

ANNUAL FINANCIAL REPORT

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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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, 2024

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
Brice Miller	Fire Chief

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FINANCIAL SECTION
CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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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, 2024, 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, 2024, 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.

Change in Accounting Principle

The City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

The City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

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 28, 2025, 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 28, 2025



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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, 2024.

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 the net assets table on the following pages. Governmental activities increased from property taxes levied for general & specific purposes and grants from federal & state funding exceeding expenses during the year. Business-type activities increased from charges for services exceeding expenses.
- 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

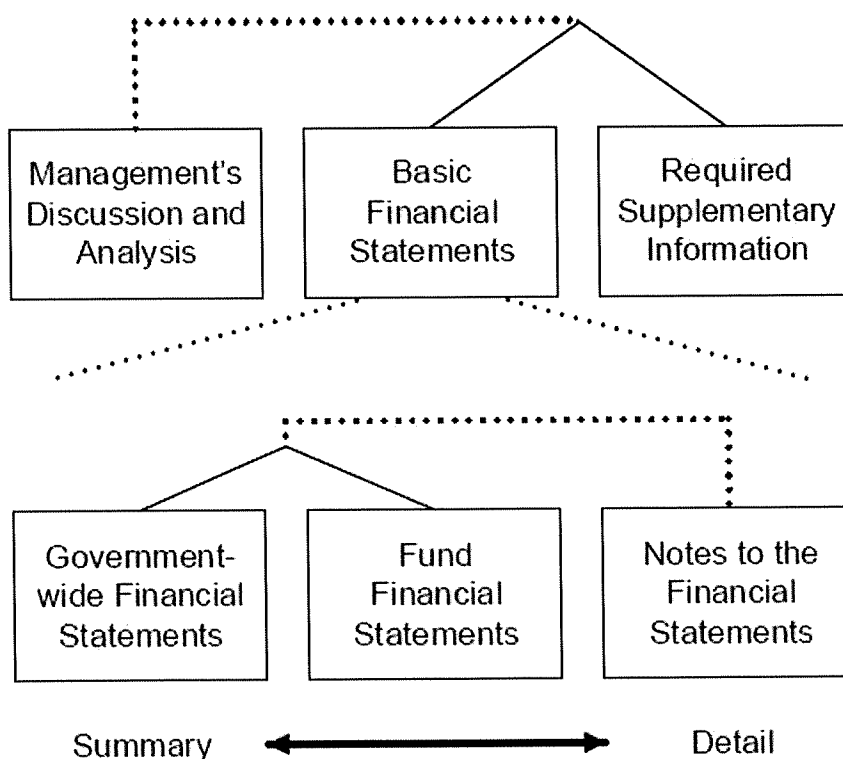


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous, and debt service. The business-type activities of the City include water utility, disposal, ambulance, storm water and recycling. The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Economic Development Authority (the EDA) for which the City is financially accountable. Financial information for this *component unit* is discretely presented from the financial information presented for the primary government itself.

The government-wide financial statements start on page 31 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds, 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 fund, Debt Service funds, and John Burch Park fund, 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 41 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 45 of this report.

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 88 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources 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		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Assets						
Current and other assets	\$ 11,871,545	\$ 11,129,448	\$ 742,097	\$ 4,888,326	\$ 4,917,305	\$ (28,979)
Capital assets	15,707,474	14,699,715	1,007,759	18,932,412	18,814,458	117,954
Total Assets	27,579,019	25,829,163	1,749,856	23,820,738	23,731,763	88,975
Deferred Outflows of Resources	1,300,115	1,629,445	(329,330)	61,649	142,579	(80,930)
Liabilities						
Long-term						
liabilities outstanding	5,063,180	5,792,343	(729,163)	4,065,459	4,525,946	(460,487)
Other liabilities	429,404	284,586	144,818	136,637	97,453	39,184
Total Liabilities	5,492,584	6,076,929	(584,345)	4,202,096	4,623,399	(421,303)
Deferred Inflows of Resources	1,676,470	1,679,454	(2,984)	237,285	206,235	31,050
Net Position						
Net investment in capital assets	12,135,335	10,780,507	1,354,828	15,260,854	14,877,887	382,967
Restricted	4,835,714	4,447,291	388,423	-	-	-
Unrestricted	4,739,031	4,474,427	264,604	4,182,152	4,166,821	15,331
Total Net Position	\$ 21,710,080	\$ 19,702,225	\$ 2,007,855	\$ 19,443,006	\$ 19,044,708	\$ 398,298
Net Position as a Percent of Total						
Net investment in						
capital assets	55.9 %	54.7 %		78.5 %	78.1 %	
Restricted	22.3	22.6		-	-	
Unrestricted	21.8	22.7		21.5	21.9	
	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		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 559,613	\$ 494,009	\$ 65,604	\$ 3,382,121	\$ 3,762,084	\$ (379,963)
Operating grants and contributions	739,293	532,919	206,374	139,846	-	139,846
Capital grants and contributions	279,408	62,479	216,929	107,620	68,029	39,591
General Revenues						
Taxes	4,150,782	3,993,497	157,285	-	-	-
Grants and Contributions not Restricted to Specific Programs	817,988	708,377	109,611	-	-	-
Investment Earnings	362,295	344,431	17,864	171,982	157,809	14,173
Gain on Sale of Capital Assets	29,749	-	29,749	-	-	-
Total Revenues	<u>6,939,128</u>	<u>6,135,712</u>	<u>803,416</u>	<u>3,801,569</u>	<u>3,987,922</u>	<u>(186,353)</u>
Expenses						
General government	960,666	852,431	108,235	-	-	-
Public safety	1,703,664	1,471,944	231,720	-	-	-
Public works	1,305,202	1,477,284	(172,082)	-	-	-
Culture and recreation	1,158,202	1,109,056	49,146	-	-	-
Economic development	90,387	63,689	26,698	-	-	-
Miscellaneous	57,629	79,388	(21,759)	-	-	-
Interest and service charges	87,394	104,612	(17,218)	-	-	-
Water utility	-	-	-	648,224	767,185	(118,961)
Disposal	-	-	-	1,206,141	1,237,755	(31,614)
Storm water	-	-	-	73,267	69,494	3,773
Recycling program	-	-	-	78,403	71,315	7,088
Ambulance	-	-	-	965,365	1,174,059	(208,694)
Total Expenses	<u>5,363,144</u>	<u>5,158,404</u>	<u>204,740</u>	<u>2,971,400</u>	<u>3,319,808</u>	<u>(348,408)</u>
Change in Net Position before Transfers	1,575,984	977,308	598,676	830,169	668,114	162,055
Transfers	<u>431,871</u>	<u>428,984</u>	<u>2,887</u>	<u>(431,871)</u>	<u>(428,984)</u>	<u>(2,887)</u>
Change in Net Position	2,007,855	1,406,292	601,563	398,298	239,130	159,168
Net Position, January 1	<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>
Net Position, December 31	<u>\$ 21,710,080</u>	<u>\$ 19,702,225</u>	<u>\$ 2,007,855</u>	<u>\$ 19,443,006</u>	<u>\$ 19,044,708</u>	<u>\$ 398,298</u>

The increase in revenue for governmental activities is mainly due to capital and operating grants received during the year

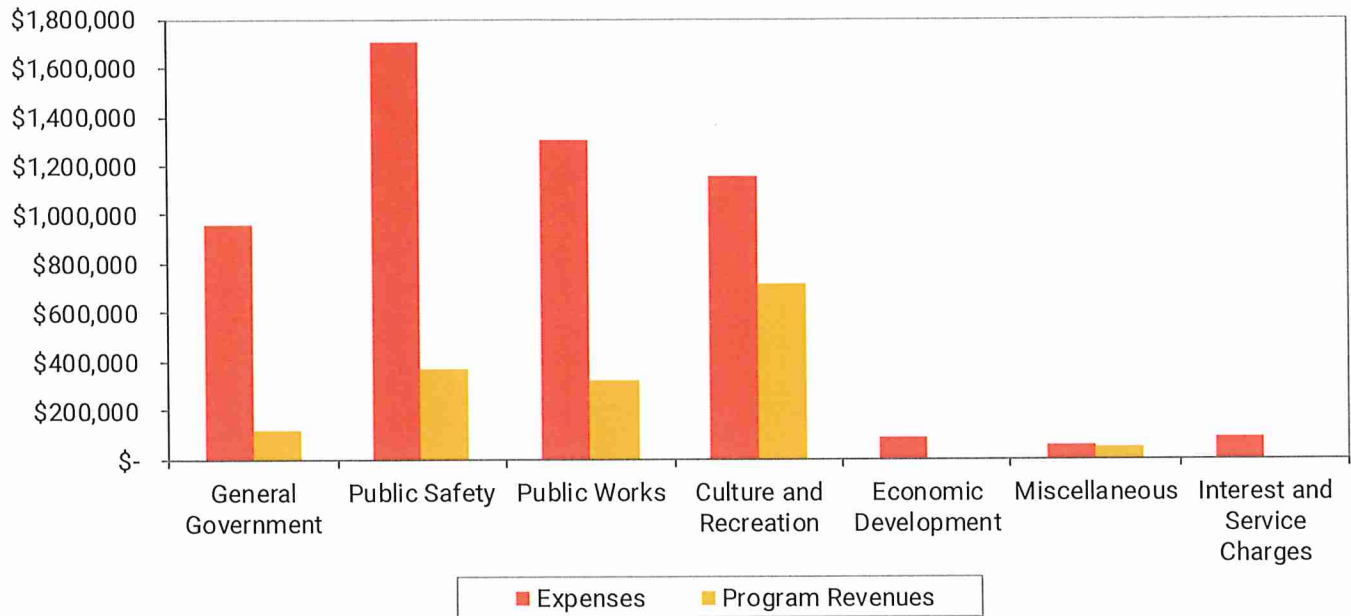
The increase in expenses for governmental activities can be attributed to an increase in public safety activity during the year.

The decrease in revenue for business activities is primarily due to a decrease in water usage during the year.

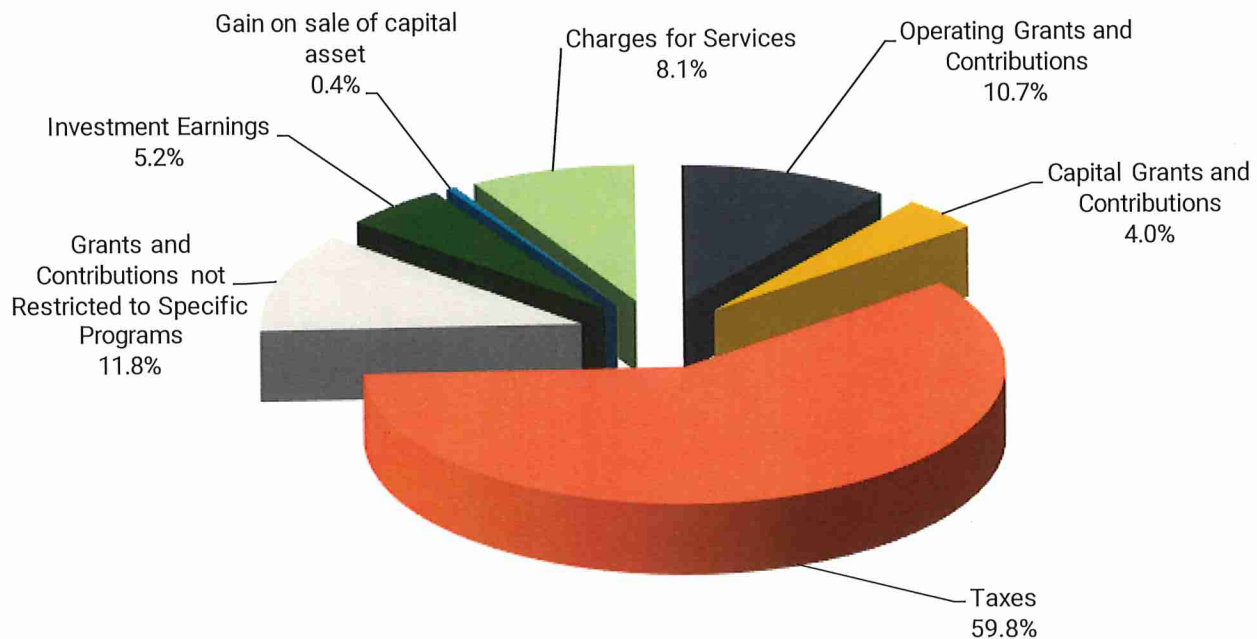
The decrease in expenses for business activities is also because of less activity during the year related to the ambulance and water utility funds

