

**CITY OF CANTON,  
MINNESOTA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS'  
REPORT**

**DECEMBER 31, 2022**

# CITY OF CANTON, MINNESOTA

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# CITY OF CANTON, MINNESOTA

## ORGANIZATION

### Elected

Mayor

Cindy Shanks

Council Members

Kristy Ziegler  
Josh Nordsving  
Carl Ernst  
Randy Gossman

### Appointed

Clerk/Treasurer

Anne Koliha

Deputy Clerk

Barb Kerns

Public Works Supervisor

Jon Nordsving

P/T Street Maintenance

Jim Davis



## **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Canton, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the statements of balances arising from cash transactions and the statements of cash receipts, disbursements, and changes in cash fund balances and net cash position for governmental and proprietary funds, and, where applicable cash flows, of the City of Canton, Minnesota (the "City"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the balances arising from cash transactions for governmental funds and proprietary funds of the City, as of December 31, 2022, 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 for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 opinion.

#### ***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 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.

## ***Responsibilities of Management for the Financial Statements***

The City's management is responsible for the preparation 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' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS, 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.

### ***Required Supplementary Information***

The regulatory requirements of the State of Minnesota's Office of the State Auditor require that the budgetary comparison schedule, schedule of indebtedness, other long-term liabilities, and contingent liabilities, and schedules of accounts receivable and accounts payable, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the State of Minnesota's Office of the State Auditor 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.

Management has omitted the management's discussion and analysis and the accrual basis proprietary fund statements that the State of Minnesota's Office of the State Auditor require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required the State of Minnesota's Office of the State Auditor 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. Our opinions on the basic financial statements are not affected by this missing information

### ***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 7, 2023

**CITY OF CANTON, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS**

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Fund	Fire Department	Mitson Fund	
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 192,313	\$ 33,122	\$ 18,825	\$ 244,260
Certificates of Deposit	242,153	-	-	242,153
Notes Receivable	5,000	-	-	5,000
<b>TOTAL ASSETS</b>	<b><u>\$ 439,466</u></b>	<b><u>\$ 33,122</u></b>	<b><u>\$ 18,825</u></b>	<b><u>\$ 491,413</u></b>
 <b>CASH FUND BALANCES</b>				
Assigned	\$ -	\$ 33,122	\$ 18,825	\$ 51,947
Unassigned	439,466	-	-	439,466
<b>TOTAL CASH FUND BALANCES</b>	<b><u>\$ 439,466</u></b>	<b><u>\$ 33,122</u></b>	<b><u>\$ 18,825</u></b>	<b><u>\$ 491,413</u></b>

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, 2022**

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Fund	Fire Department	Mitson Fund	
<b>RECEIPTS</b>				
<b>PROPERTY TAXES</b>				
General Property Taxes	\$ 165,310	\$ -	\$ -	\$ 165,310
<b>LICENSES AND PERMITS</b>				
Business	1,334	-	-	1,334
Non-Business	987	-	-	987
<b>TOTAL LICENSES AND PERMITS</b>	<u>2,321</u>	<u>-</u>	<u>-</u>	<u>2,321</u>
<b>INTERGOVERNMENTAL</b>				
Local Government Aid - State	96,911	-	-	96,911
Other - State	993	1,927	-	2,920
<b>TOTAL INTERGOVERNMENTAL</b>	<u>97,904</u>	<u>1,927</u>	<u>-</u>	<u>99,831</u>
<b>CHARGES FOR SERVICES</b>				
Hall Rental	1,325	-	-	1,325
Culture-Recreation	1,600	-	-	1,600
Fire Department Services	-	16,932	-	16,932
<b>TOTAL CHARGES FOR SERVICES</b>	<u>2,925</u>	<u>16,932</u>	<u>-</u>	<u>19,857</u>
<b>FINES AND FORFEITS</b>				
Court Fines	283	-	-	283
Other Fines and Forfeits	1,658	-	-	1,658
<b>TOTAL FINES AND FORFEITS</b>	<u>1,941</u>	<u>-</u>	<u>-</u>	<u>1,941</u>
<b>MISCELLANEOUS INCOME</b>				
Interest Income	5,766	-	39	5,805
Contributions	8,357	5,400	-	13,757
Miscellaneous Income	31,050	2,000	-	33,050
<b>TOTAL MISCELLANEOUS INCOME</b>	<u>45,173</u>	<u>7,400</u>	<u>39</u>	<u>52,612</u>
<b>TOTAL RECEIPTS</b>	<u>315,574</u>	<u>26,259</u>	<u>39</u>	<u>341,872</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, 2022**

