

**CITY OF CANTON,
MINNESOTA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

DECEMBER 31, 2020

CITY OF CANTON, MINNESOTA

TABLE OF CONTENTS

DECEMBER 31, 2020

Page

2	Organization
3-5	Independent Auditors' Report
<u>FINANCIAL STATEMENTS</u>	
6	Statement of Balances Arising From Cash Transactions - Governmental Funds
7-9	Statement of Cash Receipts, Disbursements, and Changes in Cash Fund Balances - Governmental Funds
10	Statement of Balances Arising From Cash Transactions - Proprietary Funds
11	Statement of Cash Receipts, Disbursements, and Changes in Net Cash Position - Proprietary Funds
12	Statement of Cash Flows - Cash Basis - Proprietary Funds
13-17	Notes to the Financial Statements
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
18-19	Budgetary Comparison Schedule - Cash Basis - General Fund
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
20	Statement of Net Position - Proprietary Funds
21	Statement of Revenue, Expenses, and Changes in Fund Net Position - Proprietary Funds
22	Statement of Cash Flows - Proprietary Funds
23	Schedule of Indebtedness, Other Long-Term Liabilities, and Contingent Liabilities
24	Schedules of Accounts Receivable and Accounts Payable
<u>OTHER REPORT</u>	
25	Independent Auditors' Report on Legal Compliance

CITY OF CANTON, MINNESOTA

ORGANIZATION

Elected

Mayor

Nick Prestby

Council Members

Cindy Shanks
Charlie Warner
Carl Ernst
Randy Gossman

Appointed

Clerk/Treasurer
Public Works Supervisor
P/T Street Maintenance

Brock Bergey
Jon Nordsving
Jim Davis

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Canton, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental and proprietary fund of the City of Canton, Minnesota ("City"), which comprises the statements of balances arising from cash transactions as of December 31, 2020, and the related statements of cash receipts, disbursements, and changes in cash fund balances and net cash position, and, where applicable, statement of cash flows, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

City of Canton's management is responsible for the preparation and fair presentation of these financial statements in accordance with practices prescribed or permitted by the State of Minnesota Office of the State Auditor to demonstrate compliance with the State of Minnesota Office of the State Auditor's regulatory basis of accounting. Management is also responsible for 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balances arising from cash transactions for governmental funds and proprietary funds of the City of Canton, Minnesota as of December 31, 2020, and the cash receipts and disbursements, changes in cash fund balances and net cash position, and, where applicable, cash flows for the year then ended, in accordance with the financial reporting provisions of the State of Minnesota Office of the State Auditor as discussed in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As discussed in Note 1, the City of Canton prepares its financial statements using accounting practices prescribed or permitted by the State of Minnesota Office of the State Auditor to demonstrate compliance with the State of Minnesota Office of the State Auditor's regulatory basis of accounting and, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. Our opinion is not modified with respect to this.

Other Matters

Required Supplementary Information

The regulatory requirements of the State of Minnesota's Office of the State Auditor require that the budgetary comparison information on pages 18-19 be presented to supplement the regulatory financial statements. 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 regulatory financial statements, and other knowledge we obtained during our audit of the regulatory 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.

Management has omitted the management's discussion and analysis that the State of Minnesota's Office of the State Auditor requires to be presented to supplement the regulatory financial statements. Our opinion on the regulatory financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton's regulatory financial statements. The accrual basis proprietary fund schedules, schedule of indebtedness, other long-term liabilities, and contingent liability, and schedule of accounts receivable and accounts payable are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The accrual basis proprietary fund schedules, schedule of indebtedness, other long-term liabilities, and contingent liability, and schedule of accounts receivable and accounts payable are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accrual basis proprietary fund schedules, schedule of indebtedness, other long-term liabilities, and contingent liability, and schedule of accounts receivable and accounts payable are fairly stated in all material respects in relation to the regulatory financial statements as a whole.

