

# 2022 Annual Financial Report



**CITY OF CANTON**  
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**MUNICIPALITY OF CANTON**  
**STATEMENT OF NET POSITION**  
December 31, 2022

|                           | Primary Government         |                             | Component<br>Unit      |
|---------------------------|----------------------------|-----------------------------|------------------------|
|                           | Governmental<br>Activities | Business-Type<br>Activities |                        |
| <b>ASSETS:</b>            |                            |                             |                        |
| Cash and Cash Equivalents | \$ 9,311,530.36            | \$ 3,173,810.76             | \$12,485,341.12        |
| Investments               |                            | -                           | -                      |
| <b>TOTAL ASSETS</b>       | <u>9,311,530.36</u>        | <u>3,173,810.76</u>         | <u>12,485,341.12</u>   |
| <br><b>NET POSITION:</b>  |                            |                             |                        |
| Restricted for:           |                            |                             |                        |
| Special Revenue           | 168,854.53                 |                             | 168,854.53             |
| Debt Service              | 1,884.79                   | -                           | 1,884.79               |
| Unspendable               | 2,737,525.34               |                             | 2,737,525.34           |
| Unrestricted (Deficit)    | <u>6,403,265.70</u>        | <u>3,173,810.76</u>         | <u>9,577,076.46</u>    |
| <b>TOTAL NET POSITION</b> | <u>\$ 9,311,530.36</u>     | <u>\$ 3,173,810.76</u>      | <u>\$12,485,341.12</u> |

**MUNICIPALITY OF CANTON  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2022**

| Functions/Programs                    | Program Revenues       |                         |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                       | Component<br>Unit |       |
|---------------------------------------|------------------------|-------------------------|--|--|--|-----------------------------|-----------------------|-------------------|-------|
|                                       | Expenses               | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Primary Government          |                       |                   | Total |
|                                       |                        |                         |  |  |  | Business-Type<br>Activities | Total                 |                   |       |
| <b>Primary Government:</b>            |                        |                         |  |  |  |                             |                       |                   |       |
| Governmental Activities:              |                        |                         |  |  |  |                             |                       |                   |       |
| General Government                    | \$ 491,379.87          | \$ 305,382.68           |  |  | \$ (185,997.19)                                      | \$                          | \$ (185,997.19)       |                   |       |
| Public Safety                         | 820,828.10             | 13,334.53               | 6,486.24                                 |  | (801,007.33)   |                             | (801,007.33)          |                   |       |
| Public Works                          | 790,138.45             | 71,413.84               | 121,470.88                               | 325,500.16                             | (271,753.57)   |                             | (271,753.57)          |                   |       |
| Health and Welfare                    | 5,601.92               | 625.00                  |  |  | (4,976.92)   |                             | (4,976.92)            |                   |       |
| Culture and Recreation                | 859,458.94             | 34,855.60               | 4,994.80                                 |  | (819,608.54)   |                             | (819,608.54)          |                   |       |
| Conservation and Development          | 130,602.06             |                         |  |  | (130,602.06)   |                             | (130,602.06)          |                   |       |
| Miscellaneous                         |                        | 40,428.37               |  |  | 40,428.37  |                             | 40,428.37             |                   |       |
| *Interest on Long-term Debt           | 174,507.50             |                         |  |  | (174,507.50)   |                             | (174,507.50)          |                   |       |
| <b>Total Governmental Activities</b>  | <b>3,272,516.84</b>    | <b>466,040.02</b>       | <b>132,951.92</b>                        | <b>325,500.16</b>                      | <b>(2,348,024.74)</b>                                |                             | <b>(2,348,024.74)</b> |                   |       |
| <b>Business-type Activities:</b>      |                        |                         |  |  |  |                             |                       |                   |       |
| Liquor                                | 970,350.56             | 1,034,130.86            |  |  |  | 63,780.30                   | 63,780.30             |                   |       |
| Water                                 | 891,943.76             | 1,005,430.23            |  | -                                      |  | 113,486.47                  | 113,486.47            |                   |       |
| Sewer                                 | 731,486.89             | 828,143.03              |  | -                                      |  | 96,656.14                   | 96,656.14             |                   |       |
| Airport                               | 302,428.26             | 46,994.59               |  | 154,302.07                             |  | (101,131.60)                | (101,131.60)          |                   |       |
| <b>Total Business-type Activities</b> | <b>2,896,209.47</b>    | <b>2,914,698.71</b>     | <b>-</b>                                 | <b>154,302.07</b>                      |  | <b>172,791.31</b>           | <b>172,791.31</b>     |                   |       |
| <b>Total Primary Government</b>       | <b>\$ 6,168,726.31</b> | <b>\$ 3,380,738.73</b>  | <b>\$ 132,951.92</b>                     | <b>\$ 479,802.23</b>                   | <b>(2,348,024.74)</b>                                | <b>172,791.31</b>           | <b>(2,175,233.43)</b> |                   |       |
| <b>Component Unit:</b>                |                        |                         |  |  |  |                             |                       |                   |       |
| Housing & Redevelopment Comm          | -                      | -                       | -  | -                                      |  |                             | -                     |                   |       |