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Fund	Fire Department	Mitson Fund	
<b>DISBURSEMENTS</b>				
<b>GENERAL GOVERNMENT</b>				
Mayor & Council Salaries	\$ 3,250	\$ -	\$ -	\$ 3,250
City Clerk	23,631	-	-	23,631
Supplies	23,614	-	-	23,614
Professional Services	29,326	-	-	29,326
Insurance	15,857	-	429	16,286
Utilities	13,807	-	354	14,161
Repairs and Maintenance	19,643	-	2,990	22,633
Other	726	-	295	1,021
Capital Outlay	72,000	-	-	72,000
<b>TOTAL GENERAL GOVERNMENT</b>	<u>201,854</u>	<u>-</u>	<u>4,068</u>	<u>205,922</u>
<b>PUBLIC SAFETY</b>				
Police Expense	18,240	-	-	18,240
Ambulance Expense	3,410	-	-	3,410
Fire Expense	-	26,179	-	26,179
<b>TOTAL PUBLIC SAFETY</b>	<u>21,650</u>	<u>26,179</u>	<u>-</u>	<u>47,829</u>
<b>STREETS AND HIGHWAYS</b>				
Salaries	67,118	-	-	67,118
<b>CULTURE &amp; RECREATION</b>				
Culture & Recreation	6,940	-	-	6,940
<b>TOTAL DISBURSEMENTS</b>	<u>297,562</u>	<u>26,179</u>	<u>4,068</u>	<u>327,809</u>
<b>OTHER FINANCING (USES)</b>				
Transfers Out	(18,797)	-	-	(18,797)
<b>NET CHANGE IN CASH FUND BALANCES</b>	(785)	80	(4,029)	(4,734)
<b>CASH FUND BALANCES - BEGINNING</b>	<u>440,251</u>	<u>33,042</u>	<u>22,854</u>	<u>496,147</u>
<b>CASH FUND BALANCES - ENDING</b>	<u>\$ 439,466</u>	<u>\$ 33,122</u>	<u>\$ 18,825</u>	<u>\$ 491,413</u>

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, 2022**

<u>ASSETS</u>	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Fund</u>	<u>Enterprise</u>
			<u>Garbage</u>	<u>Funds</u>
<b>CURRENT ASSETS</b>				
Cash & Cash Equivalents (Overdraft)	\$ 133,427	\$ 10,895	\$ (2,349)	\$ 141,973
Certificates of Deposit	-	55,802	-	55,802
<b>TOTAL ASSETS</b>	<b><u>\$ 133,427</u></b>	<b><u>\$ 66,697</u></b>	<b><u>\$ (2,349)</u></b>	<b><u>\$ 197,775</u></b>
 <u>NET CASH POSITION</u>				
Unrestricted	<b><u>\$ 133,427</u></b>	<b><u>\$ 66,697</u></b>	<b><u>\$ (2,349)</u></b>	<b><u>\$ 197,775</u></b>

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, 2022**

	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Water	Sewer	Garbage	
<b>OPERATING REVENUE</b>				
Charges for Services	\$ 110,850	\$ 85,540	\$ 29,641	\$ 226,031
Less: Cost of Sales	-	-	(31,039)	(31,039)
<b>TOTAL OPERATING REVENUE</b>	<u>110,850</u>	<u>85,540</u>	<u>(1,398)</u>	<u>194,992</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	31,046	36,606	-	67,652
Utilities	7,210	11,054	-	18,264
Repairs and Maintenance	16,657	27,030	-	43,687
Supplies	1,724	4,053	-	5,777
Insurance	600	3,570	-	4,170
Other Expenses	3,596	30,475	-	34,071
<b>TOTAL OPERATING EXPENSES</b>	<u>60,833</u>	<u>112,788</u>	<u>-</u>	<u>173,621</u>
<b>NON-OPERATING INCOME</b>				
Interest Income	-	292	-	292
Intergovernmental revenue	9,399	9,399	-	18,798
Other Income	27,525	26,639	-	54,164
Transfers In	9,398	9,399	-	18,797
<b>TOTAL NON-OPERATING INCOME</b>	<u>46,322</u>	<u>45,729</u>	<u>-</u>	<u>92,051</u>
<b>NONOPERATING EXPENSE</b>				
Interest Expense	1,325	14,315	-	15,640
Debt Principal	14,000	25,000	-	39,000
<b>TOTAL NONOPERATING EXPENSE</b>	<u>15,325</u>	<u>39,315</u>	<u>-</u>	<u>54,640</u>
<b>CHANGE IN NET POSITION</b>	81,014	(20,834)	(1,398)	58,782
<b>TOTAL CASH NET POSITION - BEGINNING</b>	<u>52,413</u>	<u>87,531</u>	<u>(951)</u>	<u>138,993</u>
<b>TOTAL CASH NET POSITION - ENDING</b>	<u>\$ 133,427</u>	<u>\$ 66,697</u>	<u>\$ (2,349)</u>	<u>\$ 197,775</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, 2022**

