

City of Canton, Minnesota
Financial Statements
(With Supplementary Information)
December 31, 2025

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City of Canton, Minnesota

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City of Canton, Minnesota

Introductory Section

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**City of Canton, Minnesota
City Officials
December 31, 2025**

Kristy Ziegler	Mayor
George Hafner	Council Member
Jen Dowling	Council Member
Jason Magnuson	Council Member
Jeremy Hanson	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, the business-type activities, and each major fund of the City of Canton, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

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, 2025, and the respective changes in financial position-modified cash basis and, where applicable, cash flows-modified cash basis thereof and the respective budgetary comparison-modified cash basis for the general fund and fire department fund for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of City of Canton for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on February 13, 2025.

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 of accounting 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.

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 schedule of city contributions - general employees retirement fund, schedule of proportionate share of net pension liability - general employees retirement fund and the notes to the required supplementary information 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.

Management has omitted the management's discussion and analysis that 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 opinions on the basic financial statements are 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 schedule of city indebtedness, schedule of accounts receivable (unaudited), and schedule of accounts payable and contingent liabilities (unaudited) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of city indebtedness, schedule of accounts receivable (unaudited), and schedule of accounts payable and contingent liabilities (unaudited) are the responsibility of management and, except for that portion marked "unaudited," were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information, except for that portion marked "unaudited," 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, except for that portion marked "unaudited," on which we express no opinion nor any assurance, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

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 basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The financial statements of the City of Canton, Minnesota for the year ended December 31, 2024, were audited by other auditors whose report, dated February 13, 2025, expressed unmodified opinions on those financial statements. 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 has been derived.

CohnReznick LLP

Rochester, Minnesota
April 28, 2026

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City of Canton, Minnesota
Basic Financial Statements
December 31, 2025

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City of Canton, Minnesota
Statement of Net Cash Position
December 31, 2025
With Comparative Totals for December 31, 2024

	Governmental Activities	Business-Type Activities	Totals	
			2025	2024
Cash assets				
Cash and investments	<u>\$ 1,371,760</u>	<u>\$ 329,388</u>	<u>\$ 1,701,148</u>	<u>\$ 851,923</u>
Net cash position				
Unrestricted	<u>\$ 1,371,760</u>	<u>\$ 329,388</u>	<u>\$ 1,701,148</u>	<u>\$ 851,923</u>

See Notes to Financial Statements

City of Canton, Minnesota
Statement of Activities Arising from Cash Transactions
For the Year Ended December 31, 2025
With Comparative Totals for December 31, 2024

Functions/programs	Disbursements	Program receipts		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities:				
General government	\$ 108,230	\$ 4,746	\$ -	\$ -
Public safety	119,476	35,001	27,120	-
Streets and highway	721,101	-	-	-
Culture and recreation	9,758	-	-	-
Total governmental activities	958,565	39,747	27,120	-
Business-type activities:				
Water	87,491	118,949	-	-
Sewer	113,851	111,811	-	-
Garbage	31,401	33,310	-	-
Total business-type activities	232,743	264,070	-	-
Total	\$ 1,191,308	\$ 303,817	\$ 27,120	\$ -

General receipts:

- General property taxes
- Grants and contributions not restricted to specific programs
- Interest earnings
- Miscellaneous
- Proceeds on issuance of debt
- Total general receipts