**MUNICIPALITY OF CANTON  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2022**

|   | Net (Expense) Revenue and<br>Changes in Net Assets |   |                         | Component<br>Unit |
|---|--|---|-------------------------|-------------------|
|   | Governmental<br>Activities                         | Primary Government<br>Business-Type<br>Activities | Total                   |                   |
| Total Primary Government                    | (2,348,024.74)                                     | 172,791.31  | (2,175,233.43)          | -                 |
| General Revenues:                           |  |   |                         |                   |
| Taxes:                                      |  |   |                         |                   |
| Property Taxes                              | 1,668,784.48                                       |   | 1,668,784.48            |                   |
| Sales Taxes                                 | 1,486,244.23                                       |   | 1,486,244.23            |                   |
| State Shared Revenues                       | 45,741.74  |   | 45,741.74               |                   |
| Unrestricted Investment Earnings            | 33,274.26  | 9,355.24  | 42,629.50               |                   |
| Miscellaneous Revenue                       | 49,350.02  |   | 49,350.02               |                   |
| Loss on Sale of Fixed Assets                | -  |   | -                       |                   |
| Bond Proceeds                               | -  |   | -                       |                   |
| Transfers Net                               | (26,000.00)  | 26,000.00   | -                       |                   |
| Total General Revenues and Interest Expense | <u>3,257,394.73</u>                                | <u>35,355.24</u>                                  | <u>3,292,749.97</u>     | -                 |
| Change in Net Position                      | 909,369.99   | 208,146.55  | 1,117,516.54            | -                 |
| Net Position-Beginning                      | <u>8,402,160.37</u>                                | <u>2,965,664.21</u>                               | <u>11,367,824.58</u>    | -                 |
| Prior Period Adjustment                     |  |   |                         | -                 |
| NET Position - ENDING                       | <u>\$ 9,311,530.36</u>                             | <u>\$ 3,173,810.76</u>                            | <u>\$ 12,485,341.12</u> | <u>\$ -</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  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2022

|  | Major Funds     |                    |                   | Non-Major   | Total              |
|--|-----------------|--------------------|-------------------|-------------|--------------------|
|  | General Fund    | BBB Sales Tax Fund | Debt Service Fund |             | Governmental Funds |
|  | \$ 9,140,791.04 | \$131,497.92       | \$ 1,884.79       | \$37,356.61 | \$9,311,530.36     |
|  | \$ 9,140,791.04 | \$131,497.92       | \$ 1,884.79       | \$37,356.61 | \$9,311,530.36     |

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:**

Cash and Cash Equivalents

TOTAL ASSETS

**FUND BALANCES:**

Fund Balances:

Nonspendable For:

