

2019 Annual Financial Report

Canton
Can Live. Can Dream. Can Do.



CITY OF CANTON
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MUNICIPALITY OF CANTON
STATEMENT OF NET POSITION
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 3,994,692.68	\$ 2,570,123.82	\$ 6,564,816.50	
Investments		-	-	
TOTAL ASSETS	<u>3,994,692.68</u>	<u>2,570,123.82</u>	<u>6,564,816.50</u>	
NET POSITION:				
Restricted for:				
Special Revenue	215,548.74		215,548.74	
Debt Service	-	-	-	
Unspendable	-		-	
Unrestricted (Deficit)	<u>3,779,143.94</u>	<u>2,570,123.82</u>	<u>6,349,267.76</u>	
TOTAL NET POSITION	<u>\$ 3,994,692.68</u>	<u>\$ 2,570,123.82</u>	<u>\$ 6,564,816.50</u>	

MUNICIPALITY OF CANTON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities			Total
						Governmental Activities	Business-Type Activities		
Primary Government:									
Governmental Activities:									
General Government	\$ 464,389.45	\$ 287,524.59			\$ (176,864.86)	\$	\$ (176,864.86)		
Public Safety	703,890.06	3,940.00			\$ (699,950.06)		(699,950.06)		
Public Works	963,045.26	42,280.32	108,945.55	21,986.24	\$ (789,833.15)		(789,833.15)		
Health and Welfare	8,650.80	300.00			\$ (8,350.80)		(8,350.80)		
Culture and Recreation	526,693.45	65,568.68			\$ (461,124.77)		(461,124.77)		
Conservation and Development	73,647.10				\$ (73,647.10)		(73,647.10)		
Miscellaneous		25,527.65			\$ 25,527.65		25,527.65		
*Interest on Long-term Debt	-						-		
Total Governmental Activities	2,740,316.12	425,141.24	108,945.55	21,986.24	(2,184,243.09)		(2,184,243.09)		
Business-type Activities:									
Liquor	873,559.51	939,920.69				66,361.18	66,361.18		
Water	689,153.01	853,358.35		-		164,205.34	164,205.34		
Sewer	703,596.50	803,011.71		-		99,415.21	99,415.21		
Airport	101,860.70	40,970.22		64,159.54		3,269.06	3,269.06		
Total Business-type Activities	2,368,169.72	2,637,260.97	-	64,159.54		333,250.79	333,250.79		
Total Primary Government	\$ 5,108,485.84	\$ 3,062,402.21	\$ 108,945.55	\$ 86,145.78	(2,184,243.09)	333,250.79	(1,850,992.30)		
Component Unit:									
Housing & Redevelopment Comm	-	-	-	-			-		

**MUNICIPALITY OF CANTON
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019**

	Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
Total Primary Government	(2,184,243.09)	333,250.79	(1,850,992.30)	-
General Revenues:				
Taxes:				
Property Taxes	1,344,038.34		1,344,038.34	
Sales Taxes	1,120,945.09		1,120,945.09	
State Shared Revenues	50,022.12	-	50,022.12	
Unrestricted Investment Earnings	22,863.21	10,011.66	32,874.87	
Miscellaneous Revenue	109,793.95		109,793.95	
Loss on Sale of Fixed Assets	-		-	
Transfers Net	(26,000.00)	26,000.00	-	
	<u>2,621,662.71</u>	<u>36,011.66</u>	<u>2,657,674.37</u>	-
Total General Revenues and Interest Expense				
Change in Net Position	437,419.62	369,262.45	806,682.07	-
Net Position-Beginning	<u>12,177,143.67</u>	<u>9,233,329.79</u>	<u>21,410,473.46</u>	-
Prior Period Adjustment	<u>(8,619,870.61)</u>	<u>(7,032,468.42)</u>	<u>(15,652,339.03)</u>	-
NET Position - ENDING	<u>\$ 3,994,692.68</u>	<u>\$ 2,570,123.82</u>	<u>\$ 6,564,816.50</u>	\$ -

* The Municipality does not have interest expense related to the functions presented above. The amount includes indirect interest expense on general long-term debt.

