

**CITY OF CANTON, MINNESOTA**

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**



**CITY OF CANTON, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**TABLE OF CONTENTS**

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
City Officials	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1
Basic Financial Statements	
Statement of Net Cash Position	4
Statement of Activities Arising from Cash Transactions	5
Statement of Balances Arising from Cash	
Transactions - Governmental Funds	7
Statement of Cash Receipts, Disbursements, and Changes in	
Cash Fund Balances - Governmental Funds	9
Budgetary Comparison Schedule - Modified Cash Basis - General Fund	11
Budgetary Comparison Schedule - Modified Cash Basis - Fire Department Fund	13
Statement of Balances Arising from Cash	
Transactions - Proprietary Funds	14
Statement of Receipts, Disbursements, and Changes in	
Net Cash Position - Proprietary Funds	15
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	16
Notes to the Financial Statements	17-28
Required Supplementary Information	
Schedule of City Contributions	
General Employee Retirement Fund	29
Schedule of Proportionate Share of Net Pension Liability	
General Employee Retirement Fund	30
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of City Indebtedness	31
Schedule of Accounts Receivable	32
Schedule of Accounts Payable and Contingent Liabilities	32
Auditor's Report on Compliance	33
Schedule of Findings and Responses	34
Corrective Action Plan	35

**(This Page is Left Blank Intentionally)**

**CITY OF CANTON, MINNESOTA**

**INTRODUCTORY SECTION**

**(This Page is Left Blank Intentionally)**

**CITY OF CANTON, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2023**

Josh Nordsving	Mayor
Randy Gossman	Council Member
Jen Dowling	Council Member
Jason Magnuson	Council Member
Kristy Ziegler	Council Member
Anne Koliha	City Clerk/Treasurer

**(This Page is Left Blank Intentionally)**



**CITY OF CANTON, MINNESOTA**  
**FINANCIAL SECTION**

**(This Page is Left Blank Intentionally)**

## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Members  
of the City Council  
**City of Canton, Minnesota**

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

#### ***Opinions***

We have audited the modified cash basis financial statements of the governmental activities, business-type activities, and each major fund of the City of Canton, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Canton, Minnesota as of December 31, 2023, and the respective changes in financial position—modified cash basis and budgetary results thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### ***Basis of Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 of Canton, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

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 City of Canton, Minnesota'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 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 of Canton, Minnesota'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 of Canton, Minnesota'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***

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 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.

The City of Canton, Minnesota, has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basis of the financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Minnesota's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is 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 included in the report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

### ***Report on Summarized Comparative Information***

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2022, from which such partial information was derived.

The financial statements for the City as of and for the year ended December 31, 2022 were audited by other auditors whose report was dated March 7, 2023, expressed an unmodified opinion on those financial statements.

*Smith, Schafn and Associates, Ltd.*

**(This Page is Left Blank Intentionally)**

**CITY OF CANTON, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**(This Page is Left Blank Intentionally)**



**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF NET CASH POSITION**

December 31, 2023

*With Comparative Totals for December 31, 2022*

	Governmental Activities	Business-Type Activities	Totals	
			2023	2022
<b>CASH ASSETS</b>				
Cash and investments	\$ 530,262	\$ 252,820	\$ 783,082	\$ 689,188
Internal balances	1,692	(1,692)		
Total Cash Assets	<u>\$ 531,954</u>	<u>\$ 251,128</u>	<u>\$ 783,082</u>	<u>\$ 689,188</u>
<b>NET CASH POSITION</b>				
Unrestricted	<u>\$ 531,954</u>	<u>\$ 251,128</u>	<u>\$ 783,082</u>	<u>\$ 689,188</u>

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS**

For the Year Ended December 31, 2023  
*With Comparative Totals for December 31, 2022*

<b>Functions/Programs</b>	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 122,341	\$ 3,589	\$ 1,817	\$
Public safety	87,959	24,976	22,817	
Streets and highway	69,425		15,002	
Culture and recreation	30,532			
Total governmental activities	310,257	28,565	39,636	
Business-Type activities:				
Water	67,559	115,854		
Sewer	98,541	88,448		
Garbage		657		
Total business-type activities	166,100	204,959		
Total	\$ 476,357	\$ 233,524	\$ 39,636	\$

General receipts:  
    General property taxes  
    Grants and contributions not restricted to specific programs  
    Interest earnings  
    Miscellaneous  
    Transfers, net  
    Total general receipts