Change in net cash position

Net cash position - beginning

Net cash position - ending

See Notes to Financial Statements

Net cash sources (uses)
and changes in net cash position

Governmental activities	Business-type activities	Totals	
		2025	2024
\$ (103,484)	\$ -	\$ (103,484)	\$ (89,850)
(57,355)	-	(57,355)	(49,292)
(721,101)	-	(721,101)	(166,314)
(9,758)	-	(9,758)	(6,529)
<u>(891,698)</u>	<u>-</u>	<u>(891,698)</u>	<u>(311,985)</u>
-	31,458	31,458	42,504
-	(2,040)	(2,040)	(2,036)
-	1,909	1,909	2,823
<u>-</u>	<u>31,327</u>	<u>31,327</u>	<u>43,291</u>
<u>(891,698)</u>	<u>31,327</u>	<u>(860,371)</u>	<u>(268,694)</u>
196,651	-	196,651	162,095
113,496	-	113,496	117,504
10,647	1,214	11,861	12,265
12,611	977	13,588	45,671
1,374,000	-	1,374,000	-
<u>1,707,405</u>	<u>2,191</u>	<u>1,709,596</u>	<u>337,535</u>
815,707	33,518	849,225	68,841
<u>556,053</u>	<u>295,870</u>	<u>851,923</u>	<u>783,082</u>
<u>\$ 1,371,760</u>	<u>\$ 329,388</u>	<u>\$ 1,701,148</u>	<u>\$ 851,923</u>

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City of Canton, Minnesota

Financial Statements

December 31, 2025

City of Canton, Minnesota
Statement of Balances Arising from Cash Transactions
Governmental Funds
December 31, 2025
With Comparative Totals for December 31, 2024

	General Fund	Fire Department Fund	Mitson Fund
Assets			
Cash and investments	\$ 529,849	\$ 94,439	\$ 12,585
Cash fund balance			
Assigned	\$ -	\$ 94,439	\$ 12,585
Unassigned	529,849	-	-
Cash fund balance	\$ 529,849	\$ 94,439	\$ 12,585

See Notes to Financial Statements

Ballpark Fund	2025A Project Fund	Total Governmental Funds	
		2025	2024
<u>\$ 10,787</u>	<u>\$ 724,100</u>	<u>\$ 1,371,760</u>	<u>\$ 556,053</u>
\$ 10,787	\$ 724,100	\$ 841,911	\$ 104,088
-	-	529,849	451,965
<u>\$ 10,787</u>	<u>\$ 724,100</u>	<u>\$ 1,371,760</u>	<u>\$ 556,053</u>

City of Canton, Minnesota
Statement of Cash Receipts, Disbursements, and
Changes in Cash Fund Balances
Governmental Funds

For the Year Ended December 31, 2025

With Comparative Totals for the Year Ended December 31, 2024

	General Fund	Fire Department Fund	Mitson Fund
Receipts			
Property taxes	\$ 194,151	\$ -	\$ -
Special assessments	2,500	-	-
Licenses and permits	2,404	-	-
Intergovernmental revenues	113,496	-	-
Charges for services	2,542	35,001	-
Fines and forfeits	1,036	-	-
Refunds and reimbursements	1,066	6,001	-
Interest income	10,647	-	-
Contributions and donations	-	26,084	-
Miscellaneous revenues	744	-	-
	<u>328,586</u>	<u>67,086</u>	<u>-</u>
Disbursements			
General government	111,454	-	-
Public safety	49,896	33,658	-
Street and highway	68,539	-	-
Culture and recreation	3,220	-	1,546
Capital outlay	10,553	21,749	-
	<u>243,662</u>	<u>55,407</u>	<u>1,546</u>
Receipts over (under) disbursements	<u>84,924</u>	<u>11,679</u>	<u>(1,546)</u>
Other financing sources (uses)			
Proceeds on issuance of debt	-	-	-
Sale of capital assets	400	-	-
Transfers in	-	7,440	-
Transfers out	(7,440)	-	-
	<u>(7,040)</u>	<u>7,440</u>	<u>-</u>
Net change in cash fund balances	77,884	19,119	(1,546)
Cash fund balances, beginning	<u>451,965</u>	<u>75,320</u>	<u>14,131</u>
Cash fund balances, ending	<u><u>\$ 529,849</u></u>	<u><u>\$ 94,439</u></u>	<u><u>\$ 12,585</u></u>

