62,747	183,183
Animal control					
Other services and charges	1,000	1,000	-	1,000	-
Total public safety	1,167,717	1,167,717	1,164,945	2,772	1,230,581
Public works					
Public works administration					
Personnel services	272,465	272,465	179,055	93,410	254,749
Supplies	33,475	33,475	34,233	(758)	40,389
Other services and charges	41,039	41,039	36,778	4,261	32,528
Total public works administration	346,979	346,979	250,066	96,913	327,666
Streets and highways					
Personnel services	66,596	66,596	65,807	789	54,019
Supplies	44,650	44,650	63,788	(19,138)	39,898
Other services and charges	227,350	227,350	124,052	103,298	78,086
Total streets and highways	338,596	338,596	253,647	84,949	172,003
Snow and ice removal					
Personnel services	57,895	57,895	47,332	10,563	40,648
Supplies	23,225	23,225	33,285	(10,060)	27,235
Other services and charges	8,050	8,050	3,880	4,170	8,168
Total snow and ice removal	89,170	89,170	84,497	4,673	76,051

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Road equipment and garage					
Personnel services	\$ 29,645	\$ 29,645	\$ 41,690	\$ (12,045)	\$ 28,812
Supplies	9,325	9,325	17,352	(8,027)	8,066
Other services and charges	14,448	14,448	22,968	(8,520)	5,089
Total road equipment and garage	53,418	53,418	82,010	(28,592)	41,967
Garage building					
Personnel services	12,584	12,584	12,358	226	15,971
Supplies	2,750	2,750	1,869	881	1,495
Other services and charges	9,344	9,344	25,181	(15,837)	12,302
Total garage building	24,678	24,678	39,408	(14,730)	29,768
Street lighting					
Supplies	515	515	190	325	8,370
Other services and charges	67,650	67,650	74,073	(6,423)	132,613
Total street lighting	68,165	68,165	74,263	(6,098)	140,983
Engineering					
Other services and charges	12,000	12,000	26,390	(14,390)	21,625
Total public works	933,006	933,006	810,281	122,725	810,063
Culture and recreation					
Tree maintenance					
Personnel services	27,468	27,468	18,386	9,082	19,939
Supplies	860	860	135	725	59
Other services and charges	9,850	9,850	3,368	6,482	10,452
Total tree maintenance	38,178	38,178	21,889	16,289	30,450
Parks					
Personnel services	57,167	57,167	66,831	(9,664)	57,496
Supplies	18,375	18,375	7,611	10,764	14,100
Other services and charges	32,788	32,788	65,208	(32,420)	52,587
Total parks	108,330	108,330	139,650	(31,320)	124,183

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation (continued)					
Swimming pool					
Personnel services	\$ 75,866	\$ 75,866	\$ 75,626	\$ 240	\$ 74,158
Supplies	6,800	6,800	16,989	(10,189)	11,497
Other services and charges	17,010	17,010	40,766	(23,756)	21,080
Total swimming pool	99,676	99,676	133,381	(33,705)	106,735
Athletic fields					
Personnel services	15,862	15,862	13,181	2,681	12,777
Supplies	4,500	4,500	1,238	3,262	3,413
Other services and charges	7,333	7,333	11,234	(3,901)	7,348
Total athletic fields	27,695	27,695	25,653	2,042	23,538
Skating					
Personnel services	6,355	6,355	1,096	5,259	4,877
Supplies	200	200	-	200	-
Other services and charges	1,450	1,450	7,472	(6,022)	1,023
Total skating	8,005	8,005	8,568	(563)	5,900
Cannon Valley Trail					
Personnel services	188,542	188,542	181,070	7,472	186,187
Other services and charges	55,000	55,000	49,684	5,316	49,012
Total Cannon Valley Trail	243,542	243,542	230,754	12,788	235,199
Total culture and recreation	525,426	525,426	559,895	(34,469)	526,005
Miscellaneous					
Unallocated					
Personnel services	-	-	2,437	(2,437)	2,438
Other services and charges	77,500	77,500	76,951	549	51,539
Total miscellaneous	77,500	77,500	79,388	(1,888)	53,977
Total current	3,459,549	3,459,549	3,442,102	17,447	3,420,026