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

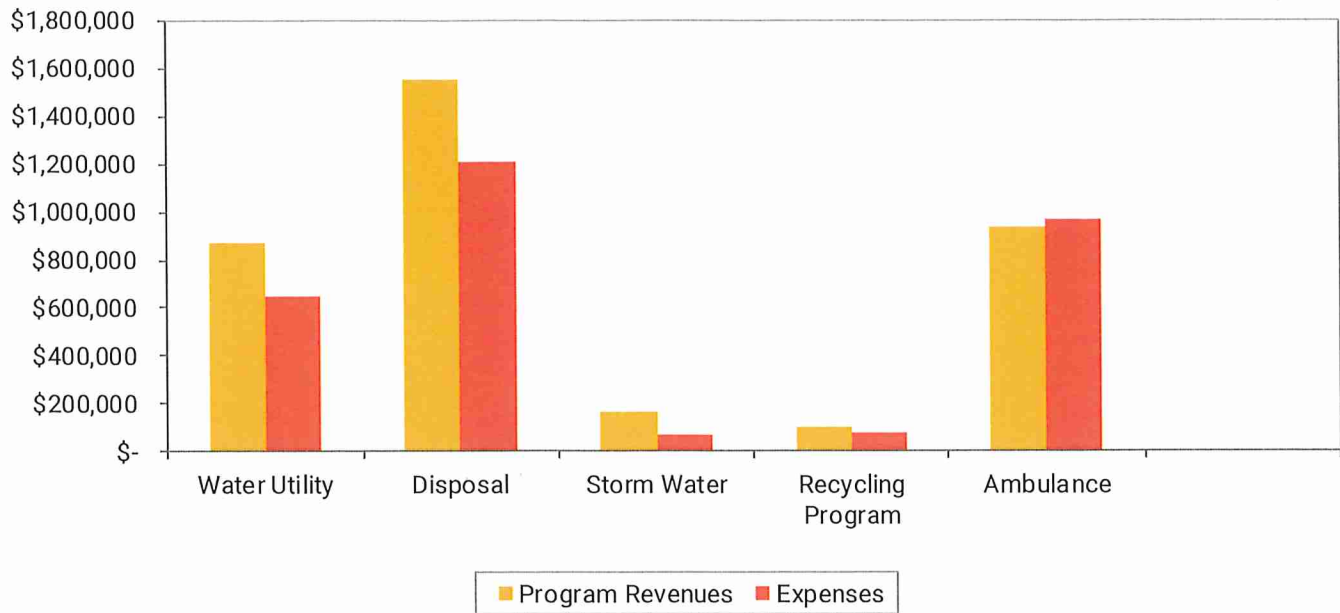
Expenses and Program Revenues - Governmental Activities



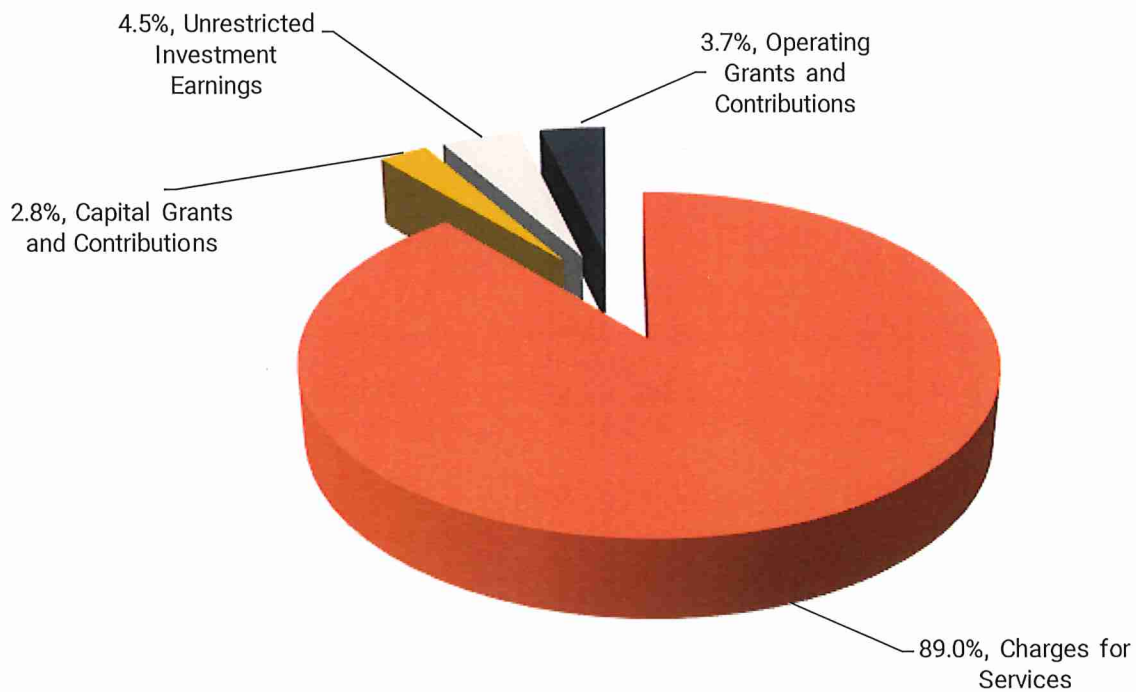
Revenues by Source - Governmental Activities



Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

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, 2024.

	General Fund	Debt Service Fund	John Burch Park	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 39,944	\$ -	\$ -	\$ 10,260	\$ 50,204	\$ 56,386	\$ (6,182)
Restricted	123,579	3,919,446	-	219,601	4,262,626	3,679,794	582,832
Committed	-	-	-	2,203,434	2,203,434	1,904,128	299,306
Assigned	-	-	-	1,853,143	1,853,143	1,523,276	329,867
Unassigned	3,691,458	-	(516,897)	(887,521)	2,287,040	2,932,501	(645,461)
Total	<u>\$ 3,854,981</u>	<u>\$ 3,919,446</u>	<u>\$ (516,897)</u>	<u>\$ 3,398,917</u>	<u>\$ 10,656,447</u>	<u>\$ 10,096,085</u>	<u>\$ 560,362</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 45 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	\$ 39,944	\$ 47,503	\$ (7,559)
Restricted for public safety	123,579	185,369	(61,790)
Unassigned	3,691,458	3,381,735	309,723
Total	<u>\$ 3,854,981</u>	<u>\$ 3,614,607</u>	<u>\$ 240,374</u>
General Fund expenditures	\$ 3,623,200	\$ 3,463,694	
Unassigned as a percent of expenditures	101.9%	97.6%	
Total fund balance as a percent of expenditures	106.4%	104.4%	

Other major governmental fund analysis is shown below:

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2024	2023	
Debt Service	\$ 3,919,446	\$ 3,470,337	\$ 449,109
<i>The Debt Service funds increased due to transfers in from other funds and interest on investments.</i>			
John Burch Park	\$ (516,897)	\$ -	\$ (516,897)
<i>The John Burch Park fund balance decreased due to construction expenditures exceeding revenues during the year.</i>			

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 2024	Ending Net Position 2023	Increase/ (Decrease)
Water Utility	\$ 7,103,698	\$ 6,962,039	\$ 141,659
<i>The increase can be attributed to positive operating income and interest on investments.</i>			
Disposal	\$ 10,104,857	\$ 9,935,629	\$ 169,228
<i>The increase can be attributed to positive operating income and interest on investments.</i>			
Ambulance	\$ 723,969	\$ 736,760	\$ (12,791)
<i>The decrease is mainly related to operating expenses exceeding collection revenue for charges of services</i>			
Storm Water	\$ 1,217,356	\$ 1,146,840	\$ 70,516
<i>The increase can be attributed to positive operating income and interest on investments.</i>			

General Fund Budgetary Highlights

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 4,528,823	\$ 4,652,574	\$ 123,751
Expenditures	3,666,613	3,623,200	43,413
Excess of Revenues Over Expenditures	862,210	1,029,374	167,164
Other Financing Sources (Uses)			
Sale of capital assets	-	10,000	10,000
Transfers in	-	50,000	50,000
Transfers out	(787,210)	(849,000)	(61,790)
Total Other Financing Sources (Uses)	(787,210)	(789,000)	(1,790)
Net Change in Fund Balances	75,000	240,374	165,374
Fund Balances, January 1	3,614,607	3,614,607	-
Fund Balances, December 31	\$ 3,689,607	\$ 3,854,981	\$ 165,374

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, 2024, 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:

- Completion of John Burch Park Improvements project
- Completion of the Third Street Lift Station project
- Construction progress for the 2023 & 2024 Street and Utility project
- Construction progress for the 72nd Avenue way project
- Construction progress for the Hardwood Estates project
- Purchase of two police interceptors for public safety
- Purchase of a tractor and loader for public works

Additional information on the City's capital assets can be found in Note 3D starting on page 58 of this report.

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

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 1,149,292	\$ 1,149,292	\$ -	\$ 139,524	\$ 139,524	\$ -
Construction in Progress	965,639	261,604	704,035	804,704	724,843	79,861
Buildings and Improvements	2,526,137	2,636,410	(110,273)	1,763	2,186	(423)
System Improvements/Infrastructure	9,465,707	9,043,390	422,317	17,547,100	17,501,608	45,492
Machinery and Equipment	289,445	390,576	(101,131)	268,198	206,680	61,518
Vehicles	1,311,254	1,218,443	92,811	171,123	239,617	(68,494)
Total	<u>\$ 15,707,474</u>	<u>\$ 14,699,715</u>	<u>\$ 1,007,759</u>	<u>\$ 18,932,412</u>	<u>\$ 18,814,458</u>	<u>\$ 117,954</u>
Percent increase (decrease)			6.9%			0.6%

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		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
General Obligation Revenue Bonds	\$ 3,339,524	\$ 3,704,208	\$ (364,684)	\$ 3,625,714	\$ 3,936,571	\$ (310,857)
General Obligation Equipment Certificates	175,000	215,000	(40,000)	-	-	-
Total	<u>\$ 3,514,524</u>	<u>\$ 3,919,208</u>	<u>\$ (404,684)</u>	<u>\$ 3,625,714</u>	<u>\$ 3,936,571</u>	<u>\$ (310,857)</u>
Percent increase (decrease)			-10.3%			-7.9%

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

Additional information on the City's long-term debt can be found in Note 3F starting on page 61 of this report.

Loan with EDA: On December 30, 2022 the City signed an agreement for the General Fund to loan the EDA \$1,245,857 for the Hardwood Estates project. In 2024, no payment was made as the loan may be repaid in whole or in part at any time during the loan period.

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, 2024

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City of Cannon Falls, Minnesota
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Authority
Assets				
Cash and temporary investments	\$ 9,890,427	\$ 4,104,766	\$ 13,995,193	\$ 199,244
Receivables				
Accrued interest	20,700	-	20,700	-
Taxes	68,599	-	68,599	-
Accounts, net of allowance	33,554	542,719	576,273	1,090
Lease	42,430	-	42,430	-
Special assessments	692,115	215,508	907,623	-
Loans, net of allowance	-	-	-	135,826
Due from other governments	54,164	-	54,164	-
Inventories, at cost	-	5,138	5,138	-
Prepaid items	50,204	20,195	70,399	-
Net pension asset	155,243	-	155,243	-
Advance to component unit	864,109	-	864,109	-
Land held for resale	-	-	-	883,489
Capital assets				
Land and construction in progress	2,114,931	944,228	3,059,159	2,118,544
Depreciable buildings, property and equipment, net	13,592,543	17,988,184	31,580,727	-
Total Assets	<u>27,579,019</u>	<u>23,820,738</u>	<u>51,399,757</u>	<u>3,338,193</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>1,300,115</u>	<u>61,649</u>	<u>1,361,764</u>	<u>-</u>
Liabilities				
Accounts and contracts payable	174,406	77,801	252,207	287,099
Accrued interest payable	34,208	35,378	69,586	-
Due to other governments	-	2,231	2,231	-
Accrued salaries payable	96,365	21,227	117,592	-
Deposits payable	93,200	-	93,200	-
Unearned revenue	31,225	-	31,225	14,527
Noncurrent liabilities				
Due within one year				
Long-term liabilities	476,705	337,207	813,912	150,000
Due in more than one year				
Long-term liabilities	3,354,151	3,403,819	6,757,970	150,000
Net pension liability	1,232,324	324,433	1,556,757	-
Advance from primary government	-	-	-	864,109
Total Liabilities	<u>5,492,584</u>	<u>4,202,096</u>	<u>9,694,680</u>	<u>1,465,735</u>
Deferred Inflows of Resources				
Deferred pension resources	1,633,997	237,285	1,871,282	-
Deferred lease resources	42,473	-	42,473	-
Total Deferred Inflows of Resources	<u>1,676,470</u>	<u>237,285</u>	<u>1,913,755</u>	<u>-</u>
Net Position				
Net investment in capital assets	12,135,335	15,260,854	27,396,189	1,818,544
Restricted for				
Net pension asset	155,243	-	155,243	-
Debt service	4,336,846	-	4,336,846	-
Cable television	216,428	-	216,428	-
Economic development	3,618	-	3,618	-
Public safety	123,579	-	123,579	-
Unrestricted	<u>4,739,031</u>	<u>4,182,152</u>	<u>8,921,183</u>	<u>53,914</u>
Total Net Position	<u>\$ 21,710,080</u>	<u>\$ 19,443,006</u>	<u>\$ 41,153,086</u>	<u>\$ 1,872,458</u>

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

City of Cannon Falls, Minnesota
Statement of Activities
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 960,666	\$ 117,608	\$ -	\$ -
Public safety	1,703,664	142,972	229,768	-
Public works	1,305,202	-	59,164	266,111
Culture and recreation	1,158,202	264,635	450,361	-
Economic development	90,387	-	-	-
Miscellaneous	57,629	34,398	-	13,297
Interest on long-term debt	87,394	-	-	-
Total Governmental Activities	<u>5,363,144</u>	<u>559,613</u>	<u>739,293</u>	<u>279,408</u>
Business-type Activities				
Water utility	648,224	807,363	-	68,118
Disposal	1,206,141	1,523,696	-	33,289
Storm water	73,267	158,626	-	6,213
Recycling program	78,403	99,045	-	-
Ambulance	965,365	793,391	139,846	-
Total Business-type Activities	<u>2,971,400</u>	<u>3,382,121</u>	<u>139,846</u>	<u>107,620</u>
Total Primary Government	<u>\$ 8,334,544</u>	<u>\$ 3,941,734</u>	<u>\$ 879,139</u>	<u>\$ 387,028</u>
Component Unit				
Economic Development Authority	<u>\$ 555,325</u>	<u>\$ 511,575</u>	<u>\$ 206,781</u>	<u>\$ -</u>

