

**CITY OF CANTON, MINNESOTA**

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**



**CITY OF CANTON, MINNESOTA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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**CITY OF CANTON, MINNESOTA**

**INTRODUCTORY SECTION**

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**CITY OF CANTON, MINNESOTA  
CITY OFFICIALS  
DECEMBER 31, 2024**

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

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**CITY OF CANTON, MINNESOTA**

**FINANCIAL SECTION**

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## 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2024, 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 know 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, 2023, from which such partial information was derived.

We have previously audited the City's 2023 financial statements and our report dated March 19, 2024, expressed unmodified opinions on the respective modified cash basis financial statements of the governmental activities, the business-type activities and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Smith, Schafn and Associates, Ltd.*

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**CITY OF CANTON, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

December 31, 2024

*With Comparative Totals for December 31, 2023*

	Governmental Activities	Business-Type Activities	Totals	
			2024	2023
<b>CASH ASSETS</b>				
Cash and investments	\$ 556,053	\$ 295,870	\$ 851,923	\$ 783,082
<b>NET CASH POSITION</b>				
Unrestricted	\$ 556,053	\$ 295,870	\$ 851,923	\$ 783,082

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS**  
For the Year Ended December 31, 2024  
*With Comparative Totals for December 31, 2023*

<b>Functions/Programs</b>	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 93,844	\$ 3,919	\$ 75	\$
Public safety	85,763	25,896	10,575	
Streets and highway	166,318		4	
Culture and recreation	6,529			
Total governmental activities	<u>352,454</u>	<u>29,815</u>	<u>10,654</u>	
<b>Business-Type activities:</b>				
Water	71,027	111,217		2,314
Sewer	104,725	102,689		
Garbage	29,657	32,480		
Total business-type activities	<u>205,409</u>	<u>246,386</u>		<u>2,314</u>
<b>Total</b>	<u>\$ 557,863</u>	<u>\$ 276,201</u>	<u>\$ 10,654</u>	<u>\$ 2,314</u>

General receipts:

- General property taxes
- Grants and contributions not restricted to specific programs
- Interest earnings
- Miscellaneous
- 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	
		2024	2023
\$ (89,850)	\$	\$ (89,850)	\$ (116,935)
(49,292)		(49,292)	(40,166)
(166,314)		(166,314)	(54,423)
(6,529)		(6,529)	(30,532)
<u>(311,985)</u>		<u>(311,985)</u>	<u>(242,056)</u>
	42,504	42,504	48,295
	(2,036)	(2,036)	(10,093)
	2,823	2,823	657
	<u>43,291</u>	<u>43,291</u>	<u>38,859</u>
<u>(311,985)</u>	<u>43,291</u>	<u>(268,694)</u>	<u>(203,197)</u>
162,095		162,095	167,841
117,504		117,504	102,812
10,814	1,451	12,265	7,619
45,671		45,671	18,819
<u>336,084</u>	<u>1,451</u>	<u>337,535</u>	<u>297,091</u>
24,099	44,742	68,841	93,894
<u>531,954</u>	<u>251,128</u>	<u>783,082</u>	<u>689,188</u>
<u>\$ 556,053</u>	<u>\$ 295,870</u>	<u>\$ 851,923</u>	<u>\$ 783,082</u>

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**CITY OF CANTON, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**December 31, 2024**  
**With Comparative Totals for December 31, 2023**

	General Fund	Fire Department Fund	Mitson Fund
<b>ASSETS</b>			
Cash and investments	\$ 451,965	\$ 75,320	\$ 14,131
Due from other funds			
<b>TOTAL ASSETS</b>	<b>\$ 451,965</b>	<b>\$ 75,320</b>	<b>\$ 14,131</b>
<b>CASH FUND BALANCE</b>			
Assigned	\$	\$ 75,320	\$ 14,131
Unassigned	451,965		
<b>CASH FUND BALANCE</b>	<b>\$ 451,965</b>	<b>\$ 75,320</b>	<b>\$ 14,131</b>

Ballpark Fund	Total Governmental Funds	
	2024	2023
\$ 14,637	\$ 556,053	\$ 530,262
		1,692
<u>\$ 14,637</u>	<u>\$ 556,053</u>	<u>\$ 531,954</u>
\$ 14,637	\$ 104,088	\$ 81,642
	451,965	450,312
<u>\$ 14,637</u>	<u>\$ 556,053</u>	<u>\$ 531,954</u>