266.01 Next Years Budget

263.01 Inventory

263.49 Library & Pool

263.49 Fire Equipment

263.49 Capital Improvement & Dak St

263.49 Equipment

267 Unassigned Fund Balances:

TOTAL FUND BALANCES

\$ -

\$ -

\$2,828,525.34

\$ 360,000.00

\$ 509,000.00

\$ 668,500.00

\$4,945,505.02

**MUNICIPALITY OF CANTON**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2022**

Total Fund Balances - Governmental Funds \$ 9,311,530.36

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 \$ 9,311,530.36

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

For the Year Ended December 31, 2022

|   | Major Funds         |                       |                      | Nonmajor<br>Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------|----------------------|--|--------------------------------|
|   | General<br>Fund     | BBB Sales<br>Tax Fund | Debt<br>Service Fund |  |                                |
| <b>Revenues:</b>                              |                     |                       |                      |  |                                |
| Taxes:  |                     |                       |                      |  |                                |
| 311 General Property Taxes                    | \$ 1,489,875.39     |                       | \$ 178,909.09        |  | \$ 1,668,784.48                |
| 313 General Sales and Use Taxes               | 1,418,014.23        | \$ 68,230.00          |                      |  | 1,486,244.23                   |
| Penalties and Interest on<br>Delinquent Taxes |                     |                       |                      |  | -                              |
| 319 Licenses and Permits                      | 40,428.37           |                       |                      |  | 40,428.37                      |
| 320 Intergovernmental Revenue:                |                     |                       |                      |  |                                |
| 331 Grants                                    | 336,981.20          |                       |                      |  | 336,981.20                     |
| State Shared Revenue:                         |                     |                       |                      |  |                                |
| 335.03 Liquor Tax Reversion                   | 21,484.17           |                       |                      |  | 21,484.17                      |
| 335.04 Motor Vehicle Licenses (5%)            | 36,494.52           |                       |                      |  | 36,494.52                      |
| Local Government Highway<br>and Bridge Fund   | 70,336.27           |                       |                      |  | 70,336.27                      |
| 335.01 Bank Franchise Tax                     | 24,257.57           |                       |                      |  | 24,257.57                      |
| County Shared Revenue:                        |                     |                       |                      |  |                                |
| 338.03 County Wheel Tax                       | 14,640.09           |                       |                      |  | 14,640.09                      |
| Charges for Goods and Services:               |                     |                       |                      |  |                                |
| 341 General Government                        | 305,382.68          |                       |                      |  | 305,382.68                     |
| 342 Public Safety                             | 13,239.15           |                       |                      |  | 13,239.15                      |
| 343 Highways and Streets                      | 15,362.04           |                       |                      |  | 15,362.04                      |
| 344 Sanitation                                | 41,061.77           |                       |                      |  | 41,061.77                      |
| 345 Health                                    | 625.00              |                       |                      |  | 625.00                         |
| 346 Culture and Recreation                    | 20,971.00           |                       |                      | 13,884.60                              | 34,855.60                      |
| Fines and Forfeits:                           |                     |                       |                      |  |                                |
| 351 Court Fines and Costs                     | 95.38               |                       |                      |  | 95.38                          |
| Miscellaneous Revenue:                        |                     |                       |                      |  |                                |
| 361 Investment Earnings                       | 33,274.26           |                       |                      |  | 33,274.26                      |
| 363 Special Assessment Revenue                | 14,990.03           |                       |                      |  | 14,990.03                      |
| Contributions and Donations                   |                     |                       |                      |  |                                |
| 367 from Private Sources                      | 30,100.00           |                       |                      |  | 30,100.00                      |
| 369.99 Other                                  | 19,250.02           |                       |                      |  | 19,250.02                      |
| 391.21 Bond Proceeds                          | -                   |                       |                      |  | -                              |
| Total Revenue                                 | <u>3,946,863.14</u> | <u>68,230.00</u>      | <u>178,909.09</u>    | <u>13,884.60</u>                       | <u>4,207,886.83</u>            |