Change in net cash position

Net cash position - beginning

Net cash position - ending

Net Cash Sources (Uses)  
and Changes in Net Cash Position

Governmental Activities	Business-Type Activities	Totals	
		2023	2022
\$ (116,935)	\$	\$ (116,935)	\$ (193,919)
(40,166)		(40,166)	(21,629)
(54,423)		(54,423)	(67,118)
(30,532)		(30,532)	(5,340)
(242,056)		(242,056)	(288,006)
	48,295	48,295	34,692
	(10,093)	(10,093)	(66,563)
	657	657	(1,398)
	38,859	38,859	(33,269)
(242,056)	38,859	(203,197)	(321,275)
167,841		167,841	165,310
102,812		102,812	116,702
7,037	582	7,619	6,097
14,818	4,001	18,819	87,214
(9,911)	9,911		
282,597	14,494	297,091	375,323
40,541	53,353	93,894	54,048
491,413	197,775	689,188	635,140
\$ 531,954	\$ 251,128	\$ 783,082	\$ 689,188

**(This Page is Left Blank Intentionally)**

**CITY OF CANTON, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2023**  
**With Comparative Totals for December 31, 2022**

	General Fund	Fire Department Fund	Mitson Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 448,620	\$ 51,816	\$ 15,364
Notes receivable			
Due from other funds	1,692		
<b>TOTAL ASSETS</b>	<u><u>\$ 450,312</u></u>	<u><u>\$ 51,816</u></u>	<u><u>\$ 15,364</u></u>
 <b>CASH FUND BALANCE</b>			
Assigned	\$	\$ 51,816	\$ 15,364
Unassigned	450,312		
<b>CASH FUND BALANCE</b>	<u><u>\$ 450,312</u></u>	<u><u>\$ 51,816</u></u>	<u><u>\$ 15,364</u></u>

Ballpark Fund	Total Governmental Funds	
	2023	2022
\$ 14,462	\$ 530,262	\$ 484,064
		5,000
	1,692	2,349
<u>\$ 14,462</u>	<u>\$ 531,954</u>	<u>\$ 491,413</u>
\$ 14,462	\$ 81,642	\$ 51,947
	450,312	439,466
<u>\$ 14,462</u>	<u>\$ 531,954</u>	<u>\$ 491,413</u>

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH FUND BALANCE**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2023  
*With Comparative Totals for the Year Ended December 31, 2022*

	General Fund	Fire Department Fund	Mitson Fund
<b>RECEIPTS</b>			
Property taxes	\$ 167,841	\$	\$
Licenses and permits	1,465		
Intergovernmental revenues	111,905	4,560	
Charges for services	2,124	24,976	
Fines and forfeits	384		
Refunds and reimbursements	2,728		
Interest income	6,952		
Contributions and donations	1,617	8,980	
Miscellaneous revenues	21,524	4,000	998
Total Receipts	<u>316,540</u>	<u>42,516</u>	<u>998</u>
<b>DISBURSEMENTS</b>			
Current			
General government	134,762		
Public safety	39,170	19,385	
Street and highway	68,271		
Culture and recreation	4,280		4,459
Capital outlay	17,750	14,977	
Total Disbursements	<u>264,233</u>	<u>34,362</u>	<u>4,459</u>
Receipts over (under) disbursements	<u>52,307</u>	<u>8,154</u>	<u>(3,461)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		10,540	
Transfers out	(41,461)		
Total other financing sources (uses)	<u>(41,461)</u>	<u>10,540</u>	
Net change in cash fund balance	10,846	18,694	(3,461)
<b>CASH FUND BALANCES, BEGINNING</b>	<u>439,466</u>	<u>33,122</u>	<u>18,825</u>
<b>CASH FUND BALANCES, ENDING</b>	<u><u>\$ 450,312</u></u>	<u><u>\$ 51,816</u></u>	<u><u>\$ 15,364</u></u>

**See Notes to the Financial Statements**



Ballpark Fund	Total Governmental Funds	
	2023	2022
\$	\$ 167,841	\$ 165,310
	1,465	2,321
	116,465	99,831
	27,100	19,857
	384	1,941
	2,728	
85	7,037	5,805
	10,597	13,757
570	27,092	33,050
655	360,709	341,872
	134,762	205,922
	58,555	47,829
	68,271	67,118
7,203	15,942	6,940
	32,727	
7,203	310,257	327,809
(6,548)	50,452	14,063
21,010	31,550	
	(41,461)	(18,797)
21,010	(9,911)	(18,797)
14,462	40,541	(4,734)
	491,413	496,147
\$ 14,462	\$ 531,954	\$ 491,413