General Revenues and Transfers

Taxes

Property taxes, levied for general purpose

Property taxes, levied for debt service

Property taxes, levied for economic development

Property taxes, levied for library

Property taxes, levied for public safety

Payments in lieu of property taxes

Franchise tax

Tax increments

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Authority
\$ (843,058)	\$ -	\$ (843,058)	\$ -
(1,330,924)	-	(1,330,924)	-
(979,927)	-	(979,927)	-
(443,206)	-	(443,206)	-
(90,387)	-	(90,387)	-
(9,934)	-	(9,934)	-
(87,394)	-	(87,394)	-
<u>(3,784,830)</u>	<u>-</u>	<u>(3,784,830)</u>	<u>-</u>
-	227,257	227,257	-
-	350,844	350,844	-
-	91,572	91,572	-
-	20,642	20,642	-
-	(32,128)	(32,128)	-
<u>-</u>	<u>658,187</u>	<u>658,187</u>	<u>-</u>
<u>(3,784,830)</u>	<u>658,187</u>	<u>(3,126,643)</u>	<u>-</u>
			<u>163,031</u>
2,406,792	-	2,406,792	-
399,800	-	399,800	-
42,300	-	42,300	81,010
401,611	-	401,611	-
105,126	-	105,126	-
681,553	-	681,553	-
18,743	-	18,743	-
94,857	-	94,857	-
817,988	-	817,988	-
362,295	171,982	534,277	6,246
29,749	-	29,749	-
431,871	(431,871)	-	-
<u>5,792,685</u>	<u>(259,889)</u>	<u>5,532,796</u>	<u>87,256</u>
2,007,855	398,298	2,406,153	250,287
<u>19,702,225</u>	<u>19,044,708</u>	<u>38,746,933</u>	<u>1,622,171</u>
<u>\$ 21,710,080</u>	<u>\$ 19,443,006</u>	<u>\$ 41,153,086</u>	<u>\$ 1,872,458</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, 2024

City of Cannon Falls, Minnesota
Balance Sheet
Governmental Funds
December 31, 2024

	General	Debt Service	John Burch Park	Other Governmental	Total Governmental
Assets					
Cash and temporary investments	\$ 3,055,724	\$ 3,839,602	\$ (479,350)	\$ 3,474,451	\$ 9,890,427
Receivables					
Accrued interest	20,700	-	-	-	20,700
Taxes	68,599	-	-	-	68,599
Accounts	29,531	-	-	4,023	33,554
Lease	42,430	-	-	-	42,430
Special assessments	4,985	531,452	-	155,678	692,115
Advance to component unit	864,109	-	-	-	864,109
Due from other governments	54,164	-	-	-	54,164
Prepaid items	39,944	-	-	10,260	50,204
Total Assets	<u>\$ 4,180,186</u>	<u>\$ 4,371,054</u>	<u>\$ (479,350)</u>	<u>\$ 3,644,412</u>	<u>\$ 11,716,302</u>
Liabilities					
Accounts and contracts payable	\$ 32,582	\$ -	\$ 37,547	\$ 104,277	\$ 174,406
Accrued salaries payable	87,892	-	-	8,473	96,365
Unearned revenue	31,225	-	-	-	31,225
Deposits payable	93,200	-	-	-	93,200
Total Liabilities	<u>244,899</u>	<u>-</u>	<u>37,547</u>	<u>112,750</u>	<u>395,196</u>
Deferred Inflows of Resources					
Unavailable revenue - property taxes	33,581	-	-	-	33,581
Unavailable revenue - special assessments	4,252	451,608	-	132,745	588,605
Deferred lease resources	42,473	-	-	-	42,473
Total Deferred Inflows of Resources	<u>80,306</u>	<u>451,608</u>	<u>-</u>	<u>132,745</u>	<u>664,659</u>
Fund Balances					
Nonspendable	39,944	-	-	10,260	50,204
Restricted	123,579	3,919,446	-	219,601	4,262,626
Committed	-	-	-	2,203,434	2,203,434
Assigned	-	-	-	1,853,143	1,853,143
Unassigned	3,691,458	-	(516,897)	(887,521)	2,287,040
Total Fund Balances	<u>3,854,981</u>	<u>3,919,446</u>	<u>(516,897)</u>	<u>3,398,917</u>	<u>10,656,447</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,180,186</u>	<u>\$ 4,371,054</u>	<u>\$ (479,350)</u>	<u>\$ 3,644,412</u>	<u>\$ 11,716,302</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, 2024

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

Total Fund Balances - Governmental Funds	\$ 10,656,447
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund.	
Cost of capital assets	29,304,971
Less: accumulated depreciation	(13,597,497)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds	155,243
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	(3,365,751)
Bond premiums, net of accumulated amortization	(148,773)
Compensated absences payable	(316,332)
Net pension liability	(1,232,324)
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	33,581
Special assessments receivable	588,605
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,300,115
Deferred inflows of pension resources	(1,633,997)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(34,208)</u>
Total Net Position - Governmental Activities	<u><u>\$ 21,710,080</u></u>

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

City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2024

		(Formerly Nonmajor)			
	General	Debt Service	John Burch Park	Other Governmental	Total Governmental
Revenues					
Taxes	\$ 3,087,960	\$ 399,800	\$ -	\$ 662,637	\$ 4,150,397
Licenses and permits	36,103	-	-	-	36,103
Intergovernmental	981,624	-	164,573	195,964	1,342,161
Charges for services	52,424	-	-	114,214	166,638
Fines and forfeitures	16,587	-	-	1,824	18,411
Special assessments	18,349	110,676	-	165,030	294,055
Interest on investments	121,383	108,697	-	132,215	362,295
Miscellaneous	338,144	-	151,000	80,695	569,839
Total Revenues	<u>4,652,574</u>	<u>619,173</u>	<u>315,573</u>	<u>1,352,579</u>	<u>6,939,899</u>
Expenditures					
Current					
General government	912,696	-	-	-	912,696
Public safety	1,291,586	-	-	272,349	1,563,935
Public works	769,102	-	-	-	769,102
Culture and recreation	574,893	-	-	505,002	1,079,895
Miscellaneous	57,629	-	-	-	57,629
Capital outlay					
Public safety	5,474	-	-	118,014	123,488
Public works	11,820	-	-	858,081	869,901
Culture and recreation	-	-	832,470	36,136	868,606
Economic development	-	-	-	90,387	90,387
Debt service					
Principal	-	389,294	-	-	389,294
Interest and other charges	-	106,641	-	-	106,641
Total Expenditures	<u>3,623,200</u>	<u>495,935</u>	<u>832,470</u>	<u>1,879,969</u>	<u>6,831,574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,029,374</u>	<u>123,238</u>	<u>(516,897)</u>	<u>(527,390)</u>	<u>108,325</u>
Other Financing Sources (Uses)					
Sale of capital assets	10,000	-	-	10,166	20,166
Transfers in	50,000	325,871	-	920,000	1,295,871
Transfers out	(849,000)	-	-	(15,000)	(864,000)
Total Other Financing Sources (Uses)	<u>(789,000)</u>	<u>325,871</u>	<u>-</u>	<u>915,166</u>	<u>452,037</u>
Net Change in Fund Balances	240,374	449,109	(516,897)	387,776	560,362
Fund Balances, January 1	<u>3,614,607</u>	<u>3,470,337</u>	<u>-</u>	<u>3,011,141</u>	<u>10,096,085</u>
Fund Balances, December 31	<u>\$ 3,854,981</u>	<u>\$ 3,919,446</u>	<u>\$ (516,897)</u>	<u>\$ 3,398,917</u>	<u>\$ 10,656,447</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, 2024

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

Net Change in Fund Balances - Governmental Funds	\$ 560,362
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	1,828,194
Depreciation expense	(830,018)
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	9,583
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	389,294
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.	
	3,857
Long-term pension activity is not reported in governmental funds.	
Pension expense	78,663
Direct aid contributions	43,485
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	385
Special assessments	(30,905)
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	(60,435)
Change in Net Position - Governmental Activities	<u>\$ 2,007,855</u>

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

City of Cannon Falls, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,097,308	\$ 3,097,308	\$ 3,087,960	\$ (9,348)
Licenses and permits	83,250	83,250	36,103	(47,147)
Intergovernmental	899,918	899,918	981,624	81,706
Charges for services	38,250	38,250	52,424	14,174
Fines and forfeitures	20,000	20,000	16,587	(3,413)
Special assessments	18,000	18,000	18,349	349
Interest on investments	98,500	98,500	121,383	22,883
Miscellaneous	273,597	273,597	338,144	64,547
Total Revenues	<u>4,528,823</u>	<u>4,528,823</u>	<u>4,652,574</u>	<u>123,751</u>
Expenditures				
Current				
General government	794,105	794,105	912,696	(118,591)
Public safety	1,218,752	1,218,752	1,291,586	(72,834)
Public works	992,069	992,069	769,102	222,967
Culture and recreation	553,262	553,262	574,893	(21,631)
Miscellaneous	77,500	77,500	57,629	19,871
Capital outlay	30,925	30,925	17,294	13,631
Total Expenditures	<u>3,666,613</u>	<u>3,666,613</u>	<u>3,623,200</u>	<u>43,413</u>
Excess of Revenues Over Expenditures	<u>862,210</u>	<u>862,210</u>	<u>1,029,374</u>	<u>167,164</u>
Other Financing Sources (Uses)				
Transfers in	-	-	50,000	50,000
Sale of capital assets	-	-	10,000	10,000
Transfers out	<u>(787,210)</u>	<u>(787,210)</u>	<u>(849,000)</u>	<u>(61,790)</u>
Total Other Financing Sources (Uses)	<u>(787,210)</u>	<u>(787,210)</u>	<u>(789,000)</u>	<u>(1,790)</u>
Net Change in Fund Balances	75,000	75,000	240,374	165,374
Fund Balances, January 1	<u>3,614,607</u>	<u>3,614,607</u>	<u>3,614,607</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,689,607</u>	<u>\$ 3,689,607</u>	<u>\$ 3,854,981</u>	<u>\$ 165,374</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, 2024

	Business-type Activities - Enterprise Funds					
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	Totals
Assets						
Current Assets						
Cash and temporary investments	\$ 1,867,239	\$ 954,354	\$ 635,307	\$ 365,203	\$ 282,663	\$ 4,104,766
Receivables						
Accounts, net of allowance	81,101	148,576	286,730	16,222	10,090	542,719
Special assessments	19,497	39,344	-	3,887	3,675	66,403
Inventories, at cost	2,569	2,569	-	-	-	5,138
Prepaid items	3,350	8,362	8,483	-	-	20,195
Total Current Assets	1,973,756	1,153,205	930,520	385,312	296,428	4,739,221
Noncurrent Assets						
Special assessments receivable	54,471	94,634	-	-	-	149,105
Capital assets						
Land and construction in progress	331,576	187,872	-	424,780	-	944,228
Depreciable buildings, property, and equipment	14,644,490	21,967,068	898,081	1,428,788	-	38,938,427
Accumulated depreciation	(8,295,632)	(11,476,062)	(691,001)	(487,548)	-	(20,950,243)
Total Net Capital Assets	6,680,434	10,678,878	207,080	1,366,020	-	18,932,412
Total Noncurrent Assets	6,734,905	10,773,512	207,080	1,366,020	-	19,081,517
Total Assets	8,708,661	11,926,717	1,137,600	1,751,332	296,428	23,820,738
Deferred Outflows of Resources						
Deferred pension resources	7,693	14,151	39,154	651	-	61,649
Liabilities						
Current Liabilities						
Accounts and contracts payable	16,019	52,030	6,450	-	3,302	77,801
Accrued interest payable	14,849	15,666	-	4,863	-	35,378
Due to other governments	2,231	-	-	-	-	2,231
Accrued salaries payable	2,469	4,427	14,331	-	-	21,227
Compensated absences payable - current	1,766	8,248	18,814	-	-	28,828
Bonds payable - current	125,202	136,344	-	46,833	-	308,379
Total Current Liabilities	162,536	216,715	39,595	51,696	3,302	473,844
Noncurrent Liabilities						
Compensated absences payable	5,297	24,745	56,442	-	-	86,484
Bonds payable	1,374,725	1,465,613	-	476,997	-	3,317,335
Net pension liability	40,487	74,471	206,048	3,427	-	324,433
Total Noncurrent Liabilities	1,420,509	1,564,829	262,490	480,424	-	3,728,252
Total Liabilities	1,583,045	1,781,544	302,085	532,120	3,302	4,202,096
Deferred Inflows of Resources						
Deferred pension resources	29,611	54,467	150,700	2,507	-	237,285
Net Position						
Net investment in capital assets	5,180,507	9,031,077	207,080	842,190	-	15,260,854
Unrestricted	1,923,191	1,073,780	516,889	375,166	293,126	4,182,152
Total Net Position	\$ 7,103,698	\$ 10,104,857	\$ 723,969	\$ 1,217,356	\$ 293,126	\$ 19,443,006