MUNICIPALITY OF CANTON
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

Total Fund Balances - Governmental Funds \$ 3,994,692.68

Amounts reported for governmental activities in the statement
of net position are different because:

Net pension asset reported in the governmental activities is not an available financial resource and therefore is not reported in the funds. -

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. -

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. -

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds. -

Assets such as taxes receivable (delinquent) and special assessments receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds. -

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. -

Net Position- Governmental Funds \$ 3,994,692.68

MUNICIPALITY OF CANTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	Major Funds		Nonmajor	Total
	General Fund	BBB Sales Tax Fund	Special Revenue Fund	
Revenues:				
Taxes:				
311 General Property Taxes	\$ 1,344,038.34			\$ 1,344,038.34
313 General Sales and Use Taxes	1,059,780.45	\$ 61,164.64		1,120,945.09
Penalties and Interest on				
319 Delinquent Taxes				-
320 Licenses and Permits	25,527.65			25,527.65
Intergovernmental Revenue:				
331 Grants	21,986.24			21,986.24
State Shared Revenue:				
335.03 Liquor Tax Reversion	19,922.75			19,922.75
335.04 Motor Vehicle Licenses (5%)	26,253.13			26,253.13
Local Government Highway				
335.08 and Bridge Fund	66,265.20			66,265.20
335.01 Bank Franchise Tax	30,099.37			30,099.37
County Shared Revenue:				
338.03 County Wheel Tax	16,427.22			16,427.22
Charges for Goods and Services:				
341 General Government	287,524.59			287,524.59
342 Public Safety	3,940.00			3,940.00
343 Highways and Streets	14,927.64			14,927.64
344 Sanitation	19,150.73			19,150.73
345 Health	300.00			300.00
346 Culture and Recreation	52,812.38		12,756.30	65,568.68
Fines and Forfeits:				
351 Court Fines and Costs	-			-
Miscellaneous Revenue:				
361 Investment Earnings	22,863.21			22,863.21
363 Special Assessment Revenue	8,201.95			8,201.95
Contributions and Donations				
367 from Private Sources	27,910.71			27,910.71
369.99 Other	81,883.24			81,883.24
391.01 Transfers	-			-
Total Revenue	<u>3,129,814.80</u>	<u>61,164.64</u>	<u>12,756.30</u>	<u>3,203,735.74</u>

MUNICIPALITY OF CANTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

		Major Funds		Nonmajor Special Revenue Fund	Total Governmental Funds
		General Fund	BBB Sales Tax Fund		
Expenditures:					
General Government:					
411	Legislative	19,842.07			19,842.07
412	Executive			-	-
413	Elections			-	-
414	Financial Administration	355,839.90			355,839.90
414.1	City Attorney	13,426.74			13,426.74
419	Other	75,280.74			75,280.74
	Total General Government	<u>464,389.45</u>			<u>464,389.45</u>
Public Safety:					
421	Police	573,784.16			573,784.16
422	Fire	77,000.90			77,000.90
	Total Public Safety	<u>650,785.06</u>			<u>650,785.06</u>
Public Works:					
431	Highways and Streets	866,406.77			866,406.77
432	Sanitation	79,104.38	-		79,104.38
	Total Public Works	<u>945,511.15</u>	<u>-</u>		<u>945,511.15</u>
Health and Welfare					
440	Health & Welfare	8,650.80			8,650.80
	Total Health and Welfare	<u>8,650.80</u>			<u>8,650.80</u>
Culture and Recreation:					
451	Recreation	119,876.15			119,876.15
452	Parks	147,500.50			147,500.50
455	Libraries	132,566.44		9,812.00	142,378.44
	Total Culture and Recreation	<u>399,943.09</u>		<u>9,812.00</u>	<u>409,755.09</u>