**CITY OF CANTON, MINNESOTA**  
**GENERAL FUND**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
For the Year Ended December 31, 2023  
*With Comparative Totals for the Year Ended December 31, 2022*

	Budgeted Amounts		2023	Variance with	2022
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)	Actual Amounts
<b>Cash Fund Balance, Beginning</b>	<u>\$ 439,466</u>	<u>\$ 439,466</u>	<u>\$ 439,466</u>	<u>\$</u>	<u>\$ 440,251</u>
<b>RECEIPTS</b>					
<b>Local Taxes</b>					
Property taxes collected	<u>169,505</u>	<u>169,505</u>	<u>167,841</u>	<u>(1,664)</u>	<u>165,310</u>
<b>Licenses and Permits</b>					
Business	2,000	2,000	710	(1,290)	1,334
Nonbusiness			755	755	987
Total License and Permits	<u>2,000</u>	<u>2,000</u>	<u>1,465</u>	<u>(535)</u>	<u>2,321</u>
<b>Intergovernmental</b>					
Local government aid	97,566	97,566	97,566		96,911
Market value credit			686	686	
Other state aid	8,000	8,000	13,653	5,653	993
Total Intergovernmental	<u>105,566</u>	<u>105,566</u>	<u>111,905</u>	<u>6,339</u>	<u>97,904</u>
<b>Charges for Services</b>					
Town Hall rent	<u>1,800</u>	<u>1,800</u>	<u>2,124</u>	<u>324</u>	<u>1,325</u>
<b>Fines and Forfeits</b>	<u>500</u>	<u>500</u>	<u>384</u>	<u>(116)</u>	<u>1,941</u>
<b>Interest Income</b>			<u>6,952</u>	<u>6,952</u>	<u>5,766</u>
<b>Miscellaneous</b>					
Refunds and reimbursements	1,400	1,400	2,728	1,328	
Dividends			604	604	
Donations			1,617	1,617	9,957
Other			20,920	20,920	31,050
Total Miscellaneous	<u>1,400</u>	<u>1,400</u>	<u>25,869</u>	<u>24,469</u>	<u>41,007</u>
<b>TOTAL RECEIPTS</b>	<u>280,771</u>	<u>280,771</u>	<u>316,540</u>	<u>35,769</u>	<u>315,574</u>
<b>Amounts Available for Appropriation</b>	<u>\$ 720,237</u>	<u>\$ 720,237</u>	<u>\$ 756,006</u>	<u>\$ 35,769</u>	<u>\$ 755,825</u>

**See Notes to the Financial Statements**

**CITY OF CANTON, MINNESOTA**  
**GENERAL FUND**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
For the Year Ended December 31, 2023  
*With Comparative Totals for the Year Ended December 31, 2022*

	Budgeted Amounts		2023	Variance with	2022
	Original	Final	Actual	Final Budget - Positive (Negative)	Actual
<b>DISBURSEMENTS</b>					
<b>General Government</b>					
Mayor/Council	\$ 4,300	\$ 4,300	\$ 4,300	\$	\$ 3,250
Clerk/Treasurer	40,248	40,248	42,081	(1,833)	23,631
Office supplies	12,000	12,000	7,293	4,707	23,614
Repairs and maintenance	44,000	44,000	20,291	23,709	19,643
Professional services	26,500	26,500	26,431	69	29,326
Training	500	500	55	445	
Insurance	19,000	19,000	17,876	1,124	15,857
Utilities	17,000	17,000	14,427	2,573	13,807
Miscellaneous	3,000	3,000	2,008	992	726
Capital outlay			17,750	(17,750)	72,000
Total General Government	166,548	166,548	152,512	14,036	201,854
<b>Public Safety</b>					
Police contracted services	24,960	24,960	35,760	(10,800)	18,240
Ambulance contracted services	3,410	3,410	3,410		3,410
Total Public Safety	28,370	28,370	39,170	(10,800)	21,650
<b>Streets and Highway</b>					
Salaries and wages	58,552	58,552	60,556	(2,004)	67,118
Supplies			5,330	(5,330)	
Repairs and maintenance	8,000	8,000	2,385	5,615	
Total Street and Highway	66,552	66,552	68,271	(1,719)	67,118
<b>Culture and Recreation</b>					
Other	7,220	7,220	4,280	2,940	6,940
<b>TOTAL DISBURSEMENTS</b>	268,690	268,690	264,233	4,457	297,562
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer out	(5,270)	(5,270)	(41,461)	(36,191)	(18,797)
<b>NET CHANGE IN CASH FUND BALANCES</b>	6,811	6,811	10,846	4,035	(785)
<b>Cash Fund Balance, Ending</b>	<u>\$ 446,277</u>	<u>\$ 446,277</u>	<u>\$ 450,312</u>	<u>\$ 4,035</u>	<u>\$ 439,466</u>