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, 2024

	Business-type Activities - Enterprise Funds					Totals
	Water Utility	Disposal	Ambulance	Storm Water	Nonmajor Recycling Program	
Operating Revenues						
Charges for services	\$ 807,363	\$ 1,523,696	\$ 789,640	\$ 158,626	\$ 97,449	\$ 3,376,774
Other operating revenues	-	-	139,846	-	-	139,846
	<u>807,363</u>	<u>1,523,696</u>	<u>929,486</u>	<u>158,626</u>	<u>97,449</u>	<u>3,516,620</u>
Operating Expenses						
Personnel services	111,738	264,902	701,182	11,811	-	1,089,633
Supplies	42,434	33,973	57,132	839	-	134,378
Repairs and maintenance	11,530	22,292	37,856	-	-	71,678
Depreciation	351,182	548,586	82,483	46,821	-	1,029,072
Insurance	8,802	18,243	7,213	-	-	34,258
Utilities	55,597	129,027	18,466	-	-	203,090
Other services and charges	26,974	146,798	61,033	234	78,403	313,442
Total Operating Expenses	<u>608,257</u>	<u>1,163,821</u>	<u>965,365</u>	<u>59,705</u>	<u>78,403</u>	<u>2,875,551</u>
Operating Income (Loss)	<u>199,106</u>	<u>359,875</u>	<u>(35,879)</u>	<u>98,921</u>	<u>19,046</u>	<u>641,069</u>
Nonoperating Revenues (Expenses)						
Interest on investments	71,689	46,452	19,337	25,460	9,044	171,982
Special assessments	-	-	-	-	1,596	1,596
Other income	-	-	3,751	-	-	3,751
Interest expense	(39,967)	(42,320)	-	(13,562)	-	(95,849)
Total Nonoperating Revenues (Expenses)	<u>31,722</u>	<u>4,132</u>	<u>23,088</u>	<u>11,898</u>	<u>10,640</u>	<u>81,480</u>
Income Before Contributions and Transfers	230,828	364,007	(12,791)	110,819	29,686	722,549
Capital Contributions	68,118	33,289	-	6,213	-	107,620
Transfers Out	<u>(157,287)</u>	<u>(228,068)</u>	<u>-</u>	<u>(46,516)</u>	<u>-</u>	<u>(431,871)</u>
Change in Net Position	141,659	169,228	(12,791)	70,516	29,686	398,298
Net Position, January 1	<u>6,962,039</u>	<u>9,935,629</u>	<u>736,760</u>	<u>1,146,840</u>	<u>263,440</u>	<u>19,044,708</u>
Net Position, December 31	<u>\$ 7,103,698</u>	<u>\$ 10,104,857</u>	<u>\$ 723,969</u>	<u>\$ 1,217,356</u>	<u>\$ 293,126</u>	<u>\$ 19,443,006</u>

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

City of Cannon Falls, Minnesota
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2024

	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	\$ 806,509	\$ 1,523,136	\$ 1,161,821	\$ 157,514	\$ 99,165	\$ 3,748,145
Payments to suppliers	(139,737)	(349,414)	(173,304)	(1,073)	(75,101)	(738,629)
Payments to employees	(115,101)	(245,933)	(776,009)	(9,205)	-	(1,146,248)
Net Cash Provided (Used) by Operating Activities	551,671	927,789	212,508	147,236	24,064	1,863,268
Cash Flows from Noncapital and Related Financing Activities						
Transfers out	(157,287)	(228,068)	-	(46,516)	-	(431,871)
Cash Flows from Capital and Related Financing Activities						
Permits and connection fees received	11,000	10,000	-	-	-	21,000
Special assessments received	57,972	28,225	-	5,079	-	91,276
Acquisition of capital assets	(318,209)	(409,901)	-	(373,072)	-	(1,101,182)
Principal paid on bonds	(119,730)	(130,959)	-	(45,016)	-	(295,705)
Interest paid on bonds and finance purchases	(46,539)	(50,601)	-	(16,361)	-	(113,501)
Net Cash Provided (Used) by Capital and Related Financing Activities	(415,506)	(553,236)	-	(429,370)	-	(1,398,112)
Cash Flows from Investing Activities						
Interest received from investments	71,689	46,452	19,337	25,460	9,044	171,982
Net Increase (Decrease) in Cash and Cash Equivalents	50,567	192,937	231,845	(303,190)	33,108	205,267
Cash and Cash Equivalents, January 1	1,816,672	761,417	403,462	668,393	249,555	3,899,499
Cash and Cash Equivalents, December 31	<u>\$ 1,867,239</u>	<u>\$ 954,354</u>	<u>\$ 635,307</u>	<u>\$ 365,203</u>	<u>\$ 282,663</u>	<u>\$ 4,104,766</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 199,106	\$ 359,875	\$ (35,879)	\$ 98,921	\$ 19,046	\$ 641,069
Adjustments to reconcile operating income to net cash provided by operating activities						
Other income	-	-	3,751	-	-	3,751
Special assessments	-	-	-	-	1,596	1,596
Depreciation	351,182	548,586	82,483	46,821	-	1,029,072
(Increase) decrease in assets/deferred outflows of resources						
Accounts receivable	(854)	(560)	228,584	(1,112)	(802)	225,256
Special assessments receivable	-	-	-	-	922	922
Inventory	(463)	(463)	-	-	-	(926)
Prepaid items	322	100	3,916	-	-	4,338
Deferred pension resources	9,990	12,837	58,102	1	-	80,930
Increase (decrease) in liabilities/deferred inflows of resources						
Accounts and contracts payable	6,422	1,282	4,480	-	3,302	15,486
Due to other governments	(681)	-	-	-	-	(681)
Accrued salaries payable	1,706	1,352	(22,023)	-	-	(18,965)
Compensated absences payable	5,124	13,632	28,906	-	-	47,662
Deferred pension resources	4,034	15,430	10,022	1,564	-	31,050
Net pension liability	(24,217)	(24,282)	(149,834)	1,041	-	(197,292)
Net Cash Provided (Used) by Operating Activities	<u>\$ 551,671</u>	<u>\$ 927,789</u>	<u>\$ 212,508</u>	<u>\$ 147,236</u>	<u>\$ 24,064</u>	<u>\$ 1,863,268</u>
Noncash Capital and Related Financing Activities						
Amortization of bond premiums	\$ 5,554	\$ 7,165	\$ -	\$ 2,433	\$ -	\$ 15,152
Capital assets purchased on account	<u>\$ -</u>	<u>\$ 45,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,844</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, 2024

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 EDA board is not substantively the same as the city council. 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, 2024

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.

The *John Burch* Park fund is used for specific project costs related to the John Burch park project.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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 non-operating 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, 2024

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 ensure 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, 2024:

- Negotiable certificates of deposits and US treasury bills of \$3,326,601 are valued using a matrix pricing model (Level 2 inputs).

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2024. 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 40 percent of the outstanding balance. This amount totaled \$190,314 as of December 31, 2024.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Land Held for Resale

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

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

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (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 assets 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, 2024

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	\$ 38,273	\$ 144,056	\$ 24,072	\$ 206,401
Proportionate share of State's contribution	612	2,876	-	3,488
Total pension expense	<u>\$ 38,885</u>	<u>\$ 146,932</u>	<u>\$ 24,072</u>	<u>\$ 209,889</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. A portion of 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. Management's estimate of future paid sick time usage is based on historical usage data.

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, 2024

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 assets 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 arise 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, 2024

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 2024.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2024, expenditures exceeded appropriations in the following funds:

Fund	Final Budgeted Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Nonmajor			
Fire Department Operations fund	\$ 277,752	\$ 283,335	\$ 5,583
Component Unit			
Economic Development fund	81,010	308,560	227,550

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Stewardship, Compliance and Accountability (Continued)

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

C. Deficit Fund Balance

The following funds had fund balance deficits at December 31, 2024:

Fund	Amount
Major Capital Projects	
John Burch Park	\$ 516,897
Nonmajor Capital Projects	
Fire Capital	4,842
TIF 2-10	2,163
Keith Meyer Abatement	2,168
Bluff Drive Project	37,552
2023 Street Project	269,292
72nd Avenue Way	158,697
2024 Street and Utility Improvements	412,807
Component Unit	
Industrial Revolving Loan	80,221

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

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

Deposits

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

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

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;

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds

- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

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

Carrying amount of deposits	\$ 3,161,067
Bank balance	\$ 3,215,499
Covered by FDIC	(2,986,802)
Collateralized with securities pledged in City's name	\$ 228,697

Investments

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

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

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	Less than 6 months	\$ 7,699,139			
Money market fund	N/A	Less than 6 months	7,215			
Non-pooled Investments at Fair Value						
Negotiable CDs	N/A	1 to 5 years	\$ 3,326,601	\$ -	\$ 3,326,601	\$ -
Total Investments			\$ 11,032,955	\$ -	\$ 3,326,601	\$ -

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

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

N/A Indicates not applicable or available.

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

	Amount
Carrying Amount of Deposits	\$ 3,161,067
Investments	11,032,955
Cash on Hand	<u>415</u>
Total	<u>\$ 14,194,437</u>
As Reported in the Financial Statements	
Statement of net position	
Primary government	
Cash and temporary investments	\$ 13,995,193
Component unit	
Economic Development Authority	
Cash and temporary investments	<u>199,244</u>
Total	<u>\$ 14,194,437</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

B. Lease Receivable

As of December 31, 2024, the City had the following lease receivables:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
MediaCom - Tower Lease	04/30/23	3.48%	\$ 9,407	<u>\$ 42,430</u>

Under the Tower Lease, Mediacom pays the City \$9,407 per year for 74 months in exchange for being able to have it tower up in the city. The lease started 4/30/2023 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, 2024 was \$37,538.

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, 2024 was \$31,520.

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 \$1,002 are due beginning February 15, 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, 2024 was \$80,931.

The total net loan receivable balance as of December 31, 2024 was \$135,826 after taking into account \$15,000 worth of allowances described above.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Primary Government

Capital asset activity for the year ended December 31, 2024 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	261,604	1,602,555	(898,520)	965,639
 Total Capital Assets not Being Depreciated	 1,410,896	 1,602,555	 (898,520)	 2,114,931
Capital Assets Being Depreciated				
Buildings and improvements	4,872,561	-	-	4,872,561
System improvements/infrastructure	15,718,122	898,520	-	16,616,642
Machinery and equipment	1,995,726	24,654	(94,699)	1,925,681
Vehicles	3,593,729	261,043	(79,616)	3,775,156
 Total Capital Assets Being Depreciated	 26,180,138	 1,184,217	 (174,315)	 27,190,040
Less Accumulated Depreciation for				
Buildings and improvements	(2,236,151)	(110,273)	-	(2,346,424)
System improvements/infrastructure	(6,674,732)	(476,203)	-	(7,150,935)
Machinery and equipment	(1,605,150)	(75,310)	44,224	(1,636,236)
Vehicles	(2,375,286)	(168,232)	79,616	(2,463,902)
 Total Accumulated Depreciation	 (12,891,319)	 (830,018)	 123,840	 (13,597,497)
 Total Capital Assets Being Depreciated, Net	 13,288,819	 354,199	 (50,475)	 13,592,543
 Governmental Activities Capital Assets, Net	 <u>\$ 14,699,715</u>	 <u>\$ 1,956,754</u>	 <u>\$ (948,995)</u>	 <u>\$ 15,707,474</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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	\$ 45,830
Public safety	166,331
Public works	541,413
Culture and recreation	<u>76,444</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 830,018</u>
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 139,524	\$ -	\$ -	\$ 139,524
Construction in progress	<u>724,843</u>	<u>1,028,396</u>	<u>(948,535)</u>	<u>804,704</u>
Total Capital Assets not being Depreciated	<u>864,367</u>	<u>1,028,396</u>	<u>(948,535)</u>	<u>944,228</u>
Capital Assets Being Depreciated				
Buildings and improvements	15,980	-	-	15,980
System improvements/infrastructure	35,958,684	948,535	-	36,907,219
Machinery and equipment	1,200,240	118,630	-	1,318,870
Vehicles	<u>703,494</u>	<u>-</u>	<u>(7,136)</u>	<u>696,358</u>
Total Capital Assets Being Depreciated	<u>37,878,398</u>	<u>1,067,165</u>	<u>(7,136)</u>	<u>38,938,427</u>
Less Accumulated Depreciation for				
Buildings and improvements	(13,794)	(423)	-	(14,217)
System improvements/infrastructure	(18,457,076)	(903,043)	-	(19,360,119)
Machinery and equipment	(993,560)	(57,112)	-	(1,050,672)
Vehicles	<u>(463,877)</u>	<u>(68,494)</u>	<u>7,136</u>	<u>(525,235)</u>
Total Accumulated Depreciation	<u>(19,928,307)</u>	<u>(1,029,072)</u>	<u>7,136</u>	<u>(20,950,243)</u>
Total Capital Assets Being Depreciated, Net	<u>17,950,091</u>	<u>38,093</u>	<u>-</u>	<u>17,988,184</u>
Business-type Activities Capital Assets, Net	<u>\$ 18,814,458</u>	<u>\$ 1,066,489</u>	<u>\$ (948,535)</u>	<u>\$ 18,932,412</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

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

Business-type Activities

Water Utility	\$ 351,182
Disposal	548,586
Ambulance	82,483
Storm Water	46,821
	<u>46,821</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,029,072</u>

Discretely Presented Component Units

Capital asset activity for the Economic Development Authority for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 734,124	\$ -	\$ -	\$ 734,124
Construction in Progress	503,845	880,575	-	1,384,420
Total Capital Assets not being depreciated	<u>\$ 1,237,969</u>	<u>\$ 880,575</u>	<u>\$ -</u>	<u>\$ 2,118,544</u>

E. Transfers

Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended December 31, 2024 is as follows:

Fund	Transfers in			Total
	General Fund	Debt Service Fund	Nonmajor Governmental Funds	
Transfer Out				
General	\$ -	\$ -	\$ 849,000	\$ 849,000
Nonmajor governmental	-	-	15,000	15,000
Water Utility	25,000	126,287	6,000	157,287
Disposal	25,000	153,068	50,000	228,068
Storm Water	-	46,516	-	46,516
	<u>-</u>	<u>46,516</u>	<u>-</u>	<u>46,516</u>
Total	<u>\$ 50,000</u>	<u>\$ 325,871</u>	<u>\$ 920,000</u>	<u>\$ 1,295,871</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 nonmajor governmental funds and 3) move funds from Library fund to the Library capital project fund.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

The composition of internal balances as of December 31, 2024 is as follows:

Receivable Fund	Payable Fund	Amount
Governmental General	Component Unit Revolving Improvement	\$ 864,109

This loan was originally approved in December of 2022 and is expected to be repaid over the next 20 years with funds from lot sales related to Hardwood Estates.