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

For the Year Ended December 31, 2024

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

	General Fund	Fire Department Fund	Mitson Fund
<b>RECEIPTS</b>			
Property taxes	\$ 162,095	\$	\$
Licenses and permits	1,795		
Intergovernmental revenues	117,504		
Charges for services	2,124	25,896	
Fines and forfeits	305		
Refunds and reimbursements	2,105		
Interest income	10,639		
Contributions and donations		10,345	
Miscellaneous revenues	2,260	4,710	
Total Receipts	298,827	40,951	
<b>DISBURSEMENTS</b>			
General government	110,410		
Public safety	48,560	18,508	
Street and highway	70,296		
Culture and recreation	3,220		1,233
Capital outlay	92,248	6,379	
Total Disbursements	324,734	24,887	1,233
Receipts over (under) disbursements	(25,907)	16,064	(1,233)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	35,000		
Transfers in		7,440	
Transfers out	(7,440)		
Total other financing sources (uses)	27,560	7,440	
Net change in cash fund balance	1,653	23,504	(1,233)
<b>CASH FUND BALANCES, BEGINNING</b>	450,312	51,816	15,364
<b>CASH FUND BALANCES, ENDING</b>	\$ 451,965	\$ 75,320	\$ 14,131

**See Notes to the Financial Statements**



Ballpark Fund	Total Governmental Funds	
	2024	2023
\$	\$ 162,095	\$ 167,841
	1,795	1,465
	117,504	116,465
	28,020	27,100
	305	384
1,600	3,705	2,728
175	10,814	7,037
	10,345	10,597
	6,970	27,092
<u>1,775</u>	<u>341,553</u>	<u>360,709</u>
	110,410	134,762
	67,068	61,075
	70,296	68,271
1,600	6,053	15,942
	98,627	30,207
<u>1,600</u>	<u>352,454</u>	<u>310,257</u>
<u>175</u>	<u>(10,901)</u>	<u>50,452</u>
	35,000	
	7,440	31,550
	(7,440)	(41,461)
	35,000	(9,911)
175	24,099	40,541
14,462	531,954	491,413
<u>\$ 14,637</u>	<u>\$ 556,053</u>	<u>\$ 531,954</u>