MUNICIPALITY OF CANTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	Major Funds			Nonmajor	Total Governmental Funds
	General Fund	BBB Sales Tax Fund		Special Revenue Fund	
Conservation and Development: Economic Development and Assistance (Industrial Development)	21,609.60	52,037.50			73,647.10
465 Debt Service	26,000.00				26,000.00
470 Transfers	187,577.47				187,577.47
511 Capital Outlay					
485 Total Expenditures	<u>2,704,466.62</u>	<u>52,037.50</u>	<u>-</u>	<u>9,812.00</u>	<u>2,766,316.12</u>
Excess of Revenue Over (Under) Expenditures	<u>425,348.18</u>	<u>9,127.14</u>	<u>-</u>	<u>2,944.30</u>	<u>437,419.62</u>
Net Change in Fund Balances	425,348.18	9,127.14	-	2,944.30	437,419.62
Fund Balance - Beginning	<u>3,529,683.63</u>	<u>171,210.84</u>		<u>34,317.09</u>	<u>3,735,211.56</u>
ADJ to Beginning F/B*	<u>(175,887.87)</u>	<u>(1,981.25)</u>		<u>(69.38)</u>	<u>(177,938.50)</u>
FUND BALANCE- ENDING	<u>\$ 3,779,143.94</u>	<u>\$ 178,356.73</u>	<u>\$ -</u>	<u>\$ 37,192.01</u>	<u>\$ 3,994,692.68</u>

Foot Notes *

MUNICIPALITY OF CANTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

		Enterprise Funds				
		Liquor Fund	Water Fund	Sewer Fund	Airport Fund	Total
ASSETS:						
	Current Assets:					
	Cash and Cash Equivalents	119,544.35	\$ 1,000,432.49	\$ 1,400,612.47	\$ 49,534.51	2,570,123.82
106	Cash with Fiscal Agent					-
151	Investments					-
	TOTAL ASSETS	<u>119,544.35</u>	<u>1,000,432.49</u>	<u>1,400,612.47</u>	<u>49,534.51</u>	<u>2,570,123.82</u>
See Accountant's Compilation Report						
NET POSITION:						
	Restricted for:					
253.21	Debt Service	-		-		-
253.90	Unrestricted	<u>119,544.35</u>	<u>1,000,432.49</u>	<u>1,400,612.47</u>	<u>49,534.51</u>	<u>2,570,123.82</u>
	Total Net Position	<u>119,544.35</u>	<u>1,000,432.49</u>	<u>1,400,612.47</u>	<u>49,534.51</u>	<u>2,570,123.82</u>

MUNICIPALITY OF CANTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Enterprise Funds				Total
	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	
Operating Revenue:					
380 Charges for Goods and Services	\$ 939,920.69	\$ 853,358.35	\$ 803,011.71	\$ 40,970.22	\$ 2,637,260.97
380.05 Lottery Sales	-				-
Total Operating Revenue	<u>939,920.69</u>	<u>853,358.35</u>	<u>803,011.71</u>	<u>40,970.22</u>	<u>2,637,260.97</u>
Operating Expenses:					
410 Personal Services		100,410.23	95,223.04		195,633.27
420 Other Current Expense	45,363.67	516,310.64	452,925.58	101,860.70	1,116,460.59
426.2 Materials (Cost of Goods Sold)	828,195.84				828,195.84
457 Depreciation					-
Total Operating Expenses	<u>873,559.51</u>	<u>616,720.87</u>	<u>548,148.62</u>	<u>101,860.70</u>	<u>2,140,289.70</u>
Operating Income (Loss)	<u>66,361.18</u>	<u>236,637.48</u>	<u>254,863.09</u>	<u>(60,890.48)</u>	<u>496,971.27</u>
Nonoperating Revenue (Expense):					
367 Federal Grant/Contributions				64,159.54	64,159.54
367 State Grant					-
361 Investment Earnings		7,543.88	2,467.78		10,011.66
369.09 Miscellaneous Revenue				26,000.00	26,000.00
391.02 Transfer In (out)					(227,880.02)
470 Interest Expense and Fiscal Charges					(127,708.82)
Total Nonoperating Revenue (Expense)	<u>-</u>	<u>(72,432.14)</u>	<u>(155,447.88)</u>	<u>26,000.00</u>	<u>(227,880.02)</u>
		<u>(64,888.26)</u>	<u>(152,980.10)</u>	<u>90,159.54</u>	<u>(127,708.82)</u>
Change in Net Position	66,361.18	171,749.22	101,882.99	29,269.06	369,262.45
Net Position - Beginning	216,981.86	2,816,052.34	3,207,671.95	2,992,623.64	9,233,329.79
* Beginning NP Adjustment	<u>(163,798.69)</u>	<u>(1,987,369.07)</u>	<u>(1,908,942.47)</u>	<u>(2,972,358.19)</u>	<u>(7,032,468.42)</u>
NET POSITION - ENDING	<u>\$ 119,544.35</u>	<u>\$ 1,000,432.49</u>	<u>\$ 1,400,612.47</u>	<u>\$ 49,534.51</u>	<u>\$ 2,570,123.82</u>