F. Long-term Debt

Primary Government

General Obligation Bonds

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

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

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2016A	\$ 2,480,000	2.00 - 3.00 %	06/30/16	02/01/37	\$ 1,555,000
G.O. Improvement Bonds of 2018A	3,920,000	3.00 - 3.50	07/18/18	02/01/39	2,965,000
G.O. Refunding Permanent Bonds of 2020A	3,330,000	2.00 - 4.00	08/11/20	02/01/34	2,150,001
Total G.O. Improvement Bonds					<u>\$ 6,670,001</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	G.O. Improvement Bonds Governmental Activities			G.O. Improvement Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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
2029	356,021	43,280	399,301	293,979	61,795	355,774
2030 - 2034	1,363,588	87,653	1,451,241	1,146,413	194,826	1,341,239
2035 - 2039	-	-	-	790,000	60,516	850,516
Total	<u>\$ 3,190,751</u>	<u>\$ 419,698</u>	<u>\$ 3,610,449</u>	<u>\$ 3,479,250</u>	<u>\$ 666,274</u>	<u>\$ 4,145,524</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>\$ 175,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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>\$ 175,000</u>	<u>\$ 14,340</u>	<u>\$ 189,340</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

During the year ended December 31, 2024, 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	\$ 3,540,045	\$ -	\$ (349,294)	\$ 3,190,751	\$ 356,622
General obligation Equipment certificates	215,000	-	(40,000)	175,000	41,000
Premium on bonds issued	164,163	-	(15,390)	148,773	-
Compensated Absences Payable*	255,897	60,435	-	316,332	79,083
Governmental Activity Long-term Liabilities	<u>\$ 4,175,105</u>	<u>\$ 60,435</u>	<u>\$ (404,684)</u>	<u>\$ 3,830,856</u>	<u>\$ 476,705</u>
Business-type Activities					
Bonds Payable					
General obligation improvement bonds	\$ 3,774,955	\$ -	\$ (295,705)	\$ 3,479,250	\$ 308,379
Premium on bonds issued	161,616	-	(15,152)	146,464	-
Compensated Absences Payable*	67,650	47,662	-	115,312	28,828
Business-type Activity Long-term Liabilities	<u>\$ 4,004,221</u>	<u>\$ 47,662</u>	<u>\$ (310,857)</u>	<u>\$ 3,741,026</u>	<u>\$ 337,207</u>

* Change in compensated absences shown net of increase/decrease

Discretely Presented Component Units

Loans Payable

The following loan was issued to purchase land and will be repaid from future lot sales.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Land Purchase	\$ 600,000	5.00 %	12/31/23	12/31/26	<u>\$ 300,000</u>

The annual service requirements to maturity for the loan payable is as follows:

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

Year Ending December 31,	Land Purchase Economic Development Authority		
	Principal	Interest	Total
2025	\$ 150,000	\$ 15,208	\$ 165,208
2026	150,000	15,208	165,208
Total	<u>\$ 300,000</u>	<u>\$ 30,416</u>	<u>\$ 330,416</u>

Changes in Long-term Liabilities

During the year ended December 31, 2024, the following changes in long-term liabilities occurred:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component Unit - EDA					
Loans Payable	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ 300,000</u>	<u>\$ 150,000</u>

G. Fund Balance

At December 31, 2024, 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	John Burch Park	Other Governmental Funds	Total
Nonspendable for					
Prepaid items	<u>\$ 39,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,260</u>	<u>\$ 50,204</u>
Restricted for					
Debt service	\$ -	\$ 3,919,446	\$ -	\$ -	\$ 3,919,446
Public safety	123,579	-	-	-	123,579
Cable television	-	-	-	215,983	215,983
Tax increment financing	-	-	-	3,618	3,618
Total Restricted	<u>\$ 123,579</u>	<u>\$ 3,919,446</u>	<u>\$ -</u>	<u>\$ 219,601</u>	<u>\$ 4,262,626</u>
Committed for					
Fire operations	\$ -	\$ -	\$ -	\$ 234,604	\$ 234,604
Library operations	-	-	-	205,365	205,365
Street capital	-	-	-	64,495	64,495
Public works capital	-	-	-	599,550	599,550
Police capital	-	-	-	215,998	215,998
Administration capital	-	-	-	138,913	138,913
Park capital	-	-	-	676,404	676,404
Library capital	-	-	-	68,105	68,105
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,203,434</u>	<u>\$ 2,203,434</u>
Assigned					
Municipal reserve	\$ -	\$ -	\$ -	\$ 1,661,232	\$ 1,661,232
Alexander Court	-	-	-	42,353	42,353
Public Improvements	-	-	-	149,558	149,558
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,853,143</u>	<u>\$ 1,853,143</u>
Unassigned	<u>\$ 3,691,458</u>	<u>\$ -</u>	<u>\$ (516,897)</u>	<u>\$ (887,521)</u>	<u>\$ 2,287,040</u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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

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. The 2024 annual increase was 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 prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

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 chapters 353, 353E, 353G and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 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, 2024, 2023 and 2022, were \$156,370, \$145,407 and \$145,660, 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 2024 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, 2024, 2023 and, 2022 were \$131,990, \$114,086 and \$103,301, 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, 2024

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$882,119 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 \$22,810.

City's Proportionate Share of the Net Pension Liability	\$ 882,119
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>22,810</u>
Total	<u><u>\$ 904,929</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0239 percent at the end of the measurement period and 0.0242 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$38,273 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$612 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$40,586 for the year ended December 31, 2024 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 General Employees Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 83,862	\$ -
Changes in Actuarial Assumptions	4,801	337,333
Net Difference Between Projected and Actual Investment Earnings	-	250,831
Changes in Proportion	-	57,002
Contributions Paid to PERA Subsequent to the Measurement Date	<u>78,961</u>	<u>-</u>
Total	<u><u>\$ 167,624</u></u>	<u><u>\$ 645,166</u></u>

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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

The \$78,961 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (345,313)
2026	(35,090)
2027	(108,491)
2028	(67,609)

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$674,638 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0513 percent at the end of the measurement period and 0.0455 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. 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's proportionate share of the net pension liability associated with the City totaled \$25,717.

City's Proportionate Share of the Net Pension Liability	\$ 674,638
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>25,717</u>
Total	<u><u>\$ 700,355</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$144,056 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$2,876 as 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 \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$14,562 for the year ended December 31, 2024 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, 2024

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

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 246,170	\$ -
Changes in Actuarial Assumptions	656,586	881,887
Net Difference Between Projected and Actual Investment Earnings	-	208,050
Changes in Proportion	71,168	75,562
Contributions Paid to PERA Subsequent to the Measurement Date	68,183	-
	<u>\$ 1,042,107</u>	<u>\$ 1,165,499</u>
Total		

The \$68,183 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (45,195)
2026	148,679
2027	(89,888)
2028	(220,717)
2029	15,546

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 Return on Investment
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, 2024

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

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3.0% 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 are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Police and Fire Fund

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year.
- The additional \$9 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 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 Plans 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	\$ 1,926,690	\$ 882,119	\$ 22,864
Police and Fire Fund	1,594,302	674,638	(80,598)

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, 2024

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, 2024, 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 \$63,252 in fire state aid to the plan on behalf of the Cannon Falls Fire Department for the year ended December 31, 2024 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, 2024 was \$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, 2024

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

D. Pension Costs

At December 31, 2024, the City reported a net pension asset of \$155,243 for the plan. The net pension asset was measured as of December 31, 2023. 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, 2023. 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, 2024	\$ 729,809	\$ 811,855	\$ (82,046)
Changes for the Year			
Service cost	36,157	-	36,157
Interest on pension liability (asset)	44,043	-	44,043
Contributions - state and local	-	63,252	(63,252)
Contributions - member	-	35	(35)
Net investment income	-	92,284	(92,284)
Administrative costs	-	(2,174)	2,174
Total Net Changes	80,200	153,397	(73,197)
Ending Balance December 31, 2024	\$ 810,009	\$ 965,252	\$ (155,243)

For the year ended December 31, 2024, the City recognized pension expense of \$24,072

At December 31, 2024, 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	\$ -	\$ 47,858
Changes in Actuarial Assumptions	11,873	12,759
Net Difference Between Projected and Actual Earnings on Plan Investments	69,807	-
Contributions to Plan Subsequent to the Measurement Date	70,353	-
Total	\$ 152,033	\$ 60,617

City of Cannon Falls, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Deferred outflows of resources totaling \$70,353 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, 2025. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2025	\$ 7,264
2026	16,967
2027	30,536
2028	(15,249)
2029	(5,891)
Thereafter	(12,564)

E. Actuarial Assumptions

The total pension liability at December 31, 2024 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Discount rate	5.75%
Expected return on plan assets	5.75%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68

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 5.75 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 one percent lower or one percent higher than the current discount rate:

	1 Percent Decrease (4.75%)	Current (5.75%)	1 Percent Increase (6.75%)
Defined Benefit Plan	\$ (130,233)	\$ (155,243)	\$ (179,436)

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, 2024

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 2024 was \$817,913. This accounted for 17.8 percent of General fund revenues.

D. Change in Accounting Principle

During fiscal year 2024, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections, and Statements No. 101, Compensated Absences, for the year ended December 31, 2024. Adoption of the provisions of these statement results in significant change to the classifications of the components of the financial statements. There were no adjustments or restatements of beginning balances needed for the adoption of these statements.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Cannon Falls, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2024

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

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
6/30/2024	0.0239 %	\$ 882,119	\$ 22,810	\$ 904,929	\$ 2,087,784	42.3 %	86.7 %
6/30/2023	0.0242	1,353,237	37,353	1,390,590	1,859,153	72.8	83.1
6/30/2022	0.0266	2,106,729	35,433	2,142,162	1,995,535	105.6	76.7
6/30/2021	0.0271	1,157,291	50,397	1,207,688	1,952,559	59.3	87.0
6/30/2020	0.0272	1,630,764	48,831	1,679,595	1,942,989	83.9	79.0
6/30/2019	0.0284	1,570,172	52,857	1,623,029	2,010,581	78.1	80.2
6/30/2018	0.0291	1,614,349	22,872	1,637,221	1,953,259	82.6	79.5
6/30/2017	0.0285	1,819,421	30,356	1,849,777	1,835,533	99.1	75.9
6/30/2016	0.0286	2,322,178	-	2,322,178	1,774,875	130.8	68.9
6/30/2015	0.0286	1,482,200	-	1,482,200	1,576,314	94.0	78.2

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)
12/31/2024	\$ 156,370	\$ 156,370	\$ -	\$ 2,084,927	7.50 %
12/31/2023	145,407	145,407	-	1,938,754	7.50
12/31/2022	145,660	145,660	-	1,942,133	7.50
12/31/2021	144,641	144,641	-	1,928,550	7.50
12/31/2020	150,394	150,394	-	2,005,255	7.50
12/31/2019	150,778	150,778	-	2,010,372	7.50
12/31/2018	148,746	148,746	-	1,983,286	7.50
12/31/2017	140,461	140,461	-	1,872,813	7.50
12/31/2016	136,240	136,240	-	1,816,533	7.50
12/31/2015	130,505	130,505	-	1,740,071	7.50

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 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, 2024

Notes to the Required Supplementary Information - General Employee Retirement Fund (Continued)

Changes in Plan Provisions

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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, 2024

Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund

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
6/30/2024	0.0513 %	\$ 674,638	\$ 25,717	\$ 700,355	\$ 736,275	91.6 %	87.0 %
6/30/2023	0.0455	785,726	31,628	817,354	571,354	137.5	86.5
6/30/2022	0.0487	2,119,232	16,273	2,135,505	591,408	358.3	70.5
6/30/2021	0.0469	362,018	17,383	379,401	554,282	65.3	93.7
6/30/2020	0.0559	736,822	-	736,822	632,149	116.6	87.2
6/30/2019	0.0580	617,469	-	617,469	612,230	100.9	89.3
6/30/2018	0.0542	577,716	-	577,716	570,962	101.2	88.8
6/30/2017	0.0520	702,062	-	702,062	528,826	132.8	85.4
6/30/2016	0.0500	2,006,587	-	2,006,587	485,446	413.3	63.9
6/30/2015	0.0480	545,392	-	545,392	324,069	168.3	86.6

Schedule of Employer's PERA Contributions - Public Employees Police and Fire 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)
12/31/2024	\$ 131,990	\$ 131,990	\$ -	\$ 745,705	17.70 %
12/31/2023	114,086	114,086	-	644,555	17.70
12/31/2022	103,301	103,301	-	583,619	17.70
12/31/2021	99,075	99,075	-	559,746	17.70
12/31/2020	106,806	106,806	-	603,424	17.70
12/31/2019	108,059	108,059	-	637,519	16.95
12/31/2018	94,884	94,884	-	585,702	16.20
12/31/2017	87,838	87,838	-	542,210	16.20
12/31/2016	86,782	86,782	-	535,691	16.20
12/31/2015	71,922	71,922	-	443,961	16.20

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund

Changes in Actuarial Assumptions

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - 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.