See Notes to Financial Statements

Ballpark Fund	2025A Project Fund	Total Governmental Funds	
		2025	2024
\$ -	\$ -	\$ 194,151	\$ 162,095
-	-	2,500	-
-	-	2,404	1,795
-	-	113,496	117,504
-	-	37,543	28,020
-	-	1,036	305
4,200	-	11,267	3,705
-	-	10,647	10,814
-	-	26,084	10,345
-	-	744	6,970
<u>4,200</u>	<u>-</u>	<u>399,872</u>	<u>341,553</u>
-	-	111,454	110,410
-	-	83,554	67,068
-	-	68,539	70,296
8,050	-	12,816	6,053
<u>-</u>	<u>649,900</u>	<u>682,202</u>	<u>98,627</u>
<u>8,050</u>	<u>649,900</u>	<u>958,565</u>	<u>352,454</u>
<u>(3,850)</u>	<u>(649,900)</u>	<u>(558,693)</u>	<u>(10,901)</u>
-	1,374,000	1,374,000	-
-	-	400	35,000
-	-	7,440	7,440
<u>-</u>	<u>-</u>	<u>(7,440)</u>	<u>(7,440)</u>
<u>-</u>	<u>1,374,000</u>	<u>1,374,400</u>	<u>35,000</u>
(3,850)	724,100	815,707	24,099
<u>14,637</u>	<u>-</u>	<u>556,053</u>	<u>531,954</u>
<u>\$ 10,787</u>	<u>\$ 724,100</u>	<u>\$ 1,371,760</u>	<u>\$ 556,053</u>

City of Canton, Minnesota
General Fund
Budgetary Comparison Schedule - Modified Cash Basis
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Cash fund balance, beginning	\$ 451,965	\$ 451,965	\$ 451,965	\$ -	\$ 450,312
Receipts					
Local taxes					
Property taxes collected	189,532	189,532	194,151	4,619	162,095
Special assessments	-	-	2,500	2,500	-
Total local taxes	<u>189,532</u>	<u>189,532</u>	<u>196,651</u>	<u>7,119</u>	<u>162,095</u>
Licenses and permits					
Business	800	800	910	110	910
Nonbusiness	-	-	1,494	1,494	885
Total license and permits	<u>800</u>	<u>800</u>	<u>2,404</u>	<u>1,604</u>	<u>1,795</u>
Intergovernmental					
Local government aid	105,347	105,347	105,347	-	105,250
Market value credit	-	-	678	678	664
Other state aid	8,000	8,000	7,471	(529)	11,590
Total intergovernmental	<u>113,347</u>	<u>113,347</u>	<u>113,496</u>	<u>149</u>	<u>117,504</u>
Charges for services					
Town hall rent	1,500	1,500	2,542	1,042	2,124
Fines and forfeits	500	500	1,036	536	305
Interest income	700	700	10,647	9,947	10,639
Miscellaneous					
Refunds and reimbursements	2,000	2,000	1,066	(934)	2,105
Dividends	-	-	-	-	2,121
Other	-	-	744	744	139
Total miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>1,810</u>	<u>(190)</u>	<u>4,365</u>
Total receipts	<u>308,379</u>	<u>308,379</u>	<u>328,586</u>	<u>20,207</u>	<u>298,827</u>
Amounts available for appropriation	<u>\$ 760,344</u>	<u>\$ 760,344</u>	<u>\$ 780,551</u>	<u>\$ 20,207</u>	<u>\$ 749,139</u>