**MUNICIPALITY OF CANTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2019

	Enterprise Funds				Total
	Liquor Fund	Water Fund	Sewer Fund	Airport Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Receipts from Customers	\$ 939,920.69	\$ 853,358.35	\$ 803,011.71	\$ 40,970.22	\$ 2,637,260.97
Cash Payments to Employees for Services	-	(100,410.23)	(95,223.04)	-	(195,633.27)
Cash Payments from/to other Funds					\$ -
Cash Payments to Suppliers of Goods and Services	(873,559.51)	(516,310.64)	(452,925.58)	(101,860.70)	(1,944,656.43)
Net Cash Provided (Used) by Operating Activities	<u>66,361.18</u>	<u>236,637.48</u>	<u>254,863.09</u>	<u>(60,890.48)</u>	<u>496,971.27</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets					-
Loss on Disposition of FA					-
Proceeds from Capital Debt/Contributions		2,137.13	1,741.19	64,159.54	68,037.86
Principal Paid on Capital Debt					-
Interest Paid on Capital Debt		(72,432.14)	(155,447.88)		(227,880.02)
Other Receipts/Transfers				26,000.00	26,000.00
Net Cash (Used) by Capital and Related Financing Activities		<u>(70,295.01)</u>	<u>(153,706.69)</u>	<u>90,159.54</u>	<u>(133,842.16)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Earnings		7,543.88	2,467.78		10,011.66
Net Cash Provided by Investing Activities		<u>7,543.88</u>	<u>2,467.78</u>		<u>10,011.66</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 66,361.18</u>	<u>\$ 173,886.35</u>	<u>\$ 103,624.18</u>	<u>\$ 29,269.06</u>	<u>\$ 373,140.77</u>

Cash and Cash Equivalents at Beginning of Year	\$ 53,183.17	\$ 826,546.14	\$ 1,296,988.29	\$ 20,265.45	\$ 2,196,983.05
Cash and Cash Equivalents at End of Year	<u>119,544.35</u>	<u>1,000,432.49</u>	<u>1,400,612.47</u>	<u>49,534.51</u>	<u>2,570,123.82</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 66,361.18</u>	<u>\$ 173,886.35</u>	<u>\$ 103,624.18</u>	<u>\$ 29,269.06</u>	<u>\$ 373,140.77</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 66,361.18	\$ 236,637.48	\$ 254,863.09	\$ (60,890.48)	\$ 496,971.27
Net Cash Provided (Used) by Operating Activities	<u>\$ 66,361.18</u>	<u>\$ 236,637.48</u>	<u>\$ 254,863.09</u>	<u>\$ (60,890.48)</u>	<u>\$ 496,971.27</u>

MUNICIPALITY OF CANTON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of the Municipality of Canton, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Canton, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the Canton housing and Redevelopment Commission, 903 West Fifth, Canton, SD 57013.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and

services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – *The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.*

Special Revenue Funds – *Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.*

BBB Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising of the city (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is a major fund.

Library Fund – to account for the receipt and expenditure of resources received from the Library contributions. This not a major fund.

Proprietary Funds:

Enterprise Funds – *Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.*

- a. *The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related*

primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.*
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).*

Liquor Fund – A fund used to record financial transactions related to liquor operations. This is a major fund.

Water Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Airport Fund – financed primarily by user charges this fund accounts for the construction and operation of the municipal airport system and related facilities. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The Municipality’s basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the Municipality in these financial statements is:

- a. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.
- b. Recording of customer deposits that are held as security for final payment of their accounts.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Municipality applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist primarily of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

f. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded when they result from cash transactions, and are depreciated, where appropriate. The accounting treatment for property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

Under the modified cash basis of accounting, capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. Under the modified cash basis of accounting, capital assets arising from cash transactions reported in the government-wide financial statements are accounted for as assets in the Statement of Net Position. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary to match the cost with the program that benefits from the use of the capital assets.