**CITY OF CANTON, MINNESOTA**  
**GENERAL FUND**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
For the Year Ended December 31, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final			
<b>Cash Fund Balance, Beginning</b>	<u>\$ 450,312</u>	<u>\$ 450,312</u>	<u>\$ 450,312</u>	<u>\$</u>	<u>\$ 439,466</u>
<b>RECEIPTS</b>					
<b>Local Taxes</b>					
Property taxes collected	<u>181,370</u>	<u>181,370</u>	<u>162,095</u>	<u>(19,275)</u>	<u>167,841</u>
<b>Licenses and Permits</b>					
Business	1,000	1,000	910	(90)	710
Nonbusiness			885	885	755
Total License and Permits	<u>1,000</u>	<u>1,000</u>	<u>1,795</u>	<u>795</u>	<u>1,465</u>
<b>Intergovernmental</b>					
Local government aid	105,250	105,250	105,250		97,566
Market value credit			664	664	686
Other state aid	21,653	21,653	11,590	(10,063)	13,653
Total Intergovernmental	<u>126,903</u>	<u>126,903</u>	<u>117,504</u>	<u>(9,399)</u>	<u>111,905</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>2,124</u>
<b>Fines and Forfeits</b>					
	<u>500</u>	<u>500</u>	<u>305</u>	<u>(195)</u>	<u>384</u>
<b>Interest Income</b>					
	<u>1,000</u>	<u>1,000</u>	<u>10,639</u>	<u>9,639</u>	<u>6,952</u>
<b>Miscellaneous</b>					
Refunds and reimbursements	2,500	2,500	2,105	(395)	2,728
Dividends			2,121	2,121	604
Donations					1,617
Other			139	139	20,920
Total Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>4,365</u>	<u>1,865</u>	<u>25,869</u>
<b>TOTAL RECEIPTS</b>	<u>315,073</u>	<u>315,073</u>	<u>298,827</u>	<u>(16,246)</u>	<u>316,540</u>
<b>Amounts Available for Appropriation</b>	<u>\$ 765,385</u>	<u>\$ 765,385</u>	<u>\$ 749,139</u>	<u>\$ (16,246)</u>	<u>\$ 756,006</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, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	Budgeted Amounts		2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final			
<b>DISBURSEMENTS</b>					
<b>General Government</b>					
Mayor/Council	\$ 4,300	\$ 4,300	\$ 4,300	\$	\$ 4,300
Clerk/Treasurer	44,371	44,371	41,444	2,927	42,081
Office supplies	11,075	11,075	7,245	3,830	7,293
Repairs and maintenance	5,000	5,000	8,494	(3,494)	20,291
Professional services	23,000	23,000	18,169	4,831	26,431
Training	200	200	20	180	55
Insurance	18,000	18,000	17,401	599	17,876
Utilities	14,875	14,875	12,516	2,359	14,427
Miscellaneous	1,300	1,300	821	479	2,008
Capital outlay					17,750
Total General Government	122,121	122,121	110,410	11,711	152,512
<b>Public Safety</b>					
Police contracted services	44,530	44,530	44,530		35,760
Ambulance contracted services	4,030	4,030	4,030		3,410
Total Public Safety	48,560	48,560	48,560		39,170
<b>Streets and Highway</b>					
Salaries and wages	63,729	63,729	65,784	(2,055)	60,556
Supplies			1,726	(1,726)	5,330
Repairs and maintenance	10,000	10,000	2,786	7,214	2,385
Capital outlay	60,000	60,000	92,248	(32,248)	
Total Street and Highway	133,729	133,729	162,544	(28,815)	68,271
<b>Culture and Recreation</b>					
Other	3,220	3,220	3,220		4,280
<b>TOTAL DISBURSEMENTS</b>	<b>307,630</b>	<b>307,630</b>	<b>324,734</b>	<b>(17,104)</b>	<b>264,233</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets			35,000	35,000	
Transfer out	(7,440)	(7,440)	(7,440)		(41,461)
Total Other Financing Sources (Uses)	(7,440)	(7,440)	27,560	35,000	(41,461)
<b>NET CHANGE IN CASH FUND BALANCES</b>	<b>3</b>	<b>3</b>	<b>1,653</b>	<b>1,650</b>	<b>10,846</b>
<b>Cash Fund Balance, Ending</b>	<b>\$ 450,315</b>	<b>\$ 450,315</b>	<b>\$ 451,965</b>	<b>\$ 1,650</b>	<b>\$ 450,312</b>

**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, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	Budgeted Amounts		2024 Actual Amounts	Variance with	2023 Actual Amounts
	Original	Final		Final Budget - Positive (Negative)	
<b>Cash Fund Balance, Beginning</b>	\$ 51,816	\$ 51,816	\$ 51,816	\$	\$ 33,122
<b>RECEIPTS</b>					
<b>Charges for Services</b>	28,967	28,967	25,896	(3,071)	24,976
<b>Intergovernmental revenue</b>					4,560
<b>Miscellaneous</b>					
Contributions and donations	5,000	5,000	10,345	5,345	8,980
Refunds and reimbursements	3,000	3,000	4,710	1,710	4,000
Total Miscellaneous	8,000	8,000	15,055	7,055	12,980
<b>TOTAL RECEIPTS</b>	36,967	36,967	40,951	3,984	42,516
<b>Amounts Available for Appropriation</b>	\$ 88,783	\$ 88,783	\$ 92,767	\$ 3,984	\$ 75,638
<b>DISBURSEMENTS</b>					
Salaries and wages	\$ 10,000	\$ 10,000	\$ 7,887	\$ 2,113	\$ 8,722
Utilities	3,600	3,600	2,525	1,075	3,299
Supplies	5,000	5,000	1,315	3,685	1,288
Insurance	2,700	2,700	2,884	(184)	2,506
Professional services	3,300	3,300	1,061	2,239	1,350
Other	2,500	2,500	594	1,906	2,220
Repairs and maintenance	17,300	17,300	2,242	15,058	2,430
Capital outlay			6,379	(6,379)	12,547
<b>TOTAL DISBURSEMENTS</b>	44,400	44,400	24,887	19,513	34,362
<b>OTHER FINANCING SOURCES</b>					
Transfers in	7,440	7,440	7,440		10,540
Net change in Cash Fund Balance	7	7	23,504	23,497	18,694
<b>Cash Fund Balance, Ending</b>	\$ 51,823	\$ 51,823	\$ 75,320	\$ 23,497	\$ 51,816