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 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 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 60.0 percent to 70.0 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.

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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 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 2.5 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Public Employees Police and Fire Fund (Continued)

Changes in Plan Provisions

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 - 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 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 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 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 65.0 percent to 60.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 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, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 36,157	\$ 41,464	\$ 40,552	\$ 40,797	\$ 36,907	\$ 31,897	\$ 28,860	\$ 30,861	\$ 28,958	\$ 28,183
Interest on pension liability (asset)	44,043	42,604	42,554	42,093	39,059	38,648	34,228	37,821	35,024	34,669
Changes of benefit terms	-	-	-	-	48,672	43,238	-	-	18,597	-
Differences between expected and actual experience	-	(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	-	(152,525)	(13,600)	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Net Change in Total Pension Liability	80,200	(116,496)	69,506	28,578	25,302	110,680	37,581	(43,641)	803	22,610
Total Pension Liability - January 1	729,809	846,305	776,799	748,221	722,919	612,239	574,658	618,299	617,496	594,886
Total Pension Liability - December 31 (a)	\$ 810,009	\$ 729,809	\$ 846,305	\$ 776,799	\$ 748,221	\$ 722,919	\$ 612,239	\$ 574,658	\$ 618,299	\$ 617,496
Plan Fiduciary Net Position										
Employer contributions	\$ 63,252	\$ 59,090	\$ 59,580	\$ 56,796	\$ 55,398	\$ 51,993	\$ 51,349	\$ 52,941	\$ 50,960	\$ 48,792
Nonemployer contributions	35	33	-	34	-	-	-	-	-	137
Projected investment return	92,284	(182,218)	109,779	92,133	126,837	(80,846)	103,115	52,076	(32,964)	15,287
Benefit payments	-	(152,525)	(13,600)	(47,375)	(99,336)	-	(66,100)	(88,050)	(74,667)	(40,242)
Administrative expenses	(2,174)	(1,371)	(2,013)	(1,140)	(1,135)	(1,169)	(1,296)	(1,155)	(239)	(232)
Other	-	-	-	-	-	-	-	-	-	3,000
Net Change in Plan Fiduciary Net Position	153,397	(276,991)	153,746	100,448	81,764	(30,022)	87,068	15,812	(56,910)	26,742
Plan Fiduciary Net Position - January 1	811,855	1,088,846	935,100	834,652	752,888	782,910	695,842	680,030	736,940	710,198
Plan Fiduciary Net Position - December 31 (b)	\$ 965,252	\$ 811,855	\$ 1,088,846	\$ 935,100	\$ 834,652	\$ 752,888	\$ 782,910	\$ 695,842	\$ 680,030	\$ 736,940
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	\$ (155,243)	\$ (82,046)	\$ (242,541)	\$ (158,301)	\$ (86,431)	\$ (29,969)	\$ (170,671)	\$ (121,184)	\$ (61,731)	\$ (119,444)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	119.17%	111.24%	128.66%	120.38%	111.55%	104.15%	127.88%	121.09%	109.98%	119.34%
Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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	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.

City of Cannon Falls, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Schedule of Employer's Fire Relief Association Contributions

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/24	\$ 70,353	\$ 70,353	\$ -
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.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF CANNON FALLS
CANNON FALLS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Cannon Falls, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2024

	Special Revenue	Capital Projects	Total Nonmajor Funds
Assets			
Cash and temporary investments	\$ 672,319	\$ 2,802,132	\$ 3,474,451
Receivables			
Accounts	4,023	-	4,023
Special assessments	-	155,678	155,678
Prepaid items	10,260	-	10,260
 Total Assets	 <u>\$ 686,602</u>	 <u>\$ 2,957,810</u>	 <u>\$ 3,644,412</u>
Liabilities			
Accounts and contracts payable	\$ 11,917	\$ 92,360	\$ 104,277
Accrued salaries payable	8,473	-	8,473
Total Liabilities	<u>20,390</u>	<u>92,360</u>	<u>112,750</u>
 Deferred Inflows of Resources			
Unavailable revenue - special assessments	<u>-</u>	<u>132,745</u>	<u>132,745</u>
 Fund Balances			
Nonspendable	10,260	-	10,260
Restricted	215,983	3,618	219,601
Committed	439,969	1,763,465	2,203,434
Assigned	-	1,853,143	1,853,143
Unassigned	-	(887,521)	(887,521)
Total Fund Balances	<u>666,212</u>	<u>2,732,705</u>	<u>3,398,917</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 686,602</u>	 <u>\$ 2,957,810</u>	 <u>\$ 3,644,412</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, 2024

	Special Revenue	Capital Projects	Total Nonmajor Funds
Revenues			
Taxes			
Property taxes	\$ 506,737	\$ 42,300	\$ 549,037
Tax increments	-	94,857	94,857
Franchise taxes	18,743	-	18,743
Intergovernmental	195,964	-	195,964
Charges for services	114,214	-	114,214
Fines and forfeitures	1,824	-	1,824
Special assessments	-	165,030	165,030
Interest on investments	20,786	111,429	132,215
Miscellaneous	80,695	-	80,695
Total Revenues	<u>938,963</u>	<u>413,616</u>	<u>1,352,579</u>
Expenditures			
Current			
Public safety	272,349	-	272,349
Culture and recreation	505,002	-	505,002
Capital outlay			
Public safety	10,986	107,028	118,014
Public works	-	858,081	858,081
Culture and recreation	36,136	-	36,136
Economic development	-	90,387	90,387
Total Expenditures	<u>824,473</u>	<u>1,055,496</u>	<u>1,879,969</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>114,490</u>	<u>(641,880)</u>	<u>(527,390)</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	10,166	10,166
Transfers in	-	920,000	920,000
Transfers out	(15,000)	-	(15,000)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>930,166</u>	<u>915,166</u>
Net Change in Fund Balances	99,490	288,286	387,776
Fund Balances, January 1	<u>566,722</u>	<u>2,444,419</u>	<u>3,011,141</u>
Fund Balances, December 31	<u>\$ 666,212</u>	<u>\$ 2,732,705</u>	<u>\$ 3,398,917</u>

City of Cannon Falls, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2024

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Assets				
Cash and temporary investments	\$ 217,159	\$ 212,470	\$ 242,690	\$ 672,319
Accounts receivable	168	3,850	5	4,023
Prepaid items	2,295	445	7,520	10,260
Total Assets	<u>\$ 219,622</u>	<u>\$ 216,765</u>	<u>\$ 250,215</u>	<u>\$ 686,602</u>
Liabilities				
Accounts payable	\$ 3,797	\$ 29	\$ 8,091	\$ 11,917
Accrued salaries payable	8,165	308	-	8,473
Total Liabilities	<u>11,962</u>	<u>337</u>	<u>8,091</u>	<u>20,390</u>
Fund Balances				
Nonspendable	2,295	445	7,520	10,260
Restricted	-	215,983	-	215,983
Committed	205,365	-	234,604	439,969
Total Fund Balances	<u>207,660</u>	<u>216,428</u>	<u>242,124</u>	<u>666,212</u>
Total Liabilities and Fund Balances	<u>\$ 219,622</u>	<u>\$ 216,765</u>	<u>\$ 250,215</u>	<u>\$ 686,602</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, 2024

	211	220	232	
	Library	Cable Public Television	Fire Department Operations	Total
Revenues				
Taxes				
Property	\$ 401,611	\$ -	\$ 105,126	\$ 506,737
Franchise taxes	-	18,743	-	18,743
Intergovernmental				
State	-	-	72,393	72,393
County	123,571	-	-	123,571
Charges for services	2,479	-	111,735	114,214
Fines and forfeitures	1,824	-	-	1,824
Interest on investments	6,833	6,802	7,151	20,786
Miscellaneous				
Contributions and donations	9,144	-	63,500	72,644
Other	-	-	8,051	8,051
Total Revenues	<u>545,462</u>	<u>25,545</u>	<u>367,956</u>	<u>938,963</u>
Expenditures				
Current				
Public safety	-	-	272,349	272,349
Culture and recreation	491,323	13,679	-	505,002
Capital outlay				
Public safety	-	-	10,986	10,986
Culture and recreation	31,651	4,485	-	36,136
Total Expenditures	<u>522,974</u>	<u>18,164</u>	<u>283,335</u>	<u>824,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	22,488	7,381	84,621	114,490
Other Financing Uses				
Transfers out	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Net Change in Fund Balances	7,488	7,381	84,621	99,490
Fund Balances, January 1	<u>200,172</u>	<u>209,047</u>	<u>157,503</u>	<u>566,722</u>
Fund Balances, December 31	<u>\$ 207,660</u>	<u>\$ 216,428</u>	<u>\$ 242,124</u>	<u>\$ 666,212</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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 401,611	\$ 401,611	\$ 401,611	\$ -	\$ 380,936
Intergovernmental					
County	123,571	123,571	123,571	-	122,012
Charges for services	1,600	1,600	2,479	879	2,073
Fines and forfeitures	1,000	1,000	1,824	824	1,190
Interest on investments	-	-	6,833	6,833	7,760
Miscellaneous					
Contributions and donations	-	-	9,144	9,144	4,000
Total Revenues	<u>527,782</u>	<u>527,782</u>	<u>545,462</u>	<u>17,680</u>	<u>517,971</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	413,182	413,182	432,252	(19,070)	405,438
Supplies	4,950	4,950	3,538	1,412	3,177
Other services and charges	75,650	75,650	55,533	20,117	66,505
Capital outlay					
Culture and recreation	<u>34,000</u>	<u>34,000</u>	<u>31,651</u>	<u>2,349</u>	<u>35,527</u>
Total Expenditures	<u>527,782</u>	<u>527,782</u>	<u>522,974</u>	<u>4,808</u>	<u>510,647</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	22,488	22,488	7,324
Other Financing Uses					
Transfers out	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	7,488	7,488	7,324
Fund Balances, January 1	<u>200,172</u>	<u>200,172</u>	<u>200,172</u>	<u>-</u>	<u>192,848</u>
Fund Balances, December 31	<u>\$ 200,172</u>	<u>\$ 200,172</u>	<u>\$ 207,660</u>	<u>\$ 7,488</u>	<u>\$ 200,172</u>

City of Cannon Falls, Minnesota
Cable Public Television Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Franchise taxes	\$ 27,303	\$ 27,303	\$ 18,743	\$ (8,560)	\$ 23,663
Interest on investments	-	-	6,802	6,802	7,911
Total Revenues	<u>27,303</u>	<u>27,303</u>	<u>25,545</u>	<u>(1,758)</u>	<u>31,574</u>
Expenditures					
Current					
Culture and recreation					
Personnel services	18,653	18,653	10,680	7,973	9,133
Supplies	1,800	1,800	731	1,069	1,020
Other services and charges	1,850	1,850	2,268	(418)	679
Capital outlay					
Culture and recreation	5,000	5,000	4,485	515	578
Total Expenditures	<u>27,303</u>	<u>27,303</u>	<u>18,164</u>	<u>9,139</u>	<u>11,410</u>
Net Change in Fund Balances	-	-	7,381	7,381	20,164
Fund Balances, January 1	<u>209,047</u>	<u>209,047</u>	<u>209,047</u>	<u>-</u>	<u>188,883</u>
Fund Balances, December 31	<u>\$ 209,047</u>	<u>\$ 209,047</u>	<u>\$ 216,428</u>	<u>\$ 7,381</u>	<u>\$ 209,047</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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 105,126	\$ 105,126	\$ 105,126	\$ -	\$ 99,394
Intergovernmental revenue					
State	64,500	64,500	72,393	7,893	69,886
Charges for services	103,626	103,626	111,735	8,109	101,253
Interest on investments (loss)	-	-	7,151	7,151	5,400
Miscellaneous					
Contributions and donations	4,500	4,500	63,500	59,000	9,494
Other	-	-	8,051	8,051	4,140
Total Revenues	<u>277,752</u>	<u>277,752</u>	<u>367,956</u>	<u>90,204</u>	<u>289,567</u>
Expenditures					
Current					
Public safety					
Personnel services	70,799	70,799	100,696	(29,897)	80,638
Supplies	35,623	35,623	18,774	16,849	34,015
Other services and charges	158,730	158,730	152,879	5,851	186,260
Capital outlay					
Public safety	12,600	12,600	10,986	1,614	6,614
Total Expenditures	<u>277,752</u>	<u>277,752</u>	<u>283,335</u>	<u>(5,583)</u>	<u>307,527</u>
Net Change in Fund Balances	-	-	84,621	84,621	(17,960)
Fund Balances, January 1	<u>157,503</u>	<u>157,503</u>	<u>157,503</u>	<u>-</u>	<u>175,463</u>
Fund Balances, December 31	<u>\$ 157,503</u>	<u>\$ 157,503</u>	<u>\$ 242,124</u>	<u>\$ 84,621</u>	<u>\$ 157,503</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on the Following Pages)
December 31, 2024

	502 Public Improvement Revolving	504 Street Capital	505 Public Works Capital	506 Police Capital	507 Fire Capital
Assets					
Cash and temporary investments	\$ 149,558	\$ 64,495	\$ 599,550	\$ 215,998	\$ (4,842)
Receivables					
Special assessments	3,705	-	-	-	-
Total Assets	<u>\$ 153,263</u>	<u>\$ 64,495</u>	<u>\$ 599,550</u>	<u>\$ 215,998</u>	<u>\$ (4,842)</u>
Liabilities					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Inflows of Resources					
Unavailable revenue - special assessments	3,705	-	-	-	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	64,495	599,550	215,998	-
Assigned	149,558	-	-	-	-
Unassigned	-	-	-	-	(4,842)
Total Fund Balances	<u>149,558</u>	<u>64,495</u>	<u>599,550</u>	<u>215,998</u>	<u>(4,842)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 153,263</u>	<u>\$ 64,495</u>	<u>\$ 599,550</u>	<u>\$ 215,998</u>	<u>\$ (4,842)</u>