**See Notes to the Financial Statements**

**CITY OF CANTON, MINNESOTA**  
**FIRE DEPARTMENT FUND**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
For the Year Ended December 31, 2023  
*With Comparative Totals for the Year Ended December 31, 2022*

	Budgeted Amounts		2023	Variance with	2022
	Original	Final	Actual	Final Budget -	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>Cash Fund Balance, Beginning</b>	\$ 33,122	\$ 33,122	\$ 33,122	\$	\$ 33,042
<b>RECEIPTS</b>					
Charges for Services	17,407	17,407	24,976	7,569	16,932
Intergovernmental revenue	2,000	2,000	4,560	2,560	1,927
Miscellaneous					
Contributions and donations	5,000	5,000	8,980	3,980	5,400
Refunds and reimbursements			4,000	4,000	2,000
Total Miscellaneous	7,000	7,000	12,980	7,980	7,400
<b>TOTAL RECEIPTS</b>	24,407	24,407	42,516	18,109	26,259
<b>Amounts Available for Appropriation</b>	\$ 57,529	\$ 57,529	\$ 75,638	\$ 18,109	\$ 59,301
<b>DISBURSEMENTS</b>					
Salaries and wages	\$ 8,000	\$ 8,000	\$ 8,722	\$ (722)	\$ 9,950
Utilities	3,500	3,500	3,299	201	3,240
Supplies	3,000	3,000	1,288	1,712	1,730
Insurance	1,900	1,900	2,506	(606)	1,817
Training and instruction					6,810
Professional services	900	900	1,350	(450)	1,027
Other	2,000	2,000	2,220	(220)	1,523
Capital outlay	4,250	4,250	14,977	(10,727)	82
<b>TOTAL DISBURSEMENTS</b>	23,550	23,550	34,362	(10,812)	26,179
<b>OTHER FINANCING SOURCES</b>					
Transfers in	5,270	5,270	10,540	5,270	
Net change in Cash Fund Balance	6,127	6,127	18,694	12,567	80
<b>Cash Fund Balance, Ending</b>	\$ 39,249	\$ 39,249	\$ 51,816	\$ 12,567	\$ 33,122

See Notes to the Financial Statements

**CITY OF CANTON, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Balances Arising From Cash Transactions**  
December 31, 2023  
*With Comparative Totals for December 31, 2022*

	Enterprise Funds			Totals	
	Water	Sewer	Garbage	2023	2022
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and investments	\$ 181,722	\$ 71,098	\$	\$ 252,820	\$ 197,775
<b>CASH FUND BALANCE</b>					
<b>Liabilities</b>					
Due to other funds	\$	\$	\$ 1,692	\$ 1,692	\$ 2,349
<b>Net Cash Position</b>					
Unrestricted	181,722	71,098	(1,692)	251,128	197,775
<b>Total Liabilities and Cash Net Position</b>	\$ 181,722	\$ 71,098	\$	\$ 252,820	\$ 200,124

**See Notes to the Financial Statements**

**CITY OF CANTON, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Receipts, Disbursements and Changes in Net Cash Position**  
For the Year Ended December 31, 2023  
*With Comparative Totals for the Year Ended December 31, 2022*