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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 2,700	\$ 2,700	\$ 280	\$ 2,420	\$ -
Public safety	13,000	13,000	762	12,238	4,952
Public works	15,275	15,275	20,550	(5,275)	8,705
Total capital outlay	30,975	30,975	21,592	9,383	13,657
Total Expenditures	3,490,524	3,490,524	3,463,694	26,830	3,433,683
Excess of Revenues Over Expenditures	727,675	727,675	983,511	255,836	738,388
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	7,508
Transfers in	-	-	118,042	118,042	51,764
Insurance proceeds	-	-	-	-	98,317
Transfers out	(727,675)	(727,675)	(727,675)	-	(883,422)
Total Other Financing Sources (Uses)	(727,675)	(727,675)	(609,633)	118,042	(725,833)
Net Change in Fund Balances	-	-	373,878	373,878	12,555
Fund Balances, January 1	3,240,729	3,240,729	3,240,729	-	3,228,174
Fund Balances, December 31	\$ 3,240,729	\$ 3,240,729	\$ 3,614,607	\$ 373,878	\$ 3,240,729

City of Cannon Falls, Minnesota

Debt Service Funds
Combining Balance Sheet
December 31, 2023

	526 2012A G.O. Improvement Bond	530 2016A G.O. Bond	531 2018A G.O. Bond
Assets			
Cash and temporary investments	\$ -	\$ 631,451	\$ 1,094,414
Receivables			
Special assessments	-	152,992	303,020
Total Assets	<u>\$ -</u>	<u>\$ 784,443</u>	<u>\$ 1,397,434</u>
Deferred Inflows of Resources			
Unavailable revenue - special assessments	\$ -	\$ 136,844	\$ 280,563
Fund Balances			
Restricted for debt service	-	647,599	1,116,871
Total Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 784,443</u>	<u>\$ 1,397,434</u>

532 2018B G.O. Equipment Certificates	533 2020A G.O. Refunding Bond	Total
\$ 42,505	\$ 1,630,063	\$ 3,398,433
-	153,780	609,792
<u>\$ 42,505</u>	<u>\$ 1,783,843</u>	<u>\$ 4,008,225</u>
\$ -	\$ 120,481	\$ 537,888
<u>42,505</u>	<u>1,663,362</u>	<u>3,470,337</u>
<u>\$ 42,505</u>	<u>\$ 1,783,843</u>	<u>\$ 4,008,225</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, 2023

	526 2012A G.O. Improvement Bond	530 2016A G.O. Bond	531 2018A G.O. Bond
Revenues			
Taxes	\$ -	\$ 80,000	\$ 144,000
Special assessments	-	29,537	50,432
Interest on investments	-	23,793	41,087
Total Revenues	<u>-</u>	<u>133,330</u>	<u>235,519</u>
Expenditures			
Debt service			
Principal	-	80,000	125,000
Interest and other charges	-	18,058	57,801
Total Expenditures	<u>-</u>	<u>98,058</u>	<u>182,801</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>35,272</u>	<u>52,718</u>
Other Financing Sources (Uses)			
Transfers in	-	59,796	101,573
Transfers out	(40,993)	-	-
Total Other Financing Sources (Uses)	<u>(40,993)</u>	<u>59,796</u>	<u>101,573</u>
Net Change in Fund Balances	(40,993)	95,068	154,291
Fund Balances, January 1	<u>40,993</u>	<u>552,531</u>	<u>962,580</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 647,599</u>	<u>\$ 1,116,871</u>