Restrictions on Use

This report is intended solely for the information and use of the management of the City of Canton, Minnesota and the State of Minnesota's Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
March 18, 2021

CITY OF CANTON, MINNESOTA
FINANCIAL STATEMENTS

CITY OF CANTON, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Special Revenue			Fire Department	Total Governmental Funds
		Mitson Fund	Trail Fund	Vail Estate		
ASSETS						
Cash & Cash Equivalents	\$ 141,643	\$ 3,258	\$ -	\$ -	\$ 61,444	\$ 206,345
Certificates of Deposit	109,587	21,169	-	128,719	-	259,475
Notes Receivable	-	-	5,000	-	-	5,000
TOTAL ASSETS	\$ 251,230	\$ 24,427	\$ 5,000	\$ 128,719	\$ 61,444	\$ 470,820
CASH FUND BALANCES						
Assigned	\$ -	\$ 24,427	\$ 5,000	\$ 128,719	\$ 61,444	\$ 219,590
Unassigned	251,230	-	-	-	-	251,230
TOTAL CASH FUND BALANCES	\$ 251,230	\$ 24,427	\$ 5,000	\$ 128,719	\$ 61,444	\$ 470,820

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Special Revenue			Fire Department	Total Governmental Funds
		Mitson Fund	Trail Fund	Vail Estate		
RECEIPTS						
TAXES AND LICENSES						
General Property Taxes	\$ 155,963	\$ -	\$ -	\$ -	\$ -	\$ 155,963
Fines & Forfeits	193	-	-	-	-	193
License & Permits	1,337	-	-	-	-	1,337
TOTAL TAXES AND LICENSES	<u>157,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,493</u>
INTERGOVERNMENTAL - STATE						
Local Government Aid	94,197	-	-	-	-	94,197
MV Credit - Real & Ag	1,100	-	-	-	-	1,100
Intergovernmental - Other	26,295	-	-	-	3,816	30,111
TOTAL INTERGOVERNMENTAL - STATE	<u>121,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,816</u>	<u>125,408</u>
CHARGES FOR SERVICES						
Fire Department Services	-	-	-	-	33,310	33,310
Rent & Dance Permits	2,831	-	-	-	-	2,831
TOTAL CHARGES FOR SERVICES	<u>2,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,310</u>	<u>36,141</u>
MISCELLANEOUS INCOME						
Interest Income	2,543	368	-	3,353	-	6,264
Housing grant repayment	4,000	-	-	-	-	4,000
Contributions	-	-	-	-	6,430	6,430
Miscellaneous Income	11,377	-	-	-	700	12,077
TOTAL MISCELLANEOUS INCOME	<u>17,920</u>	<u>368</u>	<u>-</u>	<u>3,353</u>	<u>7,130</u>	<u>28,771</u>
TOTAL RECEIPTS	<u>299,836</u>	<u>368</u>	<u>-</u>	<u>3,353</u>	<u>44,256</u>	<u>347,813</u>

(Continued on page 8)

The accompanying notes are an integral part of the financial statements.

CITY OF CANTON, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES - Continued
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Special Revenue				Total Governmental Funds
		Mitson Fund	Trail Fund	Vail Estate	Fire Department	
DISBURSEMENTS						
GENERAL GOVERNMENT						
Mayor & Council Salaries	\$ 3,300	\$ -	\$ -	\$ -	\$ -	\$ 3,300
City Clerk	29,055	-	-	-	-	29,055
Office Expense	9,243	-	-	-	-	9,243
Assessor, Accounting & Legal	17,952	-	-	-	-	17,952
Insurance	17,018	-	-	-	-	17,018
Utilities & Telephone	15,257	-	-	-	-	15,257
General Government - Other	6,108	-	-	-	-	6,108
Capital Outlay	23,830	-	-	-	-	23,830
TOTAL GENERAL GOVERNMENT	121,763	-	-	-	-	121,763
PUBLIC SAFETY						
Police Expense	24,000	-	-	-	-	24,000
Ambulance Expense	3,114	-	-	-	-	3,114
Fire Expense	12,080	-	-	-	24,727	36,807
TOTAL PUBLIC SAFETY	39,194	-	-	-	24,727	63,921
STREETS AND HIGHWAYS						
Salaries	64,244	-	-	-	-	64,244
Street Maintenance & Repair	56,342	-	-	-	-	56,342
City Truck Expenses	1,982	-	-	-	-	1,982
Capital Outlay	10,427	-	-	-	-	10,427
TOTAL STREETS AND HIGHWAYS	132,995	-	-	-	-	132,995
CULTURE & RECREATION						
Building & Cleaning	600	-	-	-	-	600
Culture & Recreation	2,399	2,204	-	-	-	4,603
TOTAL CULTURE & RECREATION	2,999	2,204	-	-	-	5,203

(Continued on page 9)

The accompanying notes are an integral part of the financial statements.