**See Notes to the Financial Statements**

**CITY OF CANTON, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Balances Arising From Cash Transactions**  
December 31, 2024  
*With Comparative Totals for December 31, 2023*

	Enterprise Funds			Totals	
	Water	Sewer	Garbage	2024	2023
<b>Assets</b>					
Cash and investments	\$ 224,226	\$ 70,513	\$ 1,131	\$ 295,870	\$ 252,820
<b>Liabilities</b>					
Due to other funds	\$	\$	\$	\$	\$ 1,692
<b>Net Cash Position</b>					
Unrestricted	224,226	70,513	1,131	295,870	251,128
<b>Total Liabilities and Cash Net Position</b>	\$ 224,226	\$ 70,513	\$ 1,131	\$ 295,870	\$ 252,820

**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, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	Water	Sewer	Garbage	Totals	
				2024	2023
<b>Operating Receipts</b>					
Charges for services	\$ 111,217	\$ 102,689	\$ 32,480	\$ 246,386	\$ 234,439
Less: Cost of Sales			(29,657)	(29,657)	(29,480)
Total Operating Receipts	<u>111,217</u>	<u>102,689</u>	<u>2,823</u>	<u>216,729</u>	<u>204,959</u>
<b>Operating Disbursements</b>					
Salaries and wages	34,825	40,359		75,184	73,406
Utilities	7,104	9,773		16,877	19,377
Repairs and maintenance	7,524	16,165		23,689	13,979
Supplies	3,154	5,378		8,532	7,275
Insurance	949	5,077		6,026	6,094
Other	2,888	8,823		11,711	11,601
Total Operating Disbursements	<u>56,444</u>	<u>85,575</u>		<u>142,019</u>	<u>131,732</u>
<b>Operating Cash Income</b>	<u>54,773</u>	<u>17,114</u>	<u>2,823</u>	<u>74,710</u>	<u>73,227</u>
<b>Nonoperating Receipts (Disbursements)</b>					
Interest income		1,451		1,451	582
Intergovernmental revenue	2,314			2,314	
Other income					4,001
Bond interest	(583)	(7,150)		(7,733)	(8,368)
Bond principal	(14,000)	(12,000)		(26,000)	(26,000)
Total Nonoperating Receipts (Disbursements)	<u>(12,269)</u>	<u>(17,699)</u>		<u>(29,968)</u>	<u>(29,785)</u>
<b>Net Cash Income (Loss) Before Transfers</b>	<u>42,504</u>	<u>(585)</u>	<u>2,823</u>	<u>44,742</u>	<u>43,442</u>
Transfers in					9,911
<b>Change in Net Cash Position</b>	<u>42,504</u>	<u>(585)</u>	<u>2,823</u>	<u>44,742</u>	<u>53,353</u>
<b>Net Cash Position, January 1</b>	<u>181,722</u>	<u>71,098</u>	<u>(1,692)</u>	<u>251,128</u>	<u>197,775</u>
<b>Net Cash Position, December 31</b>	<u>\$ 224,226</u>	<u>\$ 70,513</u>	<u>\$ 1,131</u>	<u>\$ 295,870</u>	<u>\$ 251,128</u>