532 2018B G.O. Equipment Certificates	533 2020A G.O. Refunding Bond	Total
\$ 48,120	\$ 127,000	\$ 399,120
-	50,596	130,565
1,553	61,439	127,872
<u>49,673</u>	<u>239,035</u>	<u>657,557</u>
38,000	137,312	380,312
4,650	43,271	123,780
<u>42,650</u>	<u>180,583</u>	<u>504,092</u>
7,023	58,452	153,465
-	161,615	322,984
-	-	(40,993)
<u>-</u>	<u>161,615</u>	<u>281,991</u>
7,023	220,067	435,456
<u>35,482</u>	<u>1,443,295</u>	<u>3,034,881</u>
<u>\$ 42,505</u>	<u>\$ 1,663,362</u>	<u>\$ 3,470,337</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2023

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 163,185	\$ 213,685	\$ 376,870
Receivables			
Accounts	-	2,180	2,180
Loans, net	-	238,839	238,839
Land held for resale	-	916,371	916,371
	<u>-</u>	<u>916,371</u>	<u>916,371</u>
Total Assets	<u>\$ 163,185</u>	<u>\$ 1,371,075</u>	<u>\$ 1,534,260</u>
Liabilities			
Accounts and contracts payable	\$ -	\$ 180,417	\$ 180,417
Unearned revenue	14,527	-	14,527
Advance from primary government	-	505,114	505,114
	<u>-</u>	<u>505,114</u>	<u>505,114</u>
Total Liabilities	<u>14,527</u>	<u>685,531</u>	<u>700,058</u>
Fund Balances			
Committed			
Land held for resale	-	916,371	916,371
Economic development	148,658	-	148,658
Unassigned	-	(230,827)	(230,827)
	<u>-</u>	<u>(230,827)</u>	<u>(230,827)</u>
Total Fund Balances	<u>148,658</u>	<u>685,544</u>	<u>834,202</u>
	<u>148,658</u>	<u>685,544</u>	<u>834,202</u>
Total Liabilities and Fund Balances	<u>\$ 163,185</u>	<u>\$ 1,371,075</u>	<u>\$ 1,534,260</u>

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

Total Fund Balances Reported above	\$ 834,202
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	1,237,969
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Loan payable	<u>(450,000)</u>
Total Net Position - Economic Development Authority	<u>\$ 1,622,171</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2023

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 77,035	\$ -	\$ 77,035
Interest on investments	6,295	7,549	13,844
Miscellaneous	36,328	33,728	70,056
Total Revenues	119,658	41,277	160,935
Expenditures			
Current			
Economic development	141,301	263	141,564
Capital outlay			
Economic development	-	505,114	505,114
Debt service			
Principal	-	150,000	150,000
Interest	-	30,417	30,417
Total Expenditures	141,301	685,794	827,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,643)	(644,517)	(666,160)
Other Financing Sources			
Loan proceeds	-	600,000	600,000
Net Change in Fund Balances	(21,643)	(44,517)	(66,160)
Fund Balances, January 1	170,301	730,061	900,362
Fund Balances, December 31	\$ 148,658	\$ 685,544	\$ 834,202

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

Net Changes in Fund Balances - Economic Development Authority	\$ (66,160)
Capital outlays are reported in governmental funds as expenditures.	
Capital outlay	503,845

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.

Loan proceeds	(600,000)
---------------	-----------

Governmental funds report loan disbursements as expenditures and the related loan repayments as revenues.

However, in the statement of activities these transactions has no effect on net position.