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and component unit activities are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating those assets where appropriate so any capital assets owned by the Municipality and the related depreciation are not reported on the financial statements of the Municipality.

g. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds, Revenue Bonds, Certificates of Participation, Financing (Capital Acquisition) Leases, and Compensated Absences.

As discussed in Note 1.c. above the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and component unit activities are presented using a modified cash basis of accounting. The Municipality has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the Municipality. The Municipality does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The Municipality has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

j. Cash and Cash Equivalents:

For the purposes of the proprietary funds' Statement of Cash Flows, the Municipality considers all highly liquid investments as deposits (including restricted assets) with a term to maturity of three months or less, at date of acquisition, to be cash equivalents.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in two components:

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of Restricted Net Position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Commission.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

A schedule of fund balances is provided as follows:

MUNICIPALITY OF CANTON
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS

	General <u>Fund</u>	BBB Sales Tax <u>Fund</u>	Other Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Fund Balances:				
<i>Nonspendable:</i>				
Deposits				-
<i>Restricted for:</i>				
Liquor/Lodging		178,356.73		178,356.73
Library			37,192.01	37,192.01
<i>Assigned:</i>				
Swimming Pool	118,400.00			118,400.00
Capital Improvement	509,000.00			509,000.00
Library Building	76,000.00			76,000.00
Equipment	383,500.00			383,500.00
Street Sweeper	180,000.00			180,000.00
Fire Truck	240,000.00			240,000.00
Bike Trail	8,829.27			8,829.27
<i>Unassigned</i>	2,263,414.67			2,263,414.67
Total Fund Balances	3,779,143.94	178,356.73	37,192.01	3,994,692.68

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Municipality’s cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank’s public debt rating which may not be less than “AA” or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits Municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2019, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

As of December 31, 2019, the Municipality had the following investments.

<u>Investments</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	N/A	266,486.16
TOTAL INVESTMENTS			<u><u>266,486.16</u></u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Custodial Credit Risk – Investments – The risk that, in the event of the counterparty to a transaction, the Municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

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

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Municipality.

4. OPERATING LEASES

The City has the following operating leases:

- a. Lease with Marco for a copier, payments in the amount of \$184.17 per month are made out of the General Fund.
- b. Lease with Marco for a copier, payments in the amount of \$129.36 per month are made out of the General Fund.
- c. Lease with CapFirst for a street sweeper, payment in the amount of \$34,991.00 yearly are made out of the General Fund.

The following are the minimum payments on existing operating leases:

Year	General Fund
2020	38,753.36
2021	38,753.36
2022	36,915.26
2023	35,379.08
2024	-
2025-2029	-
2030-2034	-
Total	149,801.06

5. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2019 was as follows:

<u>Other Purposes:</u>	<u>Amount</u>
Economic Development	\$ 178,356.74
Special Revenue-Library	37,192.01
Total Restricted Net Position	\$ 215,548.75

These balances are restricted due to federal grant and statutory requirements.

6. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 were as follows:

<u>Transfers From:</u>	<u>Transfers To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Airport Fund</u>	<u>Other Governmental Funds</u>	
Major Funds:				
General Fund	\$ -	\$ 26,000.00	\$ -	26,000.00

The Municipality typically budgets transfers to the Airport Fund to conduct the indispensable functions of the Municipality.

7. PRIOR PERIOD ADJUSTMENTS-BEGINNING FUND BALANCE/NET POSITION ADJUSTMENT FOR CHANGE IN BASIS OF ACCOUNTING

Beginning Fund Balance of the Governmental Funds has been adjusted to restate the cumulative effects of changing from the modified accrual basis of accounting to the modified cash basis of accounting (See Note 1.c.). The following items reconcile the beginning fund balances.

	<u>General Fund</u>	<u>BBB Sales Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Accounts Payable	105,237.32			105,237.32
Deferred Revenue	71,871.72			71,871.72
Accounts Receivable, Net	(114,689.16)		(69.38)	(114,758.54)
Due From Other Governments	(46,280.44)	(1,981.25)		(48,261.69)
Inventroy of Supplies	(80,188.31)			(80,188.31)
Deposits	(111,839.00)			(111,839.00)
				-
Beginning Fund Balance Adjustments	<u>(175,887.87)</u>	<u>(1,981.25)</u>	<u>(69.38)</u>	<u>(177,938.50)</u>

Beginning Net Position of the Business-Type Activities and the Governmental Activities has been adjusted to restate the cumulative effects of changing from full accrual basis of accounting to the modified cash basis of accounting (See Note 1.c.). The following items reconcile the beginning net position.