**MUNICIPALITY OF CANTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

|                              | Major Funds       |                       |                      | Nonmajor<br>Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds |
|------------------------------|-------------------|-----------------------|----------------------|--|--------------------------------|
|                              | General<br>Fund   | BBB Sales<br>Tax Fund | Debt<br>Service Fund |  |                                |
| <b>Expenditures:</b>         |                   |                       |                      |  |                                |
| General Government:          |                   |                       |                      |  |                                |
| 411 Legislative              | 23,061.63         |                       |                      |  | 23,061.63                      |
| 412 Executive                |                   |                       |                      |  | -                              |
| 413 Elections                | 1,912.49          |                       |                      |  | 1,912.49                       |
| 414 Financial Administration | 368,041.55        |                       |                      |  | 368,041.55                     |
| 414.1 City Attorney          | 27,821.36         |                       |                      |  | 27,821.36                      |
| 419 Other                    | 70,542.84         |                       |                      |  | 70,542.84                      |
| Total General Government     | <u>491,379.87</u> |                       |                      |  | <u>491,379.87</u>              |
| Public Safety:               |                   |                       |                      |  |                                |
| 421 Police                   | 666,290.69        |                       |                      |  | 666,290.69                     |
| 422 Fire                     | 104,978.77        |                       |                      |  | 104,978.77                     |
| Total Public Safety          | <u>771,269.46</u> |                       |                      |  | <u>771,269.46</u>              |
| Public Works:                |                   |                       |                      |  |                                |
| 431 Highways and Streets     | 645,449.00        |                       |                      |  | 645,449.00                     |
| 432 Sanitation               | 71,791.45         |                       |                      |  | 71,791.45                      |
| Total Public Works           | <u>717,240.45</u> |                       |                      |  | <u>717,240.45</u>              |
| Health and Welfare           |                   |                       |                      |  |                                |
| 440 Health & Welfare         | 5,601.92          |                       |                      |  | 5,601.92                       |
| Total Health and Welfare     | <u>5,601.92</u>   |                       |                      |  | <u>5,601.92</u>                |
| Culture and Recreation:      |                   |                       |                      |  |                                |
| 451 Recreation               | 19,607.44         |                       |                      |  | 19,607.44                      |
| 452 Parks                    | 172,687.17        |                       |                      |  | 172,687.17                     |
| 455 Libraries                | 156,914.25        |                       |                      | 26,218.79                              | 183,133.04                     |
| Total Culture and Recreation | <u>349,208.86</u> |                       |                      | <u>26,218.79</u>                       | <u>375,427.65</u>              |

**MUNICIPALITY OF CANTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2022**

|  | Major Funds            |                       |                      | Nonmajor<br>Special<br>Revenue<br>Fund | Total<br>Governmental<br>Funds |
|--|------------------------|-----------------------|----------------------|--|--------------------------------|
|  | General<br>Fund        | BBB Sales<br>Tax Fund | Debt<br>Service Fund |  |                                |
| Conservation and Development:<br>Economic Development and<br>Assistance (Industrial Development) | 26,949.56              | 103,652.50            |                      |  | 130,602.06                     |
| 465 Debt Service   |                        |                       | 174,507.50           |  | 174,507.50                     |
| 470 Transfers  | 26,000.00              |                       |                      |  | 26,000.00                      |
| 511 Capital Outlay   | 606,487.93             |                       |                      |  | 606,487.93                     |
| 485 Total Expenditures   | <u>2,994,138.05</u>    | <u>103,652.50</u>     | <u>174,508</u>       | <u>26,218.79</u>                       | <u>3,298,516.84</u>            |
| Excess of Revenue Over (Under)<br>Expenditures   | <u>952,725.09</u>      | <u>(35,422.50)</u>    | <u>4,401.59</u>      | <u>(12,334.19)</u>                     | <u>909,369.99</u>              |
| Net Change in Fund Balances  | 952,725.09             | (35,422.50)           | 4,401.59             | (12,334.19)                            | 909,369.99                     |
| Fund Balance - Beginning<br>ADJ to Beginning F/B*  | <u>8,188,065.95</u>    | <u>166,920.42</u>     | <u>(2,516.80)</u>    | <u>49,690.80</u>                       | <u>8,402,160.37</u>            |
| FUND BALANCE- ENDING   | <u>\$ 9,140,791.04</u> | <u>\$ 131,497.92</u>  | <u>\$ 1,884.79</u>   | <u>\$ 37,356.61</u>                    | <u>\$ 9,311,530.36</u>         |

Foot Notes \*

**MUNICIPALITY OF CANTON**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 909,369.99

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

In the statement of activities, the loss on disposal of assets is reported, whereas in the Governmental funds, the disposal of fixed assets is not reflected.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. -

Governmental funds do not reflect the change in accrued leave, but the Statement of Activities reflects the change in accrued leave through expenditures.

Issuing of financing sources are recorded as revenue in the governmental funds, as opposed to an increase in liabilities in the statement of Activities

Governmental funds do not reflect the change in OPEB, but the Statement of Activities reflects the change in OPEB through expenditures.