The amounts of the differences are

Loan principal payments	150,000
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Change in Net Position - Economic Development Authority	\$ (12,315)
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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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Property taxes	\$ 77,035	\$ 77,035	\$ 77,035	\$ -	\$ 72,450
Interest on investments	-	-	6,295	6,295	885
Miscellaneous revenue	-	-	36,328	36,328	400
Total Revenues	<u>77,035</u>	<u>77,035</u>	<u>119,658</u>	<u>42,623</u>	<u>73,735</u>
Expenditures					
Current					
Economic development					
Supplies	100	100	-	100	-
Other services and charges	76,935	76,935	141,301	(64,366)	88,834
Total Expenditures	<u>77,035</u>	<u>77,035</u>	<u>141,301</u>	<u>(64,266)</u>	<u>88,834</u>
Net Change in Fund Balances	-	-	(21,643)	(21,643)	(15,099)
Fund Balances, January 1	<u>170,301</u>	<u>170,301</u>	<u>170,301</u>	<u>-</u>	<u>185,400</u>
Fund Balances, December 31	<u>\$ 170,301</u>	<u>\$ 170,301</u>	<u>\$ 148,658</u>	<u>\$ (21,643)</u>	<u>\$ 170,301</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, 2023
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest on investments	\$ -	\$ -	\$ 7,549	\$ 7,549	\$ 1,237
Miscellaneous	1,250	1,250	33,728	32,478	10,211
Donations	-	-	-	-	500
Total Revenues	1,250	1,250	41,277	40,027	11,948
Expenditures					
Current					
Economic development					
Other services and charges	-	-	263	(263)	98,461
Capital outlay					
Economic development	-	-	505,114	(505,114)	-
Debt Services					
Principal	-	-	150,000	(150,000)	-
Interest	-	-	30,417	(30,417)	-
Total Expenditures	-	-	685,794	(685,794)	98,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,250	1,250	(644,517)	(645,767)	(86,513)
Other Financing Sources (Uses)					
Loss on sale of land held for resale	-	-	-	-	(2,906)
Loan proceeds	-	-	600,000	600,000	-
Total other financing sources (uses)	-	-	600,000	600,000	(2,906)
Net Change in Fund Balances	1,250	1,250	(44,517)	(45,767)	(89,419)
Fund Balances, January 1	730,061	730,061	730,061	-	819,480
Fund Balances, December 31	<u>\$ 731,311</u>	<u>\$ 731,311</u>	<u>\$ 685,544</u>	<u>\$ (45,767)</u>	<u>\$ 730,061</u>

City of Cannon Falls, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2023 and 2022

	Total		Percent Increase (Decrease)
	2023	2022	
Revenues			
Taxes	\$ 3,981,084	\$ 3,856,361	3.23 %
Special assessments	177,411	234,966	(24.50)
Licenses and permits	48,298	210,585	(77.06)
Intergovernmental	1,271,246	1,397,648	(9.04)
Charges for services	162,057	149,234	8.59
Fines and forfeits	20,665	19,361	6.74
Investment earnings	344,431	52,485	556.25
Miscellaneous	294,250	375,046	(21.54)
Total Revenues	<u>\$ 6,299,442</u>	<u>\$ 6,295,686</u>	0.06 %
Per Capita	<u>\$ 1,462</u>	<u>\$ 1,486</u>	(1.66) %
Expenditures			
Current			
General government	\$ 840,093	\$ 817,900	2.71 %
Public safety	1,465,858	1,484,649	(1.27)
Public works	810,281	810,063	0.03
Culture and recreation	1,045,847	1,005,507	4.01
Miscellaneous	79,388	53,977	47.08
Capital outlay			
General government	280	-	100.00
Public safety	7,376	97,853	(92.46)
Public works	388,610	671,181	(42.10)
Culture and recreation	36,105	34,123	5.81
Economic development	63,689	61,488	3.58
Debt service			
Principal	380,312	449,985	(15.48)
Interest and other charges	123,780	131,703	(6.02)
Total Expenditures	<u>\$ 5,241,619</u>	<u>\$ 5,618,429</u>	(6.71) %
Per Capita	<u>\$ 1,216</u>	<u>\$ 1,326</u>	(8.31) %
Total Long-term Indebtedness	\$ 3,919,208	\$ 4,314,910	(9.17) %
Per Capita	909	1,019	(10.73)
General Fund Balance - December 31	\$ 3,614,607	\$ 3,240,729	11.54 %
Per Capita	839	765	9.62

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, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2024.

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
May 30, 2024

**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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2024.

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 Findings and Responses as item 2023-001 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 Findings and Responses. 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
May 30, 2024



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City of Cannon Falls, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2023

Finding

Description

2023-001

Preparation of Financial Statements

Condition:

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.

Criteria:

Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause:

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.

Effect:

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.

Recommendation:

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.