	Major Funds		Nonmajor Fund	Total Enterprise Funds
	Water	Sewer	Garbage	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 110,850	\$ 85,540	\$ 29,641	\$ 226,031
Other Receipts	27,525	26,639	-	54,164
Payments to Suppliers	(25,591)	(42,137)	(31,039)	(98,767)
Payments to Employees	(31,046)	(36,606)	-	(67,652)
Other Payments	(4,196)	(34,045)	-	(38,241)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>77,542</u>	<u>(609)</u>	<u>(1,398)</u>	<u>75,535</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers From Other Funds	9,398	9,399	-	18,797
Capital Grants	9,399	9,399	-	18,798
Interest Paid on Capital Debt	(1,325)	(14,315)	-	(15,640)
Principal Paid on Capital Debt	(14,000)	(25,000)	-	(39,000)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>3,472</u>	<u>(20,517)</u>	<u>-</u>	<u>(17,045)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	81,014	(21,126)	(1,398)	58,490
BALANCES - BEGINNING OF THE YEAR	<u>52,413</u>	<u>32,021</u>	<u>(951)</u>	<u>83,483</u>
<b>BALANCES - END OF THE YEAR</b>	<u><b>\$ 133,427</b></u>	<u><b>\$ 10,895</b></u>	<u><b>\$ (2,349)</b></u>	<u><b>\$ 141,973</b></u>

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

**CITY OF CANTON, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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.

**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 Funds** - 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, 2022

**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 18-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, 2022

**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, 2022, \$215,172 of the City's bank balance of \$715,172 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, 2022

**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 2022. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2022. The City's contributions to the General Employers Fund for the year ended December 31, 2022 were \$8,950.

**Pension Plan Fiduciary Net Position**

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

**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.

**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, 2022**

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
CASH FUND BALANCE - JANUARY 1	\$ 440,251	\$ 440,251	\$ 440,251	\$ -
RECEIPTS				
PROPERTY TAXES				
General Property Taxes	164,568	164,568	165,310	742
LICENSES AND PERMITS				
Business	2,000	2,000	1,334	(666)
Non-Business	-	-	987	987
TOTAL LICENSES AND PERMITS	2,000	2,000	2,321	321
INTERGOVERNMENTAL				
Local Government Aid - State	96,911	96,911	96,911	-
Other - State	-	-	993	993
TOTAL INTERGOVERNMENTAL	96,911	96,911	97,904	993
CHARGES FOR SERVICES				
Hall Rental	1,800	1,800	1,325	(475)
Culture-Recreation Revenue	-	-	1,600	1,600
TOTAL CHARGES FOR SERVICES	1,800	1,800	2,925	1,125
FINES AND FORFEITS				
Court Fines	-	-	283	283
Other Fines and Forfeits	500	500	1,658	1,158
TOTAL FINES AND FORFEITS	500	500	1,941	1,441
MISCELLANEOUS INCOME				
Interest Income	-	-	5,766	5,766
Contributions	8,000	8,000	8,357	357
Miscellaneous Income	2,200	2,200	31,050	28,850
TOTAL MISCELLANEOUS INCOME	10,200	10,200	45,173	34,973
TOTAL RECEIPTS	275,979	275,979	315,574	39,595

(Continued on page 17)