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as pension.

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.

Governmental funds report property taxes as revenue when they meet the available criteria. Because some property taxes will not be collected for several months after the district's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year. -

Issuance of Long-Term Debt is recorded as a revenue in the Fund -

Change in Net Position of Governmental Activities \$ 909,369.99

MUNICIPALITY OF CANTON  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2022

|                |                           | Enterprise Funds  |                     |                     |                    |                     |
|----------------|---------------------------|-------------------|---------------------|---------------------|--------------------|---------------------|
|                |                           | Liquor<br>Fund    | Water<br>Fund       | Sewer<br>Fund       | Airport<br>Fund    | Total               |
| <b>ASSETS:</b> |                           |                   |                     |                     |                    |                     |
|                | Current Assets:           |                   |                     |                     |                    |                     |
|                | Cash and Cash Equivalents | 223,387.23        | \$ 1,054,396.62     | \$ 1,944,300.72     | \$ (48,273.81)     | 3,173,810.76        |
| 106            | Cash with Fiscal Agent    |                   |                     |                     |                    | -                   |
| 151            | Investments               |                   |                     |                     |                    | -                   |
|                | <b>TOTAL ASSETS</b>       | <u>223,387.23</u> | <u>1,054,396.62</u> | <u>1,944,300.72</u> | <u>(48,273.81)</u> | <u>3,173,810.76</u> |

See Accountant's Compilation Report

**NET POSITION:**

|        |                    |                   |                     |                     |                    |                     |
|--------|--------------------|-------------------|---------------------|---------------------|--------------------|---------------------|
|        | Restricted for:    |                   |                     |                     |                    |                     |
| 253.21 | Debt Service       |                   | -                   |                     |                    | -                   |
| 253.90 | Unrestricted       | <u>223,387.23</u> | <u>1,054,396.62</u> | <u>1,944,300.72</u> | <u>(48,273.81)</u> | <u>3,173,810.76</u> |
|        | Total Net Position | <u>223,387.23</u> | <u>1,054,396.62</u> | <u>1,944,300.72</u> | <u>(48,273.81)</u> | <u>3,173,810.76</u> |

**MUNICIPALITY OF CANTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2022

|   | Enterprise Funds     |                        |                        |                       | Total                  |
|---|----------------------|------------------------|------------------------|-----------------------|------------------------|
|   | Liquor Fund          | Water Fund             | Sewer Fund             | Airport Fund          |                        |
| <b>Operating Revenue:</b>               |                      |                        |                        |                       |                        |
| 380 Charges for Goods and Services      | \$ 1,034,130.86      | \$ 1,005,430.23        | \$ 828,143.03          | \$ 46,994.59          | \$ 2,914,698.71        |
| 380.05 Lottery Sales                    | -                    | -                      | -                      | -                     | -                      |
| Total Operating Revenue                 | <u>1,034,130.86</u>  | <u>1,005,430.23</u>    | <u>828,143.03</u>      | <u>46,994.59</u>      | <u>2,914,698.71</u>    |
| <b>Operating Expenses:</b>              |                      |                        |                        |                       |                        |
| 410 Personal Services                   |                      | 88,139.65              | 75,094.67              |                       | 163,234.32             |
| 420 Other Current Expense               | 60,000.00            | 735,255.00             | 537,628.29             | 302,428.26            | 1,635,311.55           |
| 426.2 Materials (Cost of Goods Sold)    | 910,350.56           |                        |                        |                       | 910,350.56             |
| 457 Depreciation                        |                      |                        |                        |                       | -                      |
| Total Operating Expenses                | <u>970,350.56</u>    | <u>823,394.65</u>      | <u>612,722.96</u>      | <u>302,428.26</u>     | <u>2,708,896.43</u>    |
| Operating Income (Loss)                 | <u>63,780.30</u>     | <u>182,035.58</u>      | <u>215,420.07</u>      | <u>(255,433.67)</u>   | <u>205,802.28</u>      |
| <b>Nonoperating Revenue (Expense):</b>  |                      |                        |                        |                       |                        |
| 367 Federal Grant/Contributions         |                      |                        |                        | 154,302.07            | 154,302.07             |
| 367 State Grant                         |                      |                        |                        |                       | -                      |
| 361 Investment Earnings                 |                      | 7,634.09               | 1,721.15               |                       | 9,355.24               |
| 369.09 Miscellaneous Revenue            |                      |                        |                        | 26,000.00             | 26,000.00              |
| 391.02 Transfer In (out)                |                      |                        |                        |                       | -                      |
| 391.24 Other Bonds                      |                      |                        |                        |                       | -                      |
| 470 Interest Expense and Fiscal Charges |                      | (68,549.11)            | (118,763.93)           |                       | (187,313.04)           |
| Total Nonoperating Revenue (Expense)    | <u>-</u>             | <u>(60,915.02)</u>     | <u>(117,042.78)</u>    | <u>180,302.07</u>     | <u>2,344.27</u>        |
| Change in Net Position                  | 63,780.30            | 121,120.56             | 98,377.29              | (75,131.60)           | 208,146.55             |
| Net Position - Beginning                | <u>159,606.93</u>    | <u>933,276.06</u>      | <u>1,845,923.43</u>    | <u>26,857.79</u>      | <u>2,965,664.21</u>    |
| * Beginning NP Adjustment               |                      |                        |                        |                       | -                      |
| <b>NET POSITION - ENDING</b>            | <u>\$ 223,387.23</u> | <u>\$ 1,054,396.62</u> | <u>\$ 1,944,300.72</u> | <u>\$ (48,273.81)</u> | <u>\$ 3,173,810.76</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.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This is 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.