CITY OF CANTON, MINNESOTA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES - Continued
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Special Revenue			Fire Department	Total Governmental Funds
		Mitson Fund	Trail Fund	Vail Estate		
DISBURSEMENTS - Continued						
ECONOMIC DEVELOPMENT						
Economic Development Expenses	\$ 225	\$ -	\$ -	\$ -	\$ -	\$ 225
DEBT SERVICE						
Principal Payments	-	-	-	-	3,758	3,758
Interest Payments	-	-	-	-	1,398	1,398
TOTAL DEBT SERVICE	-	-	-	-	5,156	5,156
TOTAL DISBURSEMENTS	297,176	2,204	-	-	29,883	329,263
NET CHANGE IN CASH FUND BALANCES	2,660	(1,836)	-	3,353	14,373	18,550
CASH FUND BALANCES - BEGINNING	248,570	26,263	5,000	125,366	47,071	452,270
CASH FUND BALANCES - ENDING	\$ 251,230	\$ 24,427	\$ 5,000	\$ 128,719	\$ 61,444	\$ 470,820

The accompanying notes are an integral part of the financial statements.

CITY OF CANTON, MINNESOTA
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS
PROPRIETARY FUNDS
DECEMBER 31, 2020

<u>ASSETS</u>	<u>Water, Sewer & Garbage Fund</u>
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 32,005
Certificates of Deposit	<u>109,912</u>
TOTAL ASSETS	<u>\$ 141,917</u>
 <u>NET CASH POSITION</u>	
 NET CASH POSITION	
Unrestricted	<u>\$ 141,917</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, MINNESOTA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET CASH POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water, Sewer & Garbage			Total
	Water	Sewer	Garbage	Water, Sewer & Garbage
OPERATING REVENUE				
Charges for Services	\$ 62,410	\$ 77,451	\$ 27,982	\$ 167,843
Less: Cost of Sales	-	-	(26,043)	(26,043)
TOTAL OPERATING REVENUE	<u>62,410</u>	<u>77,451</u>	<u>1,939</u>	<u>141,800</u>
OPERATING EXPENSES				
Miscellaneous	1,516	-	-	1,516
Insurance	1,471	1,471	-	2,942
Payroll City Clerk	5,665	5,665	-	11,329
Payroll Maintenance	19,882	19,882	-	39,764
Repairs and Maintenance	7,758	8,083	-	15,841
Supplies	1,506	-	-	1,506
Utilities	25,274	11,825	-	37,099
TOTAL OPERATING EXPENSES	<u>63,072</u>	<u>46,926</u>	<u>-</u>	<u>109,997</u>
NON-OPERATING INCOME				
Interest Income	2,184	-	-	2,184
NON-OPERATING EXPENSE				
Interest Expense	2,054	15,066	-	17,120
Debt Principal	-	21,000	-	21,000
Write Off Expenses	610	-	-	610
TOTAL NON-OPERATING EXPENSE	<u>2,664</u>	<u>36,066</u>	<u>-</u>	<u>38,730</u>
CHANGE IN NET POSITION	<u>\$ (1,142)</u>	<u>\$ (5,541)</u>	<u>\$ 1,939</u>	<u>(4,743)</u>
TOTAL NET POSITION - BEGINNING				<u>146,660</u>
TOTAL NET POSITION - ENDING				<u>\$ 141,917</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, MINNESOTA
STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water, Sewer & Garbage			Total
	Water	Sewer	Garbage	Water, Sewer & Garbage
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 62,410	\$ 77,451	\$ 27,982	\$ 167,843
Payments to Suppliers	(36,009)	(21,379)	(26,043)	(83,431)
Payments to Employees	(25,547)	(25,547)	-	(51,093)
Other (Payments)	(2,126)	-	-	(2,126)
NET CASH PROVIDED BY (USED IN)				
OPERATING ACTIVITIES	(1,272)	30,526	1,939	31,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Paid on Capital Debt	(2,054)	(15,066)	-	(17,120)
Principal Paid on Capital Debt	-	(21,000)	-	(21,000)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(2,054)	(36,066)	-	(38,120)
CASH FLOWS FROM INVESTING ACTIVITIES				
Certificate of Deposit	25,098	-	-	25,098
Interest Income	2,184	-	-	2,184
NET CASH PROVIDED BY INVESTING ACTIVITIES	27,282	-	-	27,282
NET INCREASE IN CASH AND CASH EQUIVALENTS				20,355
BALANCES - BEGINNING OF THE YEAR				11,650
BALANCES - END OF THE YEAR				\$ 32,005

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The City of Canton was incorporated by passage of an act by the Legislature of the State of Minnesota and ratified by an election of the voters of the City. The Charter established a Mayor-Council form of government. The governing body is composed of a mayor and four council members who are to be qualified electors and elected at large.