	Total Governmental Activities
Net Affect of Governmental Funds (Above)	(177,938.50)
Capital Assets and Related Accumulated Depreciation	(8,184,405.76)
Deferred Outflows	(406,671.89)
Long Term Liabilities	6,952.82
Compensated Absences	113,869.99
Deferred Inflows	29,590.20
Assets Deferred in the Funds	(1,267.47)
Beginning Net Position Adjustment	<u>(8,619,870.61)</u>

	Business-Type Activities Funds
Accounts Payable	227,971.82
Accounts Receivable, Net	(389,425.01)
Due From Other Governments	(33,971.46)
Inventory of Supplies	(156,137.31)
Customer Deposits	76,596.00
Compensated Absences	4,030.60
Capital Assets and Related Accumulated Depreciation	(12,198,281.60)
Long Term Liabilities	5,436,748.54
Beginning Net Position Adjustment	<u>(7,032,468.42)</u>

8. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2019, the Municipality was not involved in any litigation.

9. RISK MANAGEMENT

The Municipality 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. During the period ended December 31, 2019, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Municipality joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to

obtain lower costs for that coverage. The Municipality's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile and general liability.

Effective January 1, 2018, the SDPAA revised the method of calculating the amount available to be refunded to a withdrawing member. Upon giving proper written notice to the SDPAA a member may withdraw. Within 120 days following withdrawal, or as soon thereafter as the next Annual Budget is completed, the SDPAA will advise the withdrawing member of its total calculated portion of contributions made to the SDPAA that shall be refunded. Refunds are calculated based on the pool's total contributions, along with the member's total contributions, current losses, unpaid losses, and loss expenses, the member's loss ratio, and number of membership years.

A member who withdraws from the SDPAA shall receive a calculated portion of their contributions refunded for unpaid casualty losses, based on the following schedule:

<u>Years</u>	<u>Percentage</u>
1	55%
2	50%
3	40%
4	35%
5	30%
6+	20%

All refunds shall be paid to the withdrawing Member over a five-year term.

The amount available for refund to the Municipality is considered a deposit for financial reporting purposes.

As of December 31, 2019, the Municipality's balance available to be refunded per the SDPAA was \$130,324.00, which was an increase of \$18,485.00 from the previous year. The deposit is not recorded in the City's financial statements due to the modified cash basis of accounting elected by the City.

The Municipality carries a \$100 deductible for the automobile comprehensive coverage and \$250 deductible for the automobile collision coverage, \$500 deductible for official's liability and \$2,000 for Law Enforcement liabilities.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The

pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

I have prepared the preceding notes to the financial statements.

Signature

Title

Date

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CANTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	\$ 1,375,990.00	\$ 1,375,990.00	\$ 1,344,038.34	\$ (31,951.66)
General Sales and Use Taxes	950,000.00	950,000.00	1,059,780.45	109,780.45
Penalties and Interest on Delinquent Taxes			-	-
Licenses and Permits	25,300.00	25,300.00	25,527.65	227.65
Intergovernmental Revenue:				
Grants			21,986.24	21,986.24
State Shared Revenue:				
Liquor Tax Reversion	20,000.00	20,000.00	50,022.12	30,022.12
Motor Vehicle Licenses (5%)	20,000.00	20,000.00	26,253.13	6,253.13
Local Government Highway and Bridge Fund	60,000.00	60,000.00	66,265.20	6,265.20
County Shared Revenue:				
County Wheel Tax	5,000.00	5,000.00	16,427.22	11,427.22
Other	27,500.00	27,500.00		(27,500.00)
Charges for Goods and Services:				
General Government	296,700.00	296,700.00	287,524.59	(9,175.41)
Public Safety	3,800.00	3,800.00	3,940.00	140.00
Highways and Streets	21,650.00	21,650.00	14,927.64	(6,722.36)
Sanitation	15,700.00	15,700.00	19,150.73	3,450.73
Health	500.00	500.00	300.00	(200.00)
Culture and Recreation	54,500.00	54,500.00	52,812.38	(1,687.62)
Fines and Forfeits:				
Court Fines and Costs	1,000.00	1,000.00	-	(1,000.00)
Miscellaneous Revenue:				
Investment Earnings	17,000.00	17,000.00	22,863.21	5,863.21
Special Assessment Revenue	-	-	8,201.95	8,201.95
Contributions and Donations from Private Sources	3,000.00	3,000.00	27,910.71	24,910.71
Transfers			-	-
Other	6,000.00	6,000.00	81,883.24	75,883.24
Total Revenue	<u>2,903,640.00</u>	<u>2,903,640.00</u>	<u>3,129,814.80</u>	<u>226,174.80</u>
Expenditures:				
General Government:				
Legislative	27,500.00	27,500.00	19,842.07	7,657.93
Executive			-	-
Elections	4,550.00	4,550.00	-	4,550.00
Financial Administration	373,100.00	382,600.00	355,839.90	26,760.10
City Attorney	27,300.00	27,300.00	13,426.74	13,873.26
Other	93,950.00	93,950.00	75,280.74	18,669.26
Total General Government	<u>526,400.00</u>	<u>535,900.00</u>	<u>464,389.45</u>	<u>71,510.55</u>