**CITY OF CANTON, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS - Continued**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		2022 Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
<b>GENERAL GOVERNMENT</b>				
Mayor & Council Salaries	\$ 3,300	\$ 3,300	\$ 3,250	\$ 50
City Clerk	34,098	34,098	23,631	10,467
Supplies	14,500	14,500	23,614	(9,114)
Professional Services	22,500	22,500	29,326	(6,826)
Insurance	19,000	19,000	15,857	3,143
Utilities	14,000	14,000	13,807	193
Repairs and Maintenance	1,500	1,500	19,643	(18,143)
Other	-	-	726	(726)
Capital Outlay	65,000	65,000	72,000	(7,000)
<b>TOTAL GENERAL GOVERNMENT</b>	<u>173,898</u>	<u>173,898</u>	<u>201,854</u>	<u>(27,956)</u>
<b>PUBLIC SAFETY</b>				
Police Expense	24,960	24,960	18,240	6,720
Ambulance Expense	2,790	2,790	3,410	(620)
Fire Expense	5,270	5,270	-	5,270
<b>TOTAL PUBLIC SAFETY</b>	<u>33,020</u>	<u>33,020</u>	<u>21,650</u>	<u>11,370</u>
<b>STREETS AND HIGHWAYS</b>				
Salaries	56,497	56,497	67,118	(10,621)
Street Maintenance & Repair	8,500	8,500	-	8,500
<b>TOTAL STREETS AND HIGHWAYS</b>	<u>64,997</u>	<u>64,997</u>	<u>67,118</u>	<u>(2,121)</u>
<b>CULTURE &amp; RECREATION</b>				
Culture & Recreation	4,000	4,000	6,940	(2,940)
<b>TOTAL DISBURSEMENTS</b>	<u>275,915</u>	<u>275,915</u>	<u>297,562</u>	<u>(21,647)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(18,797)	18,797
<b>NET CHANGE IN CASH FUND BALANCES</b>	<u>64</u>	<u>64</u>	<u>(785)</u>	<u>42,445</u>
<b>CASH FUND BALANCE - DECEMBER 31</b>	<u>\$ 440,315</u>	<u>\$ 440,315</u>	<u>\$ 439,466</u>	<u>\$ 42,445</u>

**CITY OF CANTON, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS, OTHER LONG-TERM LIABILITIES, AND CONTINGENT LIABILITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Outstanding January 1, 2022</u>	<u>Issued In 2022</u>	<u>Paid In 2022</u>	<u>Outstanding December 31, 2022</u>
<b>BONDED INDEBTEDNESS</b>							
General Obligation Revenue							
Sewer Revenue Refunding Note Series 2021	2.20%	3/1/2021	1/1/2045	\$ 362,000	\$ -	\$ 25,000	\$ 337,000
Water Revenue Note Series 2017	2.65%	7/6/2017	2/1/2025	<u>57,000</u>	<u>-</u>	<u>14,000</u>	<u>43,000</u>
<b>TOTAL INDEBTEDNESS</b>				<b><u>\$ 419,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 39,000</u></b>	<b><u>\$ 380,000</u></b>

**CITY OF CANTON, MINNESOTA**  
**SCHEDULES OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**Statement of Accounts Receivable**

<u>Fund</u>	<u>Source of Revenue</u>	<u>Amount</u>
Fire Department	Contracted Fire Services	\$ 7,089
Water	Customer Usage Charges	9,177
Sewer	Customer Usage Charges	7,226
Garbage	Customer Usage Charges	2,291
<b>Total</b>		<b><u>\$ 25,783</u></b>

**Statement of Accounts Payable**

<u>Fund</u>	<u>Source of Payable</u>	<u>Amount</u>
General	Fire protection services	\$ 5,270
General	Policing services	11,760
General	Utilities	1,630
General	Payroll withholdings	12,306
General	Sales tax	651
General	Office expenses	214
Water	Utilites	673
Water	Meters	1,138
Water	Engineering fees	1,490
Sewer	Utilites	1,324
Sewer	Sampling	199
Garbage	December Services	2,403
<b>Total</b>		<b><u>\$ 39,058</u></b>

**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, 2022, and the related notes to the financial statements, and have issued our report thereon dated March 7, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that City of Canton, Minnesota failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public 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.

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 7, 2023