509	510	511	249	251
Administration Capital	Park Capital	Library Capital	TIF 2-6.2	TIF 2-8
\$ 138,913	\$ 676,404	\$ 68,105	\$ 3,535	\$ 12,791
-	-	-	-	-
<u>\$ 138,913</u>	<u>\$ 676,404</u>	<u>\$ 68,105</u>	<u>\$ 3,535</u>	<u>\$ 12,791</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,708
-	-	-	-	-
-	-	-	3,535	83
138,913	676,404	68,105	-	-
-	-	-	-	-
-	-	-	-	-
<u>138,913</u>	<u>676,404</u>	<u>68,105</u>	<u>3,535</u>	<u>83</u>
<u>\$ 138,913</u>	<u>\$ 676,404</u>	<u>\$ 68,105</u>	<u>\$ 3,535</u>	<u>\$ 12,791</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2024

	253	406	409	411	412
	TIF 2-10	Alexander Court	Keith Meyer Abatement	Bluff Drive Project	2023 Street Project
Assets					
Cash and temporary investments	\$ 14,992	\$ 42,353	\$ (2,168)	\$ (43,896)	\$ (269,065)
Receivables					
Special assessments	-	-	-	60,576	-
Total Assets	<u>\$ 14,992</u>	<u>\$ 42,353</u>	<u>\$ (2,168)</u>	<u>\$ 16,680</u>	<u>\$ (269,065)</u>
Liabilities					
Accounts and contracts payable	\$ 17,155	\$ -	\$ -	\$ -	\$ 227
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	-	-	54,232	-
Fund Balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	42,353	-	-	-
Unassigned	(2,163)	-	(2,168)	(37,552)	(269,292)
Total Fund Balances	<u>(2,163)</u>	<u>42,353</u>	<u>(2,168)</u>	<u>(37,552)</u>	<u>(269,292)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,992</u>	<u>\$ 42,353</u>	<u>\$ (2,168)</u>	<u>\$ 16,680</u>	<u>\$ (269,065)</u>

414	415	534	
72nd Avenue Way	2024 Street and Utility Improv.	Municipal Reserve	Total
\$ (158,471)	\$ (367,352)	\$ 1,661,232	\$ 2,802,132
4,569	86,828	-	155,678
<u>\$ (153,902)</u>	<u>\$ (280,524)</u>	<u>\$ 1,661,232</u>	<u>\$ 2,957,810</u>
\$ 4,655	\$ 57,615	\$ -	\$ 92,360
140	74,668	-	132,745
-	-	-	3,618
-	-	-	1,763,465
-	-	1,661,232	1,853,143
<u>(158,697)</u>	<u>(412,807)</u>	<u>-</u>	<u>(887,521)</u>
<u>(158,697)</u>	<u>(412,807)</u>	<u>1,661,232</u>	<u>2,732,705</u>
<u>\$ (153,902)</u>	<u>\$ (280,524)</u>	<u>\$ 1,661,232</u>	<u>\$ 2,957,810</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, 2024

	502	504	505	506	507
	Public Improvement Revolving	Street Capital	Public Works Capital	Police Capital	Fire Capital
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	-	-	-	-	-
Interest on investments	4,808	2,046	18,837	3,148	-
Total Revenues	<u>4,808</u>	<u>2,046</u>	<u>18,837</u>	<u>3,148</u>	<u>-</u>
Expenditures					
Capital outlay					
Public safety	-	-	-	107,028	-
Public works	-	-	104,277	-	-
Economic development	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>104,277</u>	<u>107,028</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,808</u>	<u>2,046</u>	<u>(85,440)</u>	<u>(103,880)</u>	<u>-</u>
Other Financing Sources					
Sale of capital assets	-	-	10,166	-	-
Transfers in	-	7,380	170,000	135,620	145,200
Total Other Financing Sources	<u>-</u>	<u>7,380</u>	<u>180,166</u>	<u>135,620</u>	<u>145,200</u>
Net Change in Fund Balances	4,808	9,426	94,726	31,740	145,200
Fund Balances, January 1	<u>144,750</u>	<u>55,069</u>	<u>504,824</u>	<u>184,258</u>	<u>(150,042)</u>
Fund Balances, December 31	<u>\$ 149,558</u>	<u>\$ 64,495</u>	<u>\$ 599,550</u>	<u>\$ 215,998</u>	<u>\$ (4,842)</u>

509	510	511	249	251
Administration Capital	Park Capital	Library Capital	TIF 2-6.2	TIF 2-8
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	28,495	28,241
-	-	-	-	-
4,425	21,628	2,142	104	378
<u>4,425</u>	<u>21,628</u>	<u>2,142</u>	<u>28,599</u>	<u>28,619</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	26,902	27,367
-	-	-	<u>26,902</u>	<u>27,367</u>
<u>4,425</u>	<u>21,628</u>	<u>2,142</u>	<u>1,697</u>	<u>1,252</u>
-	-	-	-	-
<u>8,400</u>	<u>8,400</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
<u>8,400</u>	<u>8,400</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
12,825	30,028	17,142	1,697	1,252
<u>126,088</u>	<u>646,376</u>	<u>50,963</u>	<u>1,838</u>	<u>(1,169)</u>
<u>\$ 138,913</u>	<u>\$ 676,404</u>	<u>\$ 68,105</u>	<u>\$ 3,535</u>	<u>\$ 83</u>

City of Cannon Falls, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures And
Changes in Fund Balances (Continued)
For the Year Ended December 31, 2024

	253	406	409	411	412
	TIF 2-10	Alexander Court	Keith Meyer Abatement	Bluff Drive Project	2023 Street Project
Revenues					
Taxes					
Property taxes	\$ -	\$ 39,600	\$ 2,700	\$ -	\$ -
Tax increments	38,121	-	-	-	-
Special assessments	-	-	-	24,445	-
Interest on investments	584	1,248	-	-	-
Total Revenues	<u>38,705</u>	<u>40,848</u>	<u>2,700</u>	<u>24,445</u>	<u>-</u>
Expenditures					
Capital outlay					
Public safety	-	-	-	-	-
Public works	-	-	1,807	-	54,998
Economic development	36,118	-	-	-	-
Total Expenditures	<u>36,118</u>	<u>-</u>	<u>1,807</u>	<u>-</u>	<u>54,998</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,587</u>	<u>40,848</u>	<u>893</u>	<u>24,445</u>	<u>(54,998)</u>
Other Financing Sources					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,587	40,848	893	24,445	(54,998)
Fund Balances, January 1	<u>(4,750)</u>	<u>1,505</u>	<u>(3,061)</u>	<u>(61,997)</u>	<u>(214,294)</u>
Fund Balances, December 31	<u>\$ (2,163)</u>	<u>\$ 42,353</u>	<u>\$ (2,168)</u>	<u>\$ (37,552)</u>	<u>\$ (269,292)</u>

414	415	534	
72nd Avenue Way	2024 Street and Utility Improv.	Municipal Reserve	Total
\$ -	\$ -	\$ -	\$ 42,300
-	-	-	94,857
72,671	67,914	-	165,030
-	-	52,081	111,429
<u>72,671</u>	<u>67,914</u>	<u>52,081</u>	<u>413,616</u>
-	-	-	107,028
217,119	479,880	-	858,081
-	-	-	90,387
<u>217,119</u>	<u>479,880</u>	<u>-</u>	<u>1,055,496</u>
<u>(144,448)</u>	<u>(411,966)</u>	<u>52,081</u>	<u>(641,880)</u>
-	-	-	10,166
-	-	430,000	920,000
-	-	430,000	930,166
(144,448)	(411,966)	482,081	288,286
<u>(14,249)</u>	<u>(841)</u>	<u>1,179,151</u>	<u>2,444,419</u>
<u>\$ (158,697)</u>	<u>\$ (412,807)</u>	<u>\$ 1,661,232</u>	<u>\$ 2,732,705</u>

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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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 3,097,308	\$ 3,097,308	\$ 3,087,960	\$ (9,348)	\$ 2,970,860
Licenses and permits					
Business	29,500	29,500	24,275	(5,225)	32,925
Nonbusiness	53,750	53,750	11,828	(41,922)	15,373
Total licenses and permits	83,250	83,250	36,103	(47,147)	48,298
Intergovernmental					
Federal					
Disaster aid	-	-	13,297	13,297	-
State					
Local government aid	817,918	817,918	817,913	(5)	708,297
Market value agricultural credits	-	-	75	75	80
Police aid and police training	82,000	82,000	90,049	8,049	84,308
Small cities assistance program	-	-	59,164	59,164	-
Public safety aid	-	-	-	-	185,369
County					
Police grant	-	-	1,126	1,126	326
Total intergovernmental	899,918	899,918	981,624	81,706	978,380
Charges for services					
General government	4,000	4,000	7,144	3,144	7,784
Public safety	250	250	21	(229)	34
Public works	4,000	4,000	2,961	(1,039)	10,243
Culture and recreation	30,000	30,000	42,298	12,298	40,670
Total charges for services	38,250	38,250	52,424	14,174	58,731
Fines and forfeitures	20,000	20,000	16,587	(3,413)	19,475
Special assessments	18,000	18,000	18,349	349	18,348
Interest on investments	98,500	98,500	121,383	22,883	84,397
Miscellaneous					
Rents	50,000	50,000	36,102	(13,898)	44,919
Contributions and donations	-	-	4,773	4,773	7,524
Reimbursements	138,597	138,597	250,995	112,398	193,308
Other	85,000	85,000	46,274	(38,726)	22,965
Total miscellaneous	273,597	273,597	338,144	64,547	268,716
Total Revenues	\$ 4,528,823	\$ 4,528,823	\$ 4,652,574	\$ 123,751	\$ 4,447,205

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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personnel services	\$ 28,121	\$ 28,121	\$ 26,721	\$ 1,400	\$ 27,406
Other services and charges	8,100	8,100	5,796	2,304	8,673
Total mayor and council	36,221	36,221	32,517	3,704	36,079
Elections					
Supplies	50	50	19	31	-
Other services and charges	17,450	17,450	6,742	10,708	960
Total elections	17,500	17,500	6,761	10,739	960
Administrative					
Personnel services	442,737	442,737	611,616	(168,879)	504,550
Supplies	2,500	2,500	3,117	(617)	3,104
Other services and charges	42,951	42,951	35,201	7,750	33,617
Total administrative	488,188	488,188	649,934	(161,746)	541,271
Audit and consulting fees					
Other services and charges	38,000	38,000	43,178	(5,178)	39,350
Planning and zoning					
Personnel services	31,101	31,101	22,197	8,904	25,539
Other services and charges	1,400	1,400	1,795	(395)	6,550
Total planning and zoning	32,501	32,501	23,992	8,509	32,089
Legal					
Other services and charges	65,000	65,000	66,708	(1,708)	46,534
Information and technology					
Other services and charges	42,000	42,000	39,148	2,852	44,070
Total information and technology	42,000	42,000	39,148	2,852	44,070
General government building					
Personnel services	-	-	211	(211)	1,262
Supplies	10,700	10,700	1,781	8,919	2,855
Other services and charges	63,995	63,995	48,466	15,529	83,123
Total general government building	74,695	74,695	50,458	24,237	87,240
Total general government	794,105	794,105	912,696	(118,591)	827,593

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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Public safety					
Police protection					
Personnel services	\$ 994,433	\$ 994,433	\$ 1,130,466	\$ (136,033)	\$ 984,846
Supplies	51,600	51,600	41,557	10,043	59,134
Other services and charges	99,618	99,618	105,607	(5,989)	111,258
Total police protection	<u>1,145,651</u>	<u>1,145,651</u>	<u>1,277,630</u>	<u>(131,979)</u>	<u>1,155,238</u>
Building inspection					
Personnel services	31,101	31,101	13,956	17,145	4,345
Other services and charges	42,000	42,000	-	42,000	5,362
Total building inspection	<u>73,101</u>	<u>73,101</u>	<u>13,956</u>	<u>59,145</u>	<u>9,707</u>
Total public safety	<u>1,218,752</u>	<u>1,218,752</u>	<u>1,291,586</u>	<u>(72,834)</u>	<u>1,164,945</u>
Public works					
Public works administration					
Personnel services	283,248	283,248	229,675	53,573	179,055
Supplies	41,220	41,220	22,560	18,660	34,233
Other services and charges	44,709	44,709	53,615	(8,906)	36,778
Total public works administration	<u>369,177</u>	<u>369,177</u>	<u>305,850</u>	<u>63,327</u>	<u>250,066</u>
Streets and highways					
Personnel services	67,613	67,613	62,489	5,124	65,807
Supplies	44,650	44,650	30,507	14,143	63,788
Other services and charges	247,100	247,100	122,245	124,855	124,052
Total streets and highways	<u>359,363</u>	<u>359,363</u>	<u>215,241</u>	<u>144,122</u>	<u>253,647</u>
Snow and ice removal					
Personnel services	63,235	63,235	19,705	43,530	47,332
Supplies	24,875	24,875	15,759	9,116	33,285
Other services and charges	8,700	8,700	556	8,144	3,880
Total snow and ice removal	<u>96,810</u>	<u>96,810</u>	<u>36,020</u>	<u>60,790</u>	<u>84,497</u>
Road equipment and garage					
Personnel services	31,126	31,126	42,148	(11,022)	41,690
Supplies	8,800	8,800	10,139	(1,339)	17,352
Other services and charges	10,400	10,400	41,093	(30,693)	22,968
Total road equipment and garage	<u>50,326</u>	<u>50,326</u>	<u>93,380</u>	<u>(43,054)</u>	<u>82,010</u>
Garage building					
Personnel services	13,192	13,192	14,837	(1,645)	12,358
Supplies	3,500	3,500	2,856	644	1,869
Other services and charges	12,701	12,701	5,799	6,902	25,181
Total garage building	<u>29,393</u>	<u>29,393</u>	<u>23,492</u>	<u>5,901</u>	<u>39,408</u>