See Notes to Financial Statements

City of Canton, Minnesota
General Fund
Budgetary Comparison Schedule - Modified Cash Basis
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Disbursements					
General government					
Mayor/council	\$ 4,300	\$ 4,300	\$ 4,300	\$ -	\$ 4,300
Clerk/treasurer	47,696	47,696	47,911	(215)	41,444
Office supplies	11,100	11,100	7,072	4,028	7,245
Repairs and maintenance	5,000	5,000	3,592	1,408	8,494
Professional services	22,000	22,000	21,251	749	18,169
Training	200	200	-	200	20
Insurance	18,000	18,000	11,947	6,053	17,401
Utilities	14,740	14,740	14,173	567	12,516
Miscellaneous	1,300	1,300	1,208	92	821
Total general government	<u>124,336</u>	<u>124,336</u>	<u>111,454</u>	<u>12,882</u>	<u>110,410</u>
Public safety					
Police contracted services	45,866	45,866	45,866	-	44,530
Ambulance contracted services	4,108	4,108	4,030	78	4,030
Total public safety	<u>49,974</u>	<u>49,974</u>	<u>49,896</u>	<u>78</u>	<u>48,560</u>
Streets and highway					
Salaries and wages	67,254	67,254	63,283	3,971	65,784
Supplies	-	-	3,369	(3,369)	1,726
Repairs and maintenance	9,640	9,640	1,887	7,753	2,786
Capital outlay	46,515	46,515	10,553	35,962	92,248
Total street and highway	<u>123,409</u>	<u>123,409</u>	<u>79,092</u>	<u>44,317</u>	<u>162,544</u>
Culture and recreation					
Other	3,220	3,220	3,220	-	3,220
Total disbursements	<u>300,939</u>	<u>300,939</u>	<u>243,662</u>	<u>57,277</u>	<u>324,734</u>
Excess (deficiency) of receipts over (under) disbursements	<u>7,440</u>	<u>7,440</u>	<u>84,924</u>	<u>77,484</u>	<u>(25,907)</u>
Other financing sources (uses)					
Sale of capital assets	-	-	400	400	35,000
Transfer out	(7,440)	(7,440)	(7,440)	-	(7,440)
Total other financing sources (uses)	<u>(7,440)</u>	<u>(7,440)</u>	<u>(7,040)</u>	<u>400</u>	<u>27,560</u>
Net change in cash fund balances	<u>-</u>	<u>-</u>	<u>77,884</u>	<u>77,884</u>	<u>1,653</u>
Cash fund balance, ending	<u>\$ 451,965</u>	<u>\$ 451,965</u>	<u>\$ 529,849</u>	<u>\$ 77,884</u>	<u>\$ 451,965</u>

See Notes to Financial Statements

City of Canton, Minnesota
Fire Department Fund
Budgetary Comparison Schedule - Modified Cash Basis
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
Cash fund balance, beginning	\$ 75,320	\$ 75,320	\$ 75,320	\$ -	\$ 51,816
Receipts					
Charges for services	25,200	25,200	35,001	9,801	25,896
Miscellaneous					
Contributions and donations	6,000	6,000	26,084	20,084	10,345
Refunds and reimbursements	3,000	3,000	6,001	3,001	4,710
Total miscellaneous	9,000	9,000	32,085	23,085	15,055
Total receipts	34,200	34,200	67,086	32,886	40,951
Amounts available for appropriation	\$ 109,520	\$ 109,520	\$ 142,406	\$ 32,886	\$ 92,767
Disbursements					
Salaries and wages	\$ 9,000	\$ 9,000	\$ 9,051	\$ (51)	\$ 7,887
Utilities	3,600	3,600	3,162	438	2,525
Supplies	4,000	4,000	1,640	2,360	1,315
Insurance	2,892	2,892	6,267	(3,375)	2,884
Professional services	3,200	3,200	1,012	2,188	1,061
Other	2,048	2,048	1,170	878	594
Repairs and maintenance	16,900	16,900	11,356	5,544	2,242
Capital outlay	-	-	21,749	(21,749)	6,379
Total disbursements	41,640	41,640	55,407	(13,767)	24,887
Excess (deficiency) of receipts over (under) disbursements	(7,440)	(7,440)	11,679	19,119	16,064
Other financing sources					
Transfers in	7,440	7,440	7,440	-	7,440
Net change in cash fund balance	-	-	19,119	19,119	23,504
Cash fund balance, ending	\$ 75,320	\$ 75,320	\$ 94,439	\$ 19,119	\$ 75,320

See Notes to Financial Statements

City of Canton, Minnesota
Proprietary Funds
Statement of Balances Arising From Cash Transactions
December 31, 2025
With Comparative Totals for December 31, 2024

	Enterprise Funds			Totals	
	Water	Sewer	Garbage	2025	2024
Assets					
Cash and investments	\$ 255,734	\$ 70,614	\$ 3,040	\$ 329,388	\$ 295,870
Net cash position					
Unrestricted	\$ 255,734	\$ 70,614	\$ 3,040	\$ 329,388	\$ 295,870