The Council may create departments and advisory boards and appoint officers, employees and agents for the City as it deems necessary for the proper management and operation of City affairs. The Council may prescribe the duties and fix the compensation of all officers, both appointive and elective, employees and agents, when not otherwise prescribed by law. The Council may require any officer or employee to furnish a bond conditioned for the faithful exercise of their duties and the proper application of, and payment upon demand of, all monies officially received by them. Unless otherwise prescribed by law, the amount of such bonds shall be fixed by the Council.

B. Basis of Presentation

The financial statements were prepared in conformity with the regulatory basis of accounting prescribed or permitted by the Office of Minnesota State Auditor and pursuant to Minnesota Statutes Section 471.698, which is a comprehensive basis of accounting other than generally accepted accounting principles. The regulatory basis is the modified cash basis, but does not include the government-wide statements. All funds are presented according to the regulatory basis. Accordingly, the financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Mitson Fund - account for funds to be used for the Mitson House Museum.

Trail Fund - account for funds to be used on a trail system.

Vail Estate Fund - account for funds to be used on the Vail Estate region.

Fire Department Fund - accounts for activities related to the City's fire department.

The City reports the following major proprietary funds:

Water, Sewer, and Garbage Fund - All activities necessary to provide water, sewer, and garbage services to residents of the City and outlying areas. Fund activities include administration, billing and collection, operations, maintenance, and financing.

CITY OF CANTON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2020

NOTE 1 - Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Governmental funds and Proprietary funds are reported on modified cash basis of accounting. With certain exceptions, revenue and disbursements are only recognized when actually received or expended.

D. Assets or Cash Fund Balances

1. Cash or Cash Equivalents

The City considers all demand deposits and investments with an original maturity of three months or less to be considered cash equivalents.

Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of The Federal Reserve System.

Minnesota Statutes require that all City deposits are protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or bonds (140% in the case of mortgage notes pledged).

At year end, all of the City's deposits were either insured by the FDIC or collateralized by securities held by the City or by its agent in the City's name.

2. Certificates of Deposit

Certificates of Deposit are stated at fair value based on the quote price. Interest is recorded when received at the certificate's maturity. The Certificates of Deposit range from 3-month to 12-month terms.

3. Risks

Interest Rate Risk

The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City does has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

CITY OF CANTON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2020

NOTE 1 - Summary of Significant Accounting Policies – Continued

3. Risks - Continued

Custodial Credit Risk

The risk that, in the event of bank failure, the City's deposits may not be returned to it. As of December 31, 2020, \$109,913 of the City's bank balance of \$612,006 was exposed to custodial credit risk is uninsured with collateral pledged by bank.

E. Estimates

The preparation of financial statements in conformity with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Defined Benefit Pension Plan - Statewide

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF- General Employees Plan, accounted for in the General Employees Fund)

All full-time and certain part-time employees of the City of Canton are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

CITY OF CANTON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2020

NOTE 2 - Defined Benefit Pension Plan - Statewide - Continued

1. General Employees Plan Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in calendar year 2020. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2020. The City's contributions to the General Employers Fund for the year ended December 31, 2020 were \$8,730.

Pension Plan Fiduciary Net Position

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

NOTE 3 - Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Fillmore County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Fillmore County spreads all levies over taxable property. Such taxes become a lien on January 1 the following year, and are recorded as receivables by the City at that date. Revenue from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing cities normally during the months of January, June, and December.

CITY OF CANTON, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2020

NOTE 4 - Risk Management

The City is exposed to various risks of loss to torts; theft, damage, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. In addition, there have been no settlements in excess of coverage in any of the prior three fiscal years.

CITY OF CANTON, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
CASH FUND BALANCE - JANUARY 1	\$ 248,570	\$ 248,570	\$ 248,570	\$ -
RECEIPTS				
TAXES AND LICENSES				
General Property Taxes	\$ 159,157	\$ 159,157	\$ 155,963	\$ (3,194)
Fines & Forfeits	400	400	193	(207)
License & Permits	1,000	1,000	1,337	337
TOTAL TAXES AND LICENSES	<u>160,557</u>	<u>160,557</u>	<u>157,493</u>	<u>(3,064)</u>
INTERGOVERNMENTAL - STATE				
Local Government Aid	94,056	94,056	94,197	(141)
MV Credit - Real & Ag	-	-	1,100	1,100
Intergovernmental - Other	-	-	26,295	26,295
TOTAL INTERGOVERNMENTAL	<u>94,056</u>	<u>94,056</u>	<u>121,592</u>	<u>27,254</u>
CHARGES FOR SERVICES				
Rent & Dance Permits	2,000	2,000	2,831	831
MISCELLANEOUS				
Interest Income	2,600	2,600	2,543	(57)
Housing grant repayment	-	-	4,000	4,000
Clerk repayment	-	-	-	-
Miscellaneous Income	500	500	11,377	10,877
TOTAL MISCELLANEOUS	<u>3,100</u>	<u>3,100</u>	<u>17,920</u>	<u>14,820</u>
TOTAL RECEIPTS	<u>259,713</u>	<u>259,713</u>	<u>299,836</u>	<u>39,841</u>