City of Cannon Falls, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended December 31, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (Continued)					
Public works					
Street lighting					
Supplies	\$ 500	\$ 500	\$ -	\$ 500	\$ 190
Other services and charges	72,500	72,500	60,798	11,702	74,073
Total street lighting	73,000	73,000	60,798	12,202	74,263
Engineering					
Other services and charges	14,000	14,000	34,321	(20,321)	26,390
Total public works	992,069	992,069	769,102	222,967	810,281
Culture and recreation					
Tree maintenance					
Personnel services	28,830	28,830	35,527	(6,697)	18,386
Supplies	800	800	402	398	135
Other services and charges	18,300	18,300	18,134	166	3,368
Total tree maintenance	47,930	47,930	54,063	(6,133)	21,889
Parks					
Personnel services	60,715	60,715	74,836	(14,121)	66,831
Supplies	16,575	16,575	10,217	6,358	7,611
Other services and charges	35,590	35,590	39,300	(3,710)	65,208
Total parks	112,880	112,880	124,353	(11,473)	139,650
Swimming pool					
Personnel services	78,880	78,880	86,114	(7,234)	75,626
Supplies	8,875	8,875	12,747	(3,872)	16,989
Other services and charges	19,988	19,988	19,181	807	40,766
Total swimming pool	107,743	107,743	118,042	(10,299)	133,381
Athletic fields					
Personnel services	16,491	16,491	14,911	1,580	13,181
Supplies	4,425	4,425	1,637	2,788	1,238
Other services and charges	7,068	7,068	8,617	(1,549)	11,234
Total athletic fields	27,984	27,984	25,165	2,819	25,653
Skating					
Personnel services	6,478	6,478	2,110	4,368	1,096
Supplies	200	200	-	200	-
Other services and charges	1,450	1,450	76	1,374	7,472
Total skating	8,128	8,128	2,186	5,942	8,568
Cannon Valley Trail					
Personnel services	193,597	193,597	200,609	(7,012)	181,070
Other services and charges	55,000	55,000	50,475	4,525	49,684
Total Cannon Valley Trail	248,597	248,597	251,084	(2,487)	230,754
Total culture and recreation	553,262	553,262	574,893	(21,631)	559,895

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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (Continued)					
Miscellaneous					
Unallocated					
Personnel services	\$ -	\$ -	\$ 2,480	\$ (2,480)	\$ 2,437
Other services and charges	77,500	77,500	55,149	22,351	76,951
Total miscellaneous	77,500	77,500	57,629	19,871	79,388
Total current	3,635,688	3,635,688	3,605,906	29,782	3,442,102
Capital outlay					
General government	2,700	2,700	-	2,700	280
Public safety	13,000	13,000	5,474	7,526	762
Public works	15,225	15,225	11,820	3,405	20,550
Total capital outlay	30,925	30,925	17,294	13,631	21,592
Total Expenditures	3,666,613	3,666,613	3,623,200	43,413	3,463,694
Excess of Revenues					
Over Expenditures	862,210	862,210	1,029,374	167,164	983,511
Other Financing Sources (Uses)					
Sale of capital assets	-	-	10,000	10,000	-
Transfers in	-	-	50,000	50,000	118,042
Transfers out	(787,210)	(787,210)	(849,000)	(61,790)	(727,675)
Total Other Financing Sources (Uses)	(787,210)	(787,210)	(789,000)	(1,790)	(609,633)
Net Change in Fund Balances	75,000	75,000	240,374	165,374	373,878
Fund Balances, January 1	3,614,607	3,614,607	3,614,607	-	3,240,729
Fund Balances, December 31	\$ 3,689,607	\$ 3,689,607	\$ 3,854,981	\$ 165,374	\$ 3,614,607

City of Cannon Falls, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2024

	530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	533 2020A G.O. Refunding Bond	Total
Assets					
Cash and temporary investments	\$ 714,794	\$ 1,241,812	\$ 43,944	\$ 1,839,052	\$ 3,839,602
Receivables					
Special assessments	141,748	275,567	-	114,137	531,452
Total Assets	<u>\$ 856,542</u>	<u>\$ 1,517,379</u>	<u>\$ 43,944</u>	<u>\$ 1,953,189</u>	<u>\$ 4,371,054</u>
Deferred Inflows of Resources					
Unavailable revenue - special assessments	\$ 124,618	\$ 245,689	\$ -	\$ 81,301	\$ 451,608
Fund Balances					
Restricted for debt service	731,924	1,271,690	43,944	1,871,888	3,919,446
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 856,542</u>	<u>\$ 1,517,379</u>	<u>\$ 43,944</u>	<u>\$ 1,953,189</u>	<u>\$ 4,371,054</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, 2024

	530 2016A G.O. Bond	531 2018A G.O. Bond	532 2018B G.O. Equipment Certificates	533 2020A G.O. Refunding Bond	Total
Revenues					
Taxes	\$ 80,000	\$ 145,000	\$ 47,800	\$ 127,000	\$ 399,800
Special assessments	16,773	43,537	-	50,366	110,676
Interest on investments	20,357	35,423	1,439	51,478	108,697
Total Revenues	<u>117,130</u>	<u>223,960</u>	<u>49,239</u>	<u>228,844</u>	<u>619,173</u>
Expenditures					
Debt service					
Principal	80,000	125,000	40,000	144,294	389,294
Interest and other charges	12,601	48,601	7,800	37,639	106,641
Total Expenditures	<u>92,601</u>	<u>173,601</u>	<u>47,800</u>	<u>181,933</u>	<u>495,935</u>
Excess of Revenues Over Expenditures	<u>24,529</u>	<u>50,359</u>	<u>1,439</u>	<u>46,911</u>	<u>123,238</u>
Other Financing Sources					
Transfers in	<u>59,796</u>	<u>104,460</u>	<u>-</u>	<u>161,615</u>	<u>325,871</u>
Net Change in Fund Balances	84,325	154,819	1,439	208,526	449,109
Fund Balances, January 1	<u>647,599</u>	<u>1,116,871</u>	<u>42,505</u>	<u>1,663,362</u>	<u>3,470,337</u>
Fund Balances, December 31	<u>\$ 731,924</u>	<u>\$ 1,271,690</u>	<u>\$ 43,944</u>	<u>\$ 1,871,888</u>	<u>\$ 3,919,446</u>

City of Cannon Falls, Minnesota
Economic Development Authority
(Discretely Presented Component Unit)
Combining Balance Sheet
December 31, 2024

	Economic Development	Industrial Revolving Loan	Total
Assets			
Cash and temporary investments	\$ 199,244	\$ -	\$ 199,244
Receivables			
Accounts	-	1,090	1,090
Loans, net	-	135,826	135,826
Land held for resale	-	883,489	883,489
Total Assets	<u>\$ 199,244</u>	<u>\$ 1,020,405</u>	<u>\$ 1,219,649</u>
Liabilities			
Accounts and contracts payable	\$ 50,582	\$ 236,517	\$ 287,099
Unearned revenue	14,527	-	14,527
Advance from primary government	-	864,109	864,109
Total Liabilities	<u>65,109</u>	<u>1,100,626</u>	<u>1,165,735</u>
Fund Balances			
Committed			
Land held for resale	-	883,489	883,489
Economic development	134,135	-	134,135
Unassigned	-	(963,710)	(963,710)
Total Fund Balances	<u>134,135</u>	<u>(80,221)</u>	<u>53,914</u>
Total Liabilities and Fund Balances	<u>\$ 199,244</u>	<u>\$ 1,020,405</u>	<u>\$ 1,219,649</u>

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

Total Fund Balances Reported above	\$ 53,914
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	2,118,544
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	(300,000)
Total Net Position - Economic Development Authority	<u>\$ 1,872,458</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, 2024

	Economic Development	Industrial Revolving Loan	Total
Revenues			
Property taxes	\$ 81,010	\$ -	\$ 81,010
Interest on investments	6,246	-	6,246
Miscellaneous	206,781	8,793	215,574
	<u>294,037</u>	<u>8,793</u>	<u>302,830</u>
Total Revenues			
Expenditures			
Current			
Economic development	308,560	156,606	465,166
Capital outlay			
Economic development	-	909,836	909,836
Debt service			
Principal	-	150,000	150,000
Interest	-	22,875	22,875
	<u>308,560</u>	<u>1,239,317</u>	<u>1,547,877</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,523)	(1,230,524)	(1,245,047)
Other Financing Sources			
Sale of land held for resale	-	464,759	464,759
Net Change in Fund Balances	(14,523)	(765,765)	(780,288)
Fund Balances, January 1	148,658	685,544	834,202
Fund Balances, December 31	<u>\$ 134,135</u>	<u>\$ (80,221)</u>	<u>\$ 53,914</u>

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

Net Changes in Fund Balances - Economic Development Authority	\$ (780,288)
Capital outlays are reported in governmental funds as expenditures.	
Capital outlay	880,575

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	<u>150,000</u>
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Change in Net Position - Economic Development Authority	<u>\$ 250,287</u>
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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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024			2023
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Property taxes	\$ 81,010	\$ 81,010	\$ 81,010	\$ 77,035
Interest on investments	-	-	6,246	6,295
Miscellaneous revenue	-	-	206,781	36,328
Total Revenues	81,010	81,010	294,037	119,658
Expenditures				
Current				
Economic development				
Supplies	100	100	-	-
Other services and charges	80,910	80,910	308,560	141,301
Total Expenditures	81,010	81,010	308,560	141,301
Net Change in Fund Balances	-	-	(14,523)	(21,643)
Fund Balances, January 1	148,658	148,658	148,658	170,301
Fund Balances, December 31	<u>\$ 148,658</u>	<u>\$ 148,658</u>	<u>\$ 134,135</u>	<u>\$ 148,658</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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest on investments	\$ -	\$ -	\$ -	\$ -	\$ 7,549
Miscellaneous	-	-	8,793	8,793	33,728
Total Revenues	-	-	8,793	8,793	41,277
Expenditures					
Current					
Economic development					
Other services and charges	-	-	156,606	(156,606)	263
Capital outlay					
Economic development	-	-	909,836	(909,836)	505,114
Debt Services					
Principal	-	-	150,000	(150,000)	150,000
Interest	-	-	22,875	(22,875)	30,417
Total Expenditures	-	-	1,239,317	(1,239,317)	685,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(1,230,524)	(1,230,524)	(644,517)
Other Financing Sources (Uses)					
Sale of land held for resale	-	-	464,759	464,759	-
Loan proceeds	-	-	-	-	600,000
Total other financing sources (uses)	-	-	464,759	464,759	600,000
Net Change in Fund Balances	-	-	(765,765)	(765,765)	(44,517)
Fund Balances, January 1	685,544	685,544	685,544	-	730,061
Fund Balances, December 31	\$ 685,544	\$ 685,544	\$ (80,221)	\$ (765,765)	\$ 685,544

City of Cannon Falls, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2024 and 2023

	Total		Percent
	2024	2023	Increase (Decrease)
Revenues			
Taxes	\$ 4,150,397	\$ 3,981,084	4.25 %
Special assessments	294,055	177,411	65.75
Licenses and permits	36,103	48,298	(25.25)
Intergovernmental	1,342,161	1,271,246	5.58
Charges for services	166,638	162,057	2.83
Fines and forfeits	18,411	20,665	(10.91)
Investment earnings	362,295	344,431	5.19
Miscellaneous	569,839	294,250	93.66
Total Revenues	<u>\$ 6,939,899</u>	<u>\$ 6,299,442</u>	10.17 %
Per Capita	<u>\$ 1,666</u>	<u>\$ 1,462</u>	13.97 %
Expenditures			
Current			
General government	\$ 912,696	\$ 840,093	8.64 %
Public safety	1,563,935	1,465,858	6.69
Public works	769,102	810,281	(5.08)
Culture and recreation	1,079,895	1,045,847	3.26
Miscellaneous	57,629	79,388	(27.41)
Capital outlay			
General government	-	280	(100.00)
Public safety	123,488	7,376	1,574.19
Public works	869,901	388,610	123.85
Culture and recreation	868,606	36,105	2,305.78
Economic development	90,387	63,689	41.92
Debt service			
Principal	389,294	380,312	2.36
Interest and other charges	106,641	123,780	(13.85)
Total Expenditures	<u>\$ 6,831,574</u>	<u>\$ 5,241,619</u>	30.33 %
Per Capita	<u>\$ 1,640</u>	<u>\$ 1,216</u>	34.84 %
Total Long-term Indebtedness	\$ 3,514,524	\$ 3,919,208	(10.33) %
Per Capita	844	909	(7.23)
General Fund Balance - December 31	\$ 3,854,981	\$ 3,614,607	6.65 %
Per Capita	925	839	10.34

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, 2024

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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, 2024, 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 28, 2025.

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.

A handwritten signature in black ink that reads "Abdo".

Abdo
Minneapolis, Minnesota
May 28, 2025

**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, 2024, 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 28, 2025.

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 2024-001 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 28, 2025



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City of Cannon Falls, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements, we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.	