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. 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.

- e. 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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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<br><u>Fund</u> | BBB<br>Sales Tax<br><u>Fund</u> | Debt<br>Service<br><u>Fund</u> | Other<br>Non-Major<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|------------------------|------------------------|---------------------------------|--------------------------------|--|---------------------------------------|
| Fund Balances:         |                        |                                 |                                |  |                                       |
| <i>Nonspendable:</i>   |                        |                                 |                                |  |                                       |
| Deposits               |                        |                                 |                                |  | -                                     |
| <i>Restricted for:</i> |                        |                                 |                                |  |                                       |
| Liquor/Lodging         |                        | 131,497.92                      |                                |  | 131,497.92                            |
| Debt Service           |                        |                                 | 1,884.79                       |  | 1,884.79                              |
| Library                |                        |                                 |                                | 37,356.61  | 37,356.61                             |
| <i>Assigned:</i>       |                        |                                 |                                |  |                                       |
| Swimming Pool          | 2,737,525.34           |                                 |                                |  | 2,737,525.34                          |
| Capital Improvement    | 509,000.00             |                                 |                                |  | 509,000.00                            |
| Library Building       | 91,000.00              |                                 |                                |  | 91,000.00                             |
| Equipment              | 488,500.00             |                                 |                                |  | 488,500.00                            |
| Street Sweeper         | 180,000.00             |                                 |                                |  | 180,000.00                            |
| Fire Truck             | 360,000.00             |                                 |                                |  | 360,000.00                            |
| Bike Trail             | -                      |                                 |                                |  | -                                     |
| <i>Unassigned</i>      | 4,774,765.70           |                                 |                                |  | 4,774,765.70                          |
| Total Fund Balances    | 9,140,791.04           | 131,497.92                      | 1,884.79                       | 37,356.61  | 9,311,530.36                          |

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, 2022, 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, 2022, the Municipality had the following investments.

| <u>Investments</u>         | <u>Credit<br/>Rating</u> | <u>Maturities</u> | <u>Fair<br/>Value</u> |
|----------------------------|--------------------------|-------------------|-----------------------|
| External Investment Pools: |                          |                   |                       |
| SDFIT                      | Unrated                  | N/A               | 2,998,732.31          |
| <b>TOTAL INVESTMENTS</b>   |                          |                   | <u>2,998,732.31</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. RESTRICTED NET POSITION

Restricted Net Position for the year ended December 31, 2022 was as follows:

| <u>Other Purposes:</u>               | <u>Amount</u>               |
|--------------------------------------|-----------------------------|
| Economic Development                 | \$ 131,497.92               |
| Special Revenue-Library              | 37,356.61                   |
| Debt Service                         | 1,884.79                    |
| <b>Total Restricted Net Position</b> | <b><u>\$ 170,739.32</u></b> |

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

5. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2022 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.