	Water	Sewer	Garbage	Totals	
				2023	2022
<b>Operating Receipts</b>					
Charges for services	\$ 115,854	\$ 88,448	\$ 30,137	\$ 234,439	\$ 226,031
Less: Cost of Sales			(29,480)	(29,480)	(31,039)
Total Operating Receipts	115,854	88,448	657	204,959	194,992
<b>Operating Disbursements</b>					
Salaries and wages	33,859	39,547		73,406	67,652
Utilities	7,350	12,027		19,377	18,264
Repairs and maintenance	5,389	8,590		13,979	43,687
Supplies	1,979	5,296		7,275	5,777
Insurance	902	5,192		6,094	4,170
Other	3,126	8,475		11,601	34,071
Total Operating Disbursements	52,605	79,127		131,732	173,621
<b>Operating Cash Income</b>	63,249	9,321	657	73,227	21,371
<b>Nonoperating Receipts (Disbursements)</b>					
Interest income		582		582	292
Intergovernmental revenue					18,798
Other income		4,001		4,001	54,164
Bond interest	(954)	(7,414)		(8,368)	(15,640)
Bond principal	(14,000)	(12,000)		(26,000)	(39,000)
Total Nonoperating Receipts (Disbursements)	(14,954)	(14,831)		(29,785)	18,614
<b>Net Income (Loss) Before Transfers</b>	48,295	(5,510)	657	43,442	21,371
Transfers in		9,911		9,911	18,797
<b>Change in Net Cash Position</b>	48,295	4,401	657	53,353	58,782
<b>Net Cash Position, January 1</b>	133,427	66,697	(2,349)	197,775	138,993
<b>Net Cash Position, December 31</b>	\$ 181,722	\$ 71,098	\$ (1,692)	\$ 251,128	\$ 197,775

**See Notes to the Financial Statements**

**CITY OF CANTON, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows - Modified Cash Basis**  
For the Year Ended December 31, 2023  
*With Comparative Totals for the Year Ended December 31, 2022*

	Enterprise Funds			Totals	
	Water	Sewer	Garbage	2023	2022
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 115,854	\$ 88,448	\$ 30,137	\$ 234,439	\$ 226,031
Cash received from others		4,001		4,001	54,164
Cash paid to suppliers	(18,746)	(39,580)	(29,480)	(87,806)	(137,008)
Cash paid to employees	(33,859)	(39,547)		(73,406)	(67,652)
Net Cash Provided By Operating Activities	63,249	13,322	657	77,228	75,535
<b>Cash Flows From Noncapital Finances</b>					
Due to other funds			1,692	1,692	
<b>Cash Flows From Capital And Related Financing Activities</b>					
Transfer from other funds		9,911		9,911	18,797
Capital grants					18,798
Interest paid on long-term debt	(954)	(7,414)		(8,368)	(15,640)
Principal paid on long-term debt	(14,000)	(12,000)		(26,000)	(39,000)
Net Cash Used In Capital And Related Financing Activities	(14,954)	(9,503)		(24,457)	(17,045)
<b>Cash Flows From Investing Activities</b>					
Interest income		582		582	
<b>NET INCREASE IN CASH AND INVESTMENTS</b>	48,295	4,401	2,349	55,045	58,490
<b>CASH AND INVESTMENTS, BEGINNING OF YEAR</b>	133,427	66,697	(2,349)	197,775	139,285
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<u>\$ 181,722</u>	<u>\$ 71,098</u>	<u>\$</u>	<u>\$ 252,820</u>	<u>\$ 197,775</u>

**See Notes to the Financial Statements**

**(THIS PAGE IS LEFT BLANK INTENTIONALLY)**



**CITY OF CANTON, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS

---

#### 1. Summary of Significant Accounting Policies

---

The City of Canton, Minnesota was first 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 City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. Four Council members are each elected to four year terms and the Mayor is elected to a two year term.

The accounting policies of the City of Canton, Minnesota, do not conform to generally accepted accounting principles as applicable to governments. The City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the regulatory basis of accounting and budget laws of Minnesota, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies.

##### Reporting Entity

The financial reporting entity consists of the primary government and the component units for which the primary government is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization’s governing body and has the ability to impose its will on that governing body; or there is a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the primary government. The City of Canton has no component units as indicated under Government Accounting Standards. Certain organizations have been excluded from the City’s financial statements as follows:

##### *Excluded –*

Fire Relief Association – This association is organized as a non-profit organization by its members to provide pension and other benefits to such members in accordance with Minnesota statutes. Their board of directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota statutes, whereby state aids flow to the association, tax levies are determined by the association and are only reviewed by the City, and the association pays benefits directly to its members.

##### Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are as follows:

##### Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for special purposes.

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 1. Summary of Significant Accounting Policies (Continued)

---

##### Proprietary Funds

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts and disbursements of the City's enterprise fund are charges to customers for services and administrative disbursements. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

##### Basis of Accounting

The City of Canton, Minnesota follows the modified cash basis of accounting for all funds. The modified cash basis of accounting recognizes revenues and expenditures only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses and inventories and accordingly, are not presented in accordance with accounting principles generally accepted in the United States of America. These procedures are in accordance with the Reporting Requirements as prescribed by the Minnesota Office of the State Auditor for Cities under 2,500 in Population, which practices differ from accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

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

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

The *Mitson Fund* accounts for activities related to the Mitson Project.