**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, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	Enterprise Funds			Totals	
	Water	Sewer	Garbage	2024	2023
<b>Cash Flows From Operating Activities</b>					
Cash received from customers	\$ 111,217	\$ 102,689	\$ 32,480	\$ 246,386	\$ 234,439
Cash received from others					4,001
Cash paid to suppliers	(21,619)	(45,216)	(29,657)	(96,492)	(87,806)
Cash paid to employees	(34,825)	(40,359)		(75,184)	(73,406)
Net Cash Provided By Operating Activities	<u>54,773</u>	<u>17,114</u>	<u>2,823</u>	<u>74,710</u>	<u>77,228</u>
<b>Cash Flows From Noncapital Financing Activities</b>					
Due to other funds			(1,692)	(1,692)	1,692
<b>Cash Flows From Capital Related Financing Activities</b>					
Transfer from other funds					9,911
Capital grants	2,314			2,314	
Interest paid on long-term debt	(583)	(7,150)		(7,733)	(8,368)
Principal paid on long-term debt	(14,000)	(12,000)		(26,000)	(26,000)
Net Cash Used In Capital And Related Financing Activities	<u>(12,269)</u>	<u>(19,150)</u>		<u>(31,419)</u>	<u>(24,457)</u>
<b>Cash Flows From Investing Activities</b>					
Interest income		1,451		1,451	582
<b>NET INCREASE (DECREASE) IN CASH AND INVESTMENTS</b>	42,504	(585)	1,131	43,050	55,045
<b>CASH AND INVESTMENTS, BEGINNING OF YEAR</b>	<u>181,722</u>	<u>71,098</u>		<u>252,820</u>	<u>197,775</u>
<b>CASH AND INVESTMENTS, END OF YEAR</b>	<u>\$ 224,226</u>	<u>\$ 70,513</u>	<u>\$ 1,131</u>	<u>\$ 295,870</u>	<u>\$ 252,820</u>

**See Notes to the Financial Statements**

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**CITY OF CANTON, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

# CITY OF CANTON, MINNESOTA

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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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)

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

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#### 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)**

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

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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 2024 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 2023 financial statements have been reclassified to conform to the 2024 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, 2023, from which the summarized information is derived.

**CITY OF CANTON, MINNESOTA**

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

---

**2. Cash and Investments**

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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, 2024, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$ 577,796
Non-Negotiable CDs	274,127
	<u>\$ 851,923</u>

**CITY OF CANTON, MINNESOTA**

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

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

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*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 2024.

**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	\$ 325,000	\$	\$ 12,000	\$ 313,000	\$
2017A Water Revenue Note	29,000		14,000	15,000	15,000
Total Business-Type Activities Long-term Liabilities	<u>\$ 354,000</u>	<u>\$</u>	<u>\$ 26,000</u>	<u>\$ 328,000</u>	<u>\$ 15,000</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, 2024, are as follows:

Due Date	2017A GO Utility Revenue Note		2021A GO Sewer Revenue Refunding Note		Total
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2025	\$ 15,000	\$ 199	\$	\$	\$ 15,199
2026			12,000	6,886	18,886
2027			13,000	6,622	19,622
2028			13,000	6,336	19,336
2029			13,000	6,050	19,050
2030-2034			72,000	25,718	97,718
2035-2039			81,000	17,380	98,380
2040-2044			90,000	8,118	98,118
2045			19,000	418	19,418
	<u>\$ 15,000</u>	<u>\$ 199</u>	<u>\$ 313,000</u>	<u>\$ 77,528</u>	<u>\$ 405,727</u>

## CITY OF CANTON, MINNESOTA

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

##### Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reach an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.



**CITY OF CANTON, MINNESOTA**

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

---

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

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Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$10,291. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2024, the City reported a liability of \$59,938 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 \$1,550.

City's proportionate share of net pension liability	\$ 59,938
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>1,550</u>
Total	<u>\$ 61,488</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0016 percent at the end of the measurement period and 0.0015 percent for the beginning of the period.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$2,722 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**CITY OF CANTON, MINNESOTA**

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

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

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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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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 for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7%. The 7% 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 considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.25% 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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

**CITY OF CANTON, MINNESOTA**

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

---

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

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Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at 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:

<b>Sensitivity Analysis</b>		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employee Fund	
1% Lower	6.00%	\$ 130,915
Current Discount Rate	7.00%	59,938
1% Higher	8.00%	1,554

**CITY OF CANTON, MINNESOTA**

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

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

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*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).

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**5. Cash Fund Balance**

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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.

As of December 31, 2024 and 2023, the City had assigned cash fund balances as follows:

	<u>2024</u>	<u>2023</u>
Assigned for:		
Fire Department Fund	\$ 75,320	\$ 51,816
Mitson Fund	14,131	15,364
Ballpark Fund	14,637	14,462
Total Assigned Cash Fund Balances	<u>\$ 104,088</u>	<u>\$ 81,642</u>

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**6. Individual Fund Disclosures**

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Excess expenditures over appropriations at the individual level fund level during 2024 were as follows:

General Fund	\$ 17,104
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The excess expenditures over appropriations was a result of a planned process.

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**CITY OF CANTON, MINNESOTA**

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

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**7. Risk Management**

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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, 2024, there were no significant changes in insurance coverage from the prior year and there have been no significant settlements for the last four years.