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CANTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety:				
Police	633,050.00	658,050.00	573,784.16	84,265.84
Fire	174,165.00	174,165.00	130,105.90	44,059.10
Total Public Safety	<u>807,215.00</u>	<u>832,215.00</u>	<u>703,890.06</u>	<u>128,324.94</u>
Public Works:				
Highways and Streets	823,750.00	1,148,250.00	883,940.88	264,309.12
Sanitation	86,800.00	86,800.00	79,104.38	7,695.62
Total Public Works	<u>910,550.00</u>	<u>1,235,050.00</u>	<u>963,045.26</u>	<u>272,004.74</u>
Health and Welfare:				
Health & Welfare	19,550.00	19,550.00	8,650.80	10,899.20
Total Health and Welfare	<u>19,550.00</u>	<u>19,550.00</u>	<u>8,650.80</u>	<u>10,899.20</u>
Culture and Recreation:				
Recreation	188,350.00	191,850.00	138,684.76	53,165.24
Parks	212,900.00	255,600.00	221,673.02	33,926.98
Libraries	192,120.00	192,120.00	156,523.67	35,596.33
Total Culture and Recreation	<u>593,370.00</u>	<u>639,570.00</u>	<u>516,881.45</u>	<u>122,688.55</u>
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	20,150.00	35,150.00	21,609.60	13,540.40
Total Conservation and Development	<u>20,150.00</u>	<u>35,150.00</u>	<u>21,609.60</u>	<u>13,540.40</u>
Total Transfers	<u>26,000.00</u>	<u>26,000.00</u>	<u>26,000.00</u>	<u>-</u>
Total Expenditures	<u>2,903,235.00</u>	<u>3,323,435.00</u>	<u>2,704,466.62</u>	<u>618,968.38</u>
Excess of Revenue Over (Under) Expenditures	<u>405.00</u>	<u>(419,795.00)</u>	<u>425,348.18</u>	<u>845,143.18</u>
Net Change in Fund Balances	405.00	(419,795.00)	425,348.18	845,143.18
Fund Balance - Beginning	<u>3,529,683.63</u>	<u>3,529,683.63</u>	<u>3,529,683.63</u>	
Adjustment to Beginning F/B	(207,198.55)	(207,198.55)	(207,198.55)	
FUND BALANCE - ENDING	<u>\$ 3,530,888.63</u>	<u>\$ 3,109,888.63</u>	<u>\$ 3,747,833.26</u>	<u>\$ 845,143.18</u>