See Notes to Financial Statements

City of Canton, Minnesota
Proprietary Funds
Statement of Receipts, Disbursements and Changes in Net Cash Position
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Water	Sewer	Garbage	Totals	
				2025	2024
Operating receipts					
Charges for services	\$ 118,949	\$ 111,811	\$ 33,310	\$ 264,070	\$ 246,386
Less: cost of sales	-	-	(31,401)	(31,401)	(29,657)
Total operating receipts	<u>118,949</u>	<u>111,811</u>	<u>1,909</u>	<u>232,669</u>	<u>216,729</u>
Operating disbursements					
Salaries and wages	37,797	41,825	-	79,622	75,184
Utilities	7,988	11,540	-	19,528	16,877
Repairs and maintenance	3,941	7,208	-	11,149	23,689
Supplies	3,060	5,740	-	8,800	8,532
Insurance	2,416	6,458	-	8,874	6,026
Other	3,780	8,883	-	12,663	11,711
Total operating disbursements	<u>58,982</u>	<u>81,654</u>	<u>-</u>	<u>140,636</u>	<u>142,019</u>
Operating cash income	<u>59,967</u>	<u>30,157</u>	<u>1,909</u>	<u>92,033</u>	<u>74,710</u>
Nonoperating receipts (disbursements)					
Interest income	-	1,214	-	1,214	1,451
Intergovernmental revenue	-	-	-	-	2,314
Other income	50	927	-	977	-
Bond interest	(13,509)	(20,197)	-	(33,706)	(7,733)
Bond principal	(15,000)	(12,000)	-	(27,000)	(26,000)
Total nonoperating receipts (disbursements)	<u>(28,459)</u>	<u>(30,056)</u>	<u>-</u>	<u>(58,515)</u>	<u>(29,968)</u>
Change in net cash position	31,508	101	1,909	33,518	44,742
Net cash position, beginning	<u>224,226</u>	<u>70,513</u>	<u>1,131</u>	<u>295,870</u>	<u>251,128</u>
Net cash position, ending	<u>\$ 255,734</u>	<u>\$ 70,614</u>	<u>\$ 3,040</u>	<u>\$ 329,388</u>	<u>\$ 295,870</u>

See Notes to Financial Statements

City of Canton, Minnesota
Proprietary Funds
Statement of Cash Flows - Modified Cash Basis
For the Year Ended December 31, 2025
With Comparative Totals for the Year Ended December 31, 2024

	Enterprise Funds			Totals	
	Water	Sewer	Garbage	2025	2024
Cash flows from operating activities					
Cash received from customers	\$ 118,949	\$ 111,811	\$ 33,310	\$ 264,070	\$ 246,386
Cash received from others	50	927	-	977	-
Cash paid to suppliers	(21,185)	(39,829)	(31,401)	(92,415)	(96,492)
Cash paid to employees	(37,797)	(41,825)	-	(79,622)	(75,184)
Net cash provided by operating activities	<u>60,017</u>	<u>31,084</u>	<u>1,909</u>	<u>93,010</u>	<u>74,710</u>
Cash flows from noncapital financing activities					
Due to other funds	-	-	-	-	(1,692)
Cash flows from capital and related financing activities					
Capital grants	-	-	-	-	2,314
Interest paid on long-term debt	(13,509)	(20,197)	-	(33,706)	(7,733)
Principal paid on long-term debt	(15,000)	(12,000)	-	(27,000)	(26,000)
Net cash used in capital and related financing activities	<u>(28,509)</u>	<u>(32,197)</u>	<u>-</u>	<u>(60,706)</u>	<u>(31,419)</u>
Cash flows from investing activities					
Interest income	-	1,214	-	1,214	1,451
Net increase in cash and investments	31,508	101	1,909	33,518	43,050
Cash and investments, beginning	<u>224,226</u>	<u>70,513</u>	<u>1,131</u>	<u>295,870</u>	<u>252,820</u>
Cash and investments, ending	<u>\$ 255,734</u>	<u>\$ 70,614</u>	<u>\$ 3,040</u>	<u>\$ 329,388</u>	<u>\$ 295,870</u>

See Notes to Financial Statements

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City of Canton, Minnesota
Notes to Financial Statements
December 31, 2025

City of Canton, Minnesota

Notes To Financial Statements December 31, 2025

Note 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.