The *Ballpark Fund* accounts for activities related to the City's Ballpark.

The City reports the following major proprietary fund:

The *Water Fund* accounts for the water service charges, which are used to finance operations of the water systems.

The *Sewer Fund* accounts for the sewer service charges, which are used to finance operations of the sewer systems.

The *Garbage Fund* accounts for the garbage service charges, which are used to finance operations of the garbage utility.

##### Cash and Investments

Except where otherwise required, the City maintains all deposits in accounts in the name of the City. The deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and cash equivalents which is under the management of the City.

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 1. Summary of Significant Accounting Policies (Continued)

---

##### Interfund Transactions

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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

##### Property Taxes

Property taxes are formally levied by resolution on or before December 15 and are collectible by the County after January 1. The City receives taxes in three installments in June, November, and January of the following year.

The property tax levy in 2023 includes certain state credits, which are distributed to the City directly by the state. These credits are classified as intergovernmental receipts.

##### Long-Term Debt

All long-term debt of the City has been included in the Statement of City Indebtedness. See the Statement of City Indebtedness and Schedule of Principal and Interest Payments for details of interest rates and payments terms.

The General Obligation Water Revenue Note of 2017 was issued July 6, 2017 in the amount of \$97,000 for water system improvements

The General Obligation Sewer Revenue Note of 2021 was issued February 10, 2021 in the amount of \$362,000 to refinance the General Obligation Sewer Revenue Bonds of 2005

##### Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation.

##### Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2022, from which the summarized information is derived.

**CITY OF CANTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**2. Cash and Investments**

---

*Collateralization of Cash Deposits*

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statements of Balances Arising from Cash Transactions as "Cash and Investments." In accordance with Minnesota statutes the City maintains deposits at a financial institution as authorized by the City Council.

The City's deposits are not entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk and follows Minnesota statutes for deposits. The City's deposits are entirely covered by federal.

*Summary of Cash and Investments*

As of December 31, 2023, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$ 520,280
Non-Negotiable CDs	262,802
	<u>\$ 783,082</u>

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 2. Cash and Investments (Continued)

---

##### Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no assets measured at fair value in a recurring basis noted at the City in 2023.

**CITY OF CANTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. Long-Term Debt**

The long-term debt obligations outstanding are summarized below:

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2021A Sewer Revenue Refunding Note	\$ 337,000	\$	\$ 12,000	\$ 325,000	\$
2017A Water Revenue Note	43,000		14,000	29,000	14,000
Total Business-Type Activities					
Long-term Liabilities	<u>\$ 380,000</u>	<u>\$</u>	<u>\$ 26,000</u>	<u>\$ 354,000</u>	<u>\$ 14,000</u>

The General Obligation Revenue Notes are payable primarily from the revenues generated through charges to customers for water and sewer services. The Notes are backed by the full faith and credit of the City.

The annual debt service requirements to maturity including principal and interest, as of December 31, 2023, are as follows:

Due Date	2017A GO Utility Revenue Note		2021A GO Sewer Revenue Refunding Note		Total
	Principal	Interest	Principal	Interest	
Business-Type Activities					
2024	\$ 14,000	\$ 583	\$	\$	\$ 14,583
2025	15,000	199	12,000	7,150	34,349
2026			12,000	6,886	18,886
2027			13,000	6,622	19,622
2028			13,000	6,336	19,336
2029-2033			70,000	27,258	97,258
2034-2038			79,000	19,118	98,118
2039-2043			88,000	10,054	98,054
2044-2045			38,000	1,254	39,254
	<u>\$ 29,000</u>	<u>\$ 782</u>	<u>\$ 325,000</u>	<u>\$ 84,678</u>	<u>\$ 439,460</u>

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 4. Defined Benefit Pension Plans - Statewide

---

##### Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employee 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.

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

##### Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for member retiring before full retirement age.



CITY OF CANTON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2023, were \$8,932. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2023, the City reported a liability of \$83,878 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a deduction 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 \$2,250.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0015 percent at the end of the measurement period and 0.0017 percent for the beginning of the period.

City's proportionate share of net pension liability	\$ 83,878
State of Minnesota's proportionate share of the net	
pension liability associated with the City	<u>2,250</u>
Total	<u>\$ 86,128</u>

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 4. Defined Benefit Pension Plans – Statewide (Continued)

---

##### Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

##### Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

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

CITY OF CANTON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

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

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund 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.