Foot Notes *

**REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF CANTON
BUDGETARY COMPARISON SCHEDULE
BBB SALES TAX FUND
For the Year Ended December 31, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 55,000.00	\$ 55,000.00	\$ 61,164.64	\$ 6,164.64
Total Revenue	<u>55,000.00</u>	<u>55,000.00</u>	<u>61,164.64</u>	<u>6,164.64</u>
Expenditures:				
Debt Service	-	-	-	-
Economic Development and Assistance (Industrial Developme	<u>48,000.00</u>	<u>93,000.00</u>	<u>52,037.50</u>	<u>40,962.50</u>
Total Expenditures	<u>48,000.00</u>	<u>93,000.00</u>	<u>52,037.50</u>	<u>40,962.50</u>
Net Change in Fund Balances	7,000.00	(38,000.00)	9,127.14	47,127.14
Fund Balance - Beginning	<u>171,210.84</u>	<u>171,210.84</u>	<u>171,210.84</u>	
ADJ to Beginning F/B*	(1,981.25)	(1,981.25)	(1,981.25)	
FUND BALANCE - ENDING	<u>\$ 176,229.59</u>	<u>\$ 131,229.59</u>	<u>\$ 178,356.73</u>	<u>\$ 47,127.14</u>

MUNICIPALITY OF CANTON
NOTES TO THE SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The Municipality follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board/Municipality Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipality Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board/Municipality Commission to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board/Municipality Commission.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

Note 2 Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

MUNICIPALITY OF CANTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2018
Indirect Federal Funding: SD Department of Transportation, State Aeronautics: Airport Improvement Projects	20.106	11	64,159.54
Indirect Federal Funding: SD Department of Transportation, Highway Planning and Construction: Transportation Enhancement Projects	20.205		
SD Department of Public Safety, State Homeland Security Grant Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	97.067 20.601	14	
Total Department of Transportation			64,159.54
General Services Administration: Indirect Federal Funding: SD Federal Property Agency, Donation of Federal Surplus Personal Property (Note 4)	39.003		485.90
Total General Services Administration			485.90
Environmental Protection Agency Indirect Federal Funding: Capitalization Grant for Clean Water State Revolving Funds	66.458		
Total Environmental Protection Agency			0.00
United States Department of Justice Direct Federal Funding-DOJ Bullet Proof Vest Partnership Grants	16.607		
Total United States Department of Agriculture			0.00
GRAND TOTAL			\$64,645.44

(NOTE: Determine and include any in-lieu-of type federal revenues in this statement.)

Note 1: This accompanying schedule of expenditures of federal awards includes the federal grant activity of the municipality and is presented on the modified accrual/full accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the municipality.

MUNICIPALITY OF CANTON
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2019

<u>Indebtedness</u>	<u>Long-Term Debt 1-Jan-19</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt 31-Dec-19</u>
Governmental Long-Term Debt:				
231.01 General Obligation Bonds				
231.02 Revenue Bonds				
231.03 Special Assessment Bonds				
236 Advance from Other Funds				
237 Other Long-Term Liabilities				
Enterprise Long-Term Debt: (only cash basis entities need to complete the enterprise section)				
231.01 General Obligation Bonds				
231.02 Revenue Bonds				
231.03 Special Assessment Bonds				
235 Accrued Landfill Closure and Postclosure Care Costs				
236 Advance from Other Funds				
237 Other Long-Term Liabilities	5,436,748.54	171,709.00	187,794.02	5,420,663.52
Total	<u>5,436,748.54</u>	<u>171,709.00</u>	<u>187,794.02</u>	<u>5,420,663.52</u>

(Do not include interest in the above figures)

Note 1 - Long-Term Debt:

Debt payable at December 31, 2019 is comprised of the following:

State Revolving Fund Loans:

Drinking Water #1, maturing in 2024 with an interest rate of 3.50%. The payments are made from the Water Fund	\$ 159,393.01
Drinking Water #2, maturing in 2048 with an interest rate of 3.50%. The payments are made from the Water Fund	\$ 1,047,959.00
Drinking Water #3, maturing in 2048 with an interest rate of 3.50%. The payments are made from the Water Fund	\$ 744,112.95
Clean Water #2, maturing in 2024 with an interest rate of 3.50%. The payments are made from the Sewer Fund.	\$ 191,251.05
Clean Water #3, maturing in 2031 with an interest rate of 3.00%. The payments are made from the Sewer Fund.	\$ 1,029,023.25
Clean Water #4, maturing in 2044 with and interest rate of 3.25%. The payments are made from the Sewer Fund.	\$ 655,363.26
Clean Water #5, maturing in 2048 with and interest rate of 3.50%. The payments are made from the Sewer Fund.	<u>\$ 1,593,561.00</u>
TOTAL STATE REVOLVING FUND LOANS:	<u>\$ 5,420,663.52</u>