Budgets and budgetary accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund and Fire Department Fund. The City does not use encumbrance accounting.

City of Canton, Minnesota

Notes To Financial Statements December 31, 2025

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

1. The City Clerk/Treasurer submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Fire Department Fund.
5. The City's management may make transfers of appropriations with approval of the City Council.
6. Changes to the budget at the departmental level must be by formal action of the City Council. Generally, all budget amendments result in the utilization of contingency appropriations and do not alter the total expenditure budget of the City. Monitoring of budgets is maintained by the City Clerk/Treasurer and reviewed by the City Council. All expenditures in excess of the departmental budget require council approval. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the departmental level.

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.

Capital project funds

Capital Project Funds are used to account for the financial resources related to the facilitation and construction of infrastructure assets.

Proprietary funds

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 funds 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.

City of Canton, Minnesota
Notes To Financial Statements
December 31, 2025

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, capital assets, payables, accrued expenses, long-term debt, 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 *2025A Project Fund* accounts for activities related to engineering and construction of the 2025 infrastructure project.

The City reports the following major proprietary funds:

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 investments which is under the management of the City.

The City has designated cash and cash equivalents as demand deposits and all investments. Investments are stated at cost.

City of Canton, Minnesota

Notes To Financial Statements December 31, 2025

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 2025 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 Debt 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

The Temporary General Obligation Utility Revenue Bond of 2025 was issued February 26, 2025 in the amount of \$1,374,000 to finance engineering for water and wastewater system improvements.

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 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, 2024, from which the summarized information is derived.

City of Canton, Minnesota
Notes To Financial Statements
December 31, 2025

Note 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 Statement 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.

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.

As of December 31, 2025, the City had adequate collateral for its uninsured deposits held at the City's banking institutions. The City's pledged collateral for uninsured deposits greater than the \$250,000 FDIC limit were held by a bank other than the City's banking institutions where its deposits are held.

Deposits in excess of FDIC limit	\$	1,223,667
Collateral held by pledging bank in the City's name		1,830,263
Collateral in excess of deposits	\$	606,596

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.

Summary of cash and investments

As of December 31, 2025, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$	1,293,409
Non-Negotiable CDs		407,739
	\$	1,701,148

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.

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

- 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 means

If 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 on a recurring basis noted at the City in 2025.

Note3 - 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	\$ 313,000	\$ -	\$ 12,000	\$ 301,000	\$ -
2017A Water Revenue Note	15,000	-	15,000	-	-
2025A Temp Utility Revenue Bond	-	1,374,000	-	1,374,000	-
Total Business-Type Activities	\$ 328,000	\$ 1,374,000	\$ 27,000	\$ 1,675,000	\$ -
Long-term Liabilities	<u>\$ 328,000</u>	<u>\$ 1,374,000</u>	<u>\$ 27,000</u>	<u>\$ 1,675,000</u>	<u>\$ -</u>

In 2025, the City issued \$1,374,000 of Temporary General Obligation Utility Revenue Bond, Series 2025A. The bond was issued to be used to cover pre-project engineering expenses associated with water and wastewater system improvements. The interest rate is 4.50%.

The 2021A Sewer Revenue Refunding Note was issued to refinance the 2005 USDA loans. The refunding was issued to refinance the 2022 through 2045 maturities of the 2005 USDA loans. The interest rate is 2.20 %. Through the refunding the City will realize present value savings of \$71,272.

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

The annual debt service requirements to maturity including principal and interest, as of December 31, 2025, are as follows:

Due Date	2025A Temp GO Utility Reveue Bond		2021A GO Sewer Revenue Refunding Note		Total
	Principal	Interest	Principal	Interest	
<u>Business-Type Activities</u>					
2026	\$ -	\$ 61,830	\$ -	\$ -	\$ 61,830
2027	-	61,830	13,000	6,622	81,452
2028	1,374,000	30,915	13,000	6,336	1,424,251
2029	-	-	13,000	6,050	19,050
2030	-	-	14,000	5,764	19,764
2031-2035	-	-	74,000	24,134	98,134
2036-2040	-	-	82,000	15,598	97,598
2041-2045	-	-	92,000	6,138	98,138
	<u>\$ 1,374,000</u>	<u>\$ 154,575</u>	<u>\$ 301,000</u>	<u>\$ 70,642</u>	<u>\$ 1,900,217</u>

The 2021A, 2017A, and 2025A General Obligation Revenue notes and bond are payable primarily from the revenues generated through charges to customers for water and sewer services. The notes and bonds are backed by the full faith and credit of the City.