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:

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
	General Employee Fund	
1% Lower	6.00%	\$ 148,387
Current Discount Rate	7.00%	83,878
1% Higher	8.00%	30,817

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).

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

#### 5. Cash Fund Balance

In accordance with Governmental Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City of Canton classifies governmental fund balances as follows:

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The city council, by majority vote, may assign fund balance to be used for specific purposes when appropriate. The council also delegates the power to assign fund balance to the city clerk.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The City would first use assigned and then unassigned amounts of unrestricted fund balance when expenditures are made. The City has not adopted a formal minimum fund balance policy.

---

#### 6. Assigned Cash Fund Balances

As of December 31, 2023 and 2022, the City had assigned cash fund balances as follows:

	2023	2022
Assigned for:		
Fire Department Fund	\$ 51,816	\$ 33,122
Mitson Fund	15,364	18,825
Ballpark Fund	14,462	
Total Assigned Cash Fund Balances	<u>\$ 81,642</u>	<u>\$ 51,947</u>

---

#### 7. Individual Fund Disclosures

At December 31, 2023, the following fund had a deficit fund balance:

Garbage Fund	\$ 1,692
--------------	----------

Amounts due to and from other funds as of December 31, 2023, at the individual fund level are summarized below:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,692	\$
Garbage Fund		1,692

## **CITY OF CANTON, MINNESOTA**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

#### **8. 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. The City has purchased commercial insurance policies to handle any losses arising from various risks. During the year ended December 31, 2023, there were no significant changes in insurance coverage from the prior year and there have been no significant settlements for the last four years.

**(THIS PAGE IS LEFT BLANK INTENTIONALLY)**

**CITY OF CANTON, MINNESOTA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**DECEMBER 31, 2023**

**CITY OF CANTON, MINNESOTA**  
**Schedules of City Contributions**  
**December 31, 2023**

**PERA General Employees Retirement Fund**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2016	\$ 11,649	\$ 11,649	\$	\$ 155,320	7.50%
2017	11,484	11,484		153,120	7.50%
2018	12,282	12,282		163,760	7.50%
2019	10,301	10,301		137,347	7.50%
2020	9,055	9,055		120,733	7.50%
2021	9,224	9,224		122,987	7.50%
2022	9,327	9,327		124,360	7.50%
2023	8,932	8,932		119,093	7.50%



**CITY OF CANTON, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2023**

**PERA General Employees Retirement Fund**

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	City's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (b)	Share of the Net Pension Liability and City's Share of the State of Minnesota's Share of the Net Pension Liability (a+b)	City's Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0025%	\$ 202,988	\$	\$ 202,988	\$ 155,320	130.7%	68.90%
2017	0.0024%	153,214	1,908	155,122	153,120	100.1%	75.90%
2018	0.0024%	133,142	4,405	137,547	163,760	81.3%	75.93%
2019	0.0019%	105,047	3,333	108,380	137,347	76.5%	80.23%
2020	0.0017%	101,923	3,049	104,972	120,733	84.4%	79.06%
2021	0.0017%	72,598	2,278	74,876	122,987	59.0%	87.00%
2022	0.0017%	134,641	3,835	138,476	124,360	108.3%	76.70%
2023	0.0015%	83,878	2,250	86,128	119,093	70.4%	83.10%

**(This Page is Left Blank Intentionally)**

**CITY OF CANTON, MINNESOTA**  
**SUPPLEMENTAL INFORMATION**  
**DECEMBER 31, 2023**

**CITY OF CANTON, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS**  
For the Year Ended December 31, 2023

Business-Type Activities	Rate	Issue Date	Final Maturity Date	Outstanding 1/1/23	Issued	Retired	Outstanding 12/31/23
2021A Sewer Revenue Refunding Note	2.20%	3/1/2021	1/1/2045	\$ 337,000	\$	\$ 12,000	\$ 325,000
2017A Water Revenue Note	2.65%	7/6/2017	2/1/2025	43,000		14,000	29,000
Total Business-Type Activities				<u>\$ 380,000</u>	<u>\$</u>	<u>\$ 26,000</u>	<u>\$ 354,000</u>
Long-term Liabilities							

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF DEBT PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2023**