(Continued on page 19)

CITY OF CANTON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE - CASH BASIS - Continued
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		2020 Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
GENERAL GOVERNMENT				
Mayor & Council Salaries	\$ 3,300	\$ 3,300	\$ 3,300	\$ -
City Clerk	29,055	29,055	29,055	-
Office Expense	3,000	3,000	9,243	6,243
Assessor, Accounting & Legal	13,000	13,000	17,952	4,952
Insurance	18,000	18,000	17,018	(982)
Utilities & Telephone	16,200	16,200	15,257	(943)
General Government - Other	5,700	5,700	6,108	408
Capital outlay	-	-	23,830	23,830
TOTAL GENERAL GOVERNMENT	<u>88,255</u>	<u>88,255</u>	<u>121,763</u>	<u>33,508</u>
PUBLIC SAFETY				
Police Expense	24,000	24,000	24,000	-
Ambulance Expense	3,114	3,114	3,114	-
TOTAL PUBLIC SAFETY	<u>32,996</u>	<u>32,996</u>	<u>39,194</u>	<u>6,198</u>
STREETS AND HIGHWAYS				
Salaries	54,345	62,945	64,244	1,299
Street Maintenance & Repair	60,000	60,000	56,342	(3,658)
City Truck Expenses	3,000	3,000	1,982	(1,018)
Capital Outlay	10,000	10,000	10,427	(427)
TOTAL STREETS AND HIGHWAYS	<u>127,345</u>	<u>135,945</u>	<u>132,995</u>	<u>(3,804)</u>
CULTURE & RECREATION				
Building & Cleaning	-	-	600	600
Culture & Recreation	3,000	3,000	2,399	(601)
TOTAL CULTURE & RECREATION	<u>3,000</u>	<u>3,000</u>	<u>2,999</u>	<u>(1)</u>
ECONOMIC DEVELOPMENT				
Economic Development Expenses	1,000	1,000	225	(775)
TOTAL DISBURSEMENTS	<u>252,596</u>	<u>261,196</u>	<u>297,176</u>	<u>35,126</u>
NET CHANGE IN CASH FUND BALANCES	<u>7,117</u>	<u>(1,483)</u>	<u>2,660</u>	<u>4,715</u>
CASH FUND BALANCE - DECEMBER 31	<u>\$ 255,687</u>	<u>\$ 247,087</u>	<u>\$ 251,230</u>	<u>\$ 4,715</u>

CITY OF CANTON, MINNESOTA
OTHER SUPPLEMENTARY INFORMATION

CITY OF CANTON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

<u>ASSETS</u>	<u>Water, Sewer & Garbage Fund</u>
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 32,005
Investments	109,912
Accounts Receivable	<u>12,569</u>
TOTAL CURRENT ASSETS	<u>154,486</u>
NONCURRENT ASSETS	
Equipment	24,971
Sewer Plant	1,661,593
Accumulated Depreciation	<u>(1,311,357)</u>
TOTAL NONCURRENT ASSETS	<u>375,207</u>
TOTAL ASSETS	<u>\$ 529,693</u>
 <u>LIABILITIES AND NET POSITION</u>	
LIABILITIES	
CURRENT LIABILITIES	
Current Portion of Notes and Bonds Payable	\$ 21,000
NONCURRENT LIABILITIES	
Noncurrent Portion of Notes and Bonds Payable	<u>396,500</u>
TOTAL LIABILITIES	<u>417,500</u>
NET POSITION	
Net Investment in Capital Assets	(42,293)
Unrestricted	<u>154,486</u>
TOTAL NET PENSION	<u>112,193</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 529,693</u>