Note 4 - Defined benefit pension Plans - statewide

Plan description

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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 Employees 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.

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

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 of highest average salary 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 2025 annual increase was 1.25 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.

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 2025 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, 2025, were \$10,787. The City's contributions were equal to the required contributions as set by state statute.

Pension costs

At December 31, 2025, the City reported a liability of \$52,627 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$1,270.

City's proportionate share of net pension liability	\$	52,627
State of Minnesota's proportionate share of the net pension liability associated with the City		<u>1,270</u>
Total	\$	<u><u>53,897</u></u>

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, 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 0.0016 percent for the beginning of the period.

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	<u>25.0%</u>	5.90%
Total	<u>100%</u>	

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, 2025, 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 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 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5 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.

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or in less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Discount rate

The discount rate used to measure the total pension liability in 2025 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 position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. 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		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employee Fund	
1% Lower	6.00%	\$ 127,824
Current Discount Rate	7.00%	\$ 52,627
1% Higher	8.00%	\$ (8,374)

Pension plan fiduciary net position

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

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

Note 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.

As of December 31, 2025 and 2024, the City had assigned cash fund balances as follows:

	2025	2024
Assigned for:		
Fire Department Fund	\$ 94,439	\$ 75,320
Mitson Fund	12,585	14,131
Ballpark Fund	10,787	14,637
2025A Project Fund	724,100	-
Total Assigned Cash Fund Balances	\$ 841,911	\$ 104,088

Note 6 - 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, 2025, there were no significant changes in insurance coverage from the prior year and there have been no significant settlements for the last four years.

Note 7 - Stewardship, compliance, and accountability

Excess expenditures over budgeted appropriations at the individual fund level during 2025 are as follows:

Fire department	\$	13,767
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Excess expenditures were the result of a planned process.

City of Canton, Minnesota

**Notes To Financial Statements
December 31, 2025**

Note 8 - Interfund balances and transfers

Operating transfers during the year ended December 31, 2025 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 7,440
Fire Department Fund	<u>7,440</u>	<u>-</u>
Total	<u>\$ 7,440</u>	<u>\$ 7,440</u>

The City utilizes transfers to fund the fire department for their portion of the annual fire contracts.

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City of Canton, Minnesota
Required Supplementary Information
December 31, 2025

**City of Canton, Minnesota
Schedule of City Contributions
December 31, 2025**

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%
2025	10,787	10,787	-	143,827	7.50%

City of Canton, Minnesota
Schedule of Proportionate Share of Net Pension Liability
December 31, 2025

PERA General Employees Retirement Fund

Fiscal year ended June 30	Employer's proportionate (percentage) of net pension liability (asset)	Employer's proportionate share (amount) of the net pension liability (asset) (a)	State's proportionate share of the net pension liability (asset) (b)	Employer's proportionate share of the net pension liability and the state's proportionate share of the net pension liability associated with the city (a+b)	Covered payroll (c)	Employer'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%
2025	0.0016%	52,627	1,270	53,897	143,827	36.6%	90.80%

City of Canton, Minnesota

**Notes to Required Supplementary Information
December 31, 2025**

Note 1 - Notes to schedule of changes in net position liabilities and related ratios

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes

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.