Due Date	2017A GO Utility Revenue Note		2021A GO Sewer Revenue Refunding Note		Total
	Principal	Interest	Principal	Interest	
<b>Business-Type Activities</b>					
2024	\$ 14,000	\$ 583	\$	\$	\$ 14,583
2025	15,000	199	12,000	7,150	34,349
2026			12,000	6,886	18,886
2027			13,000	6,622	19,622
2028			13,000	6,336	19,336
2029-2033			70,000	27,258	97,258
2034-2038			79,000	19,118	98,118
2039-2043			88,000	10,054	98,054
2044-2045			38,000	1,254	39,254
	<u>\$ 29,000</u>	<u>\$ 782</u>	<u>\$ 325,000</u>	<u>\$ 84,678</u>	<u>\$ 439,460</u>

**CITY OF CANTON, MINNESOTA**  
**SCHEDULE OF ACCOUNTS RECEIVABLE**  
**(UNAUDITED)**  
**DECEMBER 31, 2023**

Fund	Source of Revenue and Purpose	Amount
Water	Customer user charges	\$ 11,194
Sewer	Customer user charges	8,910
Refuse	Customer user charges	2,742
General	January tax settlement	583
Total Accounts Receivable		<u>\$ 23,429</u>

**CITY OF CANTON, MINNESOTA**  
**SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES**  
**(UNAUDITED)**  
**DECEMBER 31, 2023**

Fund	Vendor Name	Item and Purpose	Subsequent Check Number	Amount
General	IRS	Monthly Withholdings	000461	\$ 3,903
	Minnesota Department of Revenue	Monthly Withholdings	000462	491
	PERA	Monthly Withholdings	000463	1,441
	Bergey Farms	Tractor rental for land application	007464	240
	Carolina Hershberger	City Hall Cleaning (Nov.-Dec.)	007465	162
	Fillmore County	Special Assessment Fee	007466	50
	Gopher State One Call	Locates	007468	3
	Nethercut Schieber PA	December legal fees	007472	30
Garbage	Richards Sanitation	Monthly Garbage Service	007474	2,493
Sewer	Utility Consultants	Sampling	007476	6,912
Total Accounts Payable and Contingent Liabilities				<u>\$ 15,725</u>

**(This Page is Left Blank Intentionally)**

**MINNESOTA LEGAL COMPLIANCE****Independent Auditor's Report**

Honorable Mayor and Members  
of the City Council  
City of Canton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Canton, Minnesota as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2024.

In connection with our audit, we noted that the City of Canton, Minnesota failed to comply with the provisions of the depositories of public funds and public investments of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2023-001. Also, in connection with our audit, nothing came to our attention that cause us to believe that City of Canton, Minnesota failed to comply with the provision of the contracting – bid laws, 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.

City of Canton, Minnesota's response to the findings identified in our audit is described in the Schedule of Findings and Responses as items 2023-01. City of Canton, Minnesota's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion.

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

*Smith, Schaffer and Associates, Ltd.*

Rochester, Minnesota  
March 19, 2024

**CITY OF CANTON, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2023**

**FINDING – 2023-001: COMPLIANCE**

Condition: In accordance with the depositories of public fund and public investments section of the *Minnesota Legal Compliance Audit Guide for Cities*, the City did not have sufficient collateral coverage.

Criteria: The City should have controls in place to ensure proper collateral coverage is obtained for all City bank accounts over the FDIC limit of \$250,000.

Questioned Costs: None

Context: The City informed us they will implement proper controls to ensure compliance with *Minnesota Legal Compliance Audit Guide for Cities* and perform internal review to ensure compliance is monitored and changes are made as necessary.

Effect: No effect on the financial statements

Cause: There is not a proper review process to ensure bank has proper collateral coverage for the City's bank account

Recommendation: We recommend that the City adopt a policy to comply with the *Minnesota Legal Compliance Audit Guide for Cities* and perform internal review to ensure compliance is monitored and changes are made as necessary.

Views of Responsible  
Officials and Planned  
Corrective Action Plan: Management agrees with the recommendation. See corresponding Corrective Action Plan.

**CURRENT STATUS:** This finding is new in 2023.





# City of Canton

106 N. Main St. P.O. Box 92

Canton, MN 55922

CantonMN.com (507) 743-5000

## **CORRECTIVE ACTION PLAN (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2023.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

## **RESPONSES: FINDING 2023-001**

### Corrective Action Plan (CAP)

The City will adopt a policy to comply with the *Minnesota Legal Compliance Audit Guide for Cities*.

### Management Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

### Official Responsible for Ensuring CAP

Anne Koliha, Clerk-Treasurer, is the official responsible for ensuring the planned responses.

### Planned Completion Date for CAP

Change will be done immediately.

### Plan to Monitor Completion of CAP

Josh Nordsving, Mayor, will monitor this process.