CITY OF CANTON, MINNESOTA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water, Sewer & Garbage			Total
	Water	Sewer	Garbage	Water, Sewer & Garbage
OPERATING REVENUE				
Charges for Services	\$ 61,315	\$ 75,883	\$ 27,453	\$ 164,651
Less: Cost of Sales	-	-	(26,043)	(26,043)
TOTAL OPERATING REVENUE	61,315	75,883	1,410	138,608
OPERATING EXPENSES				
Depreciation	-	83,080	-	83,080
Miscellaneous	1,516	-	-	1,516
Insurance	1,471	1,471	-	2,942
Payroll City Clerk	5,665	5,665	-	11,329
Payroll Maintenance	19,882	19,882	-	39,764
Repairs and Maintenance	7,758	8,083	-	15,841
Supplies	1,506	-	-	1,506
Utilities	25,274	11,825	-	37,099
TOTAL OPERATING EXPENSES	63,072	130,006	-	193,077
NON-OPERATING INCOME				
Interest Income	2,184	-	-	2,184
NON-OPERATING EXPENSE				
Interest Expense	2,054	15,066	-	17,120
Write off Expenses	610	-	-	610
TOTAL NON-OPERATING EXPENSE	2,664	15,066	-	17,730
CHANGE IN NET POSITION	\$ (2,237)	\$ (69,189)	\$ 1,410	(70,015)
TOTAL NET POSITION - BEGINNING				182,208
TOTAL NET POSITION - ENDING				\$ 112,193

CITY OF CANTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Water, Sewer & Garbage			Total
	Water	Sewer	Garbage	Water, Sewer & Garbage
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 62,410	\$ 77,451	\$ 27,982	\$ 167,843
Payments to Suppliers	(36,009)	(21,379)	(26,043)	(83,431)
Payments to Employees	(25,547)	(25,547)	-	(51,093)
Other (Payments)	(2,126)	-	-	(2,126)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,272)</u>	<u>30,526</u>	<u>1,939</u>	<u>31,193</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Paid on Capital Debt	(2,054)	(15,066)	-	(17,120)
Principal Paid on Capital Debt	-	(21,000)	-	(21,000)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,054)</u>	<u>(36,066)</u>	<u>-</u>	<u>(38,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Certificate of Deposit redeemed	25,098	-	-	25,098
Interest Income	2,184	-	-	2,184
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>27,282</u>	<u>-</u>	<u>-</u>	<u>27,282</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				20,355
BALANCES - BEGINNING OF YEAR				<u>11,650</u>
BALANCES - END OF YEAR				<u>\$ 32,005</u>

CITY OF CANTON, MINNESOTA
SCHEDULE OF INDEBTEDNESS, OTHER LONG-TERM LIABILITIES, AND CONTINGENT LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Interest Rate	Issue Date	Final Maturity Date	Outstanding January 1, 2020	Issued In 2020	Paid In 2020	Outstanding December 31, 2020
BONDED INDEBTEDNESS							
General Obligation Revenue							
Sewer Revenue Bond Series 2005	4.25%	6/23/2005	1/1/2045	\$ 330,500	\$ -	\$ 7,500	\$ 323,000
Sewer Revenue Bond Series 2005	4.25%	6/23/2005	1/1/2045	24,000	-	500	23,500
Water Revenue Note Series 2017	2.65%	7/6/2017	2/1/2025	84,000	-	13,000	71,000
TOTAL BONDED INDEBTEDNESS				438,500	-	21,000	417,500
OTHER LONG-TERM INDEBTEDNESS							
Fire Truck Loan 2017	4.65%	4/13/2017	6/15/2024	33,118	-	3,758	29,360
TOTAL INDEBTEDNESS				\$ 471,618	\$ -	\$ 24,758	\$ 446,860

CITY OF CANTON, MINNESOTA
SCHEDULES OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2020

Statement of Accounts Receivable

<u>Fund</u>	<u>Source of Revenue</u>	<u>Amount</u>
Water, Sewer & Garbage	Customer Usage Charges	<u>\$ 12,569</u>

Statement of Accounts Payable

No accounts payable at year end

CITY OF CANTON, MINNESOTA

OTHER REPORT

**INDEPENDENT AUDITORS' REPORT
ON MINNESOTA LEGAL COMPLIANCE**

To the Common Council
City of Canton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the regulatory basis financial statements of the City of Canton, Minnesota (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2021.

The Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories except that we did not test for compliance with the provisions for tax increment financing as they have no such districts.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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 of Canton, Minnesota's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor, and is not intended to be and should not be used by anyone other than those specified parties.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
March 18, 2021