City of Canton, Minnesota

**Notes to Required Supplementary Information
December 31, 2025**

Changes in Plan Provisions:

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

2023 Changes

Changes in Actuarial Assumptions:

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

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% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

City of Canton, Minnesota

Notes to Required Supplementary Information December 31, 2025

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

City of Canton, Minnesota

Notes to Required Supplementary Information December 31, 2025

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

City of Canton, Minnesota

**Notes to Required Supplementary Information
December 31, 2025**

2017 Changes

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA load are now 0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed annual increase rate was changed for 1.0% per year for all years to 1.0% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018 and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed annual increase rate was changed from 1.0% per year through 2035 and 2.50% per year thereafter to 1.0% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

City of Canton, Minnesota
Supplementary Information
December 31, 2025

City of Canton, Minnesota
Schedule of City Indebtedness
For the Year Ended December 31, 2025

Business-Type Activities	Rate	Issue Date	Final Maturity Date	Outstanding 1/1/25	Issued	Retired	Outstanding 12/31/25
2021A Sewer Revenue Refunding Note	2.20%	3/1/2021	1/1/2045	\$ 313,000	\$ -	\$ 12,000	\$ 301,000
2017A Water Revenue Note	2.65%	7/6/2017	2/1/2025	15,000	-	15,000	-
2025A Temp Utility Revenue Bond	4.50%	2/26/2025	2/1/2028	-	1,374,000	-	1,374,000
Total Business-Type Activities				\$ 328,000	\$ 1,374,000	\$ 27,000	\$ 1,675,000
Long-term Liabilities							

City of Canton, Minnesota
Statement of Debt Principal and Interest Payments
December 31, 2025

Due Date	2025A Temp GO Utility Revenue Bond		2021A GO Sewer Revenue Refunding Note		Total
	Principal	Interest	Principal	Interest	
Business-Type Activities					
2026	\$ -	\$ 61,830	\$ -	\$ -	\$ 61,830
2027	-	61,830	13,000	6,622	81,452
2028	1,374,000	30,915	13,000	6,336	1,424,251
2029	-	-	13,000	6,050	19,050
2030	-	-	14,000	5,764	19,764
2031-2035	-	-	74,000	24,134	98,134
2036-2040	-	-	82,000	15,598	97,598
2041-2045	-	-	92,000	6,138	98,138
	\$ 1,374,000	\$ 154,575	\$ 301,000	\$ 70,642	\$ 1,900,217

City of Canton, Minnesota
Schedule of Accounts Receivable
(Unaudited)
December 31, 2025

Fund	Source of Revenue and Purpose	Amount
Water	Customer user charges	\$ 11,348
Sewer	Customer user charges	10,843
Refuse	Customer user charges	3,026
General	January tax settlement	3,987
General	Delinquent property taxes	14,423
Total accounts receivable		<u>\$ 43,627</u>

City of Canton, Minnesota
Schedule of Accounts Payable and Contingent Liabilities
(Unaudited)
December 31, 2025

Fund	Vendor Name	Item and Purpose	Subsequent Check Number	Amount	
General	Minnesota Department of Revenue	MN Sales & Use Tax Payable 25	000824	\$ 554	
	IRS	Monthly Withholdings	000830	4,611	
	Minnesota Department of Revenue	Monthly Withholdings	000831	630	
	PERA	Monthly Withholdings	000832	1,771	
	Bruening Rock Products	Rock	007977	388	
	Carolina Hershberger	City Hall Cleaning (Nov.-Dec.)	007978	160	
	Fillmore County Auditor-Treasurer	Special Assessment set-up fee	007980	50	
	Fillmore County Journal	Summary of Ordinance 2025-01	007981	125	
	Gopher State One Call	December 2025 Locates	007984	1	
	Nethercut Schieber PA	December legal fees	007990	6,988	
	Roman Yoder	Animal Control	007994	285	
	Village Farm & Home	Supplies	007999	123	
	Wright Way Computers	Computer Support	008002	146	
	Garbage	Richards Sanitation	Monthly Garbage Service	007993	2,564
	Sewer	Utility Consultants	Sampling	007998	853
2025A Project	WHKS	Engineering services (Nov 25)	008001	67,000	
Total accounts payable and contingent liabilities				<u>\$ 86,249</u>	

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Auditor's Report on Minnesota Legal Compliance

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 28, 2026.

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, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of 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.



Rochester, Minnesota
April 28, 2026



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