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**CITY OF CANTON, MINNESOTA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**DECEMBER 31, 2024**

**CITY OF CANTON, MINNESOTA**  
**Schedules of City Contributions**  
**December 31, 2024**

**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%
2024	10,291	10,291		137,213	7.50%



**CITY OF CANTON, MINNESOTA**  
**Schedules of Proportionate Share of Net Pension Liability**  
**December 31, 2024**

**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%
2024	0.0016%	59,938	1,550	61,488	137,213	43.7%	89.10%

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**CITY OF CANTON, MINNESOTA**

**SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2024**

**CITY OF CANTON, MINNESOTA**  
**SCHEDULE OF INDEBTEDNESS**  
For the Year Ended December 31, 2024

Business-Type Activities	Rate	Issue Date	Final Maturity Date	Outstanding 1/1/24	Issued	Retired	Outstanding 12/31/24
2021A Sewer Revenue Refunding Note	2.20%	3/1/2021	1/1/2045	\$ 325,000	\$	\$ 12,000	\$ 313,000
2017A Water Revenue Note	2.65%	7/6/2017	2/1/2025	29,000		14,000	15,000
Total Business-Type Activities				\$ 354,000	\$	\$ 26,000	\$ 328,000
Long-term Liabilities							

**CITY OF CANTON, MINNESOTA**  
**STATEMENT OF DEBT PRINCIPAL AND INTEREST PAYMENTS**  
**DECEMBER 31, 2024**

Due Date	2017A GO Utility Revenue Note		2021A GO Sewer Revenue Refunding Note		Total
	Principal	Interest	Principal	Interest	
<b>Business-Type Activities</b>					
2025	\$ 15,000	\$ 199	\$	\$	\$ 15,199
2026			12,000	6,886	18,886
2027			13,000	6,622	19,622
2028			13,000	6,336	19,336
2029			13,000	6,050	19,050
2030-2034			72,000	25,718	97,718
2035-2039			81,000	17,380	98,380
2040-2044			90,000	8,118	98,118
2045			19,000	418	19,418
	<u>\$ 15,000</u>	<u>\$ 199</u>	<u>\$ 313,000</u>	<u>\$ 77,528</u>	<u>\$ 405,727</u>

**CITY OF CANTON, MINNESOTA  
SCHEDULE OF ACCOUNTS RECEIVABLE  
(UNAUDITED)  
DECEMBER 31, 2024**

Fund	Source of Revenue and Purpose	Amount
Water	Customer user charges	\$ 12,152
Sewer	Customer user charges	9,672
Refuse	Customer user charges	2,976
General	January tax settlement	1,536
General	Delinquent property taxes	19,236
Total Accounts Receivable		<u>\$ 45,572</u>

**CITY OF CANTON, MINNESOTA  
SCHEDULE OF ACCOUNTS PAYABLE AND CONTINGENT LIABILITIES  
(UNAUDITED)  
DECEMBER 31, 2024**

Fund	Vendor Name	Item and Purpose	Subsequent Check Number	Amount
General	IRS	Monthly Withholdings	000584	\$ 3,975
	Minnesota Department of Revenue	Monthly Withholdings	000585	522
	Carolina Hershberger	City Hall Cleaning (Nov.-Dec.)	007704	162
	Fillmore County Journal	Summary of Ordinance 2025-01	007705	105
	Gopher State One Call	Locates	007706	3
	Kingsley Mercantile	Cleaning Supplies	007710	29
	Nethercut Schieber PA	December legal fees	007715	60
Garbage	Richards Sanitation	Monthly Garbage Service	007716	2,530
Sewer	Utility Consultants	Sampling	007718	618
	WHKS	WWTF Evaluation	007720	1,800
Total Accounts Payable and Contingent Liabilities				<u>\$ 9,804</u>

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**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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2025.

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, Schafn and Associates, Ltd.*

Rochester, Minnesota  
February 13, 2025

**CITY OF CANTON, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2024**

**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 recurred in 2024.





# City of Canton

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

The City respectfully submits the following corrective action plan for the year ended December 31, 2024.

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 implement proper controls to ensure compliance with the *Minnesota Legal Compliance Audit Guide for Cities* related to obtaining collateral for uninsured deposits.

### 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.