6. PENSION PLAN

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and

credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3<sup>rd</sup> quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

Legislation enacted in 2021 reduced minimum COLA from 0.5 percent to 0.0 percent.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Municipality's share of contributions to the SDRS for the calendar years ended December 31, 2022, 2021, and 2020, equal to the required contributions each year, were as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2022        | \$ 76,289.58  |
| 2021        | \$ 66,862.57  |
| 2020        | \$ 67,916.15  |

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:**

At June 30, 2022, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

|   |                     |
|---|---------------------|
| Proportionate share of total pension liability          | \$6,950,035.15      |
| Less proportionate share of net position restricted for | <u>6,954,687.98</u> |

pension benefits

Proportionate share of net pension liability (asset) (\$4,652.83)

At December 31, 2022, the Municipality reported a liability (asset) of (\$4,652.83) for its proportionate share of the net pension liability (asset). The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Municipality's proportion was .042833%, which is an increase (decrease) of (.00124)% from its proportion measured as of June 30, 2021.

**Actuarial Assumptions:**

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |  |
|------------------|--|
| Inflation        | 2.50 percent   |
| Salary Increases | Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service                                     |
| Discount Rate    | 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00% |
| Future COLAs     | 2.10%  |

All Mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial Members: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of all rates at all ages

Beneficiaries:

PubG-2010 contingent mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset



allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity      | 58.0%                    | 3.7%  |
| Fixed Income       | 30.0%                    | 1.1%  |
| Real Estate        | 10.0%                    | 2.6%  |
| Cash               | 2.0%                     | 0.4%  |
| Total              | 100%                     | 2.70%   |

**Discount Rate:**

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

**Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the Municipality's proportionate share of net pension asset calculated using the discount rate of 6.50%, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

|   | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|------------------------------|--------------------|
| Municipality's proportionate share of the net pension liability (asset) | \$595,145.57       | \$ (367,544.24)              | \$(1,149,024.27)   |

**Pension Plan Fiduciary Net Position:**

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

7. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2022, the Municipality was not involved in any litigation.

8. 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, 2022, 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 October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended December 31, 2022**

|   | <u>Budgeted Amounts</u> |                     | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------------|---|---|
|   | <u>Original</u>         | <u>Final</u>        |   |   |
| <b>Revenues:</b>                                    |                         |                     |   |   |
| Taxes:  |                         |                     |   |   |
| General Property Taxes                              | \$ 1,485,700.00         | \$ 1,485,700.00     | \$ 1,489,875.39                                     | \$ 4,175.39                                 |
| General Sales and Use Taxes                         | 975,000.00              | 975,000.00          | 1,418,014.23  | 443,014.23                                  |
| Penalties and Interest on<br>Delinquent Taxes       |                         |                     | -   | -   |
| Licenses and Permits                                | 29,200.00               | 29,200.00           | 40,428.37   | 11,228.37                                   |
| Intergovernmental Revenue:                          |                         |                     |   |   |
| Grants  |                         |                     | 336,981.20  | 336,981.20                                  |
| State Shared Revenue:                               |                         |                     |   |   |
| Liquor Tax Reversion                                | 45,500.00               | 45,500.00           | 45,741.74   | 241.74                                      |
| Motor Vehicle Licenses (5%)                         | 27,000.00               | 27,000.00           | 36,494.52   | 9,494.52                                    |
| Local Government Highway<br>and Bridge Fund         | 65,000.00               | 65,000.00           | 70,336.27   | 5,336.27                                    |
| County Shared Revenue:                              |                         |                     |   |   |
| County Wheel Tax                                    | 10,000.00               | 10,000.00           | 14,640.09   | 4,640.09                                    |
| Other   |                         |                     | -   | -   |
| Charges for Goods and Services:                     |                         |                     |   |   |
| General Government                                  | 304,200.00              | 304,200.00          | 305,382.68  | 1,182.68                                    |
| Public Safety                                       | 3,700.00                | 3,700.00            | 13,239.15   | 9,539.15                                    |
| Highways and Streets                                | 10,650.00               | 10,650.00           | 15,362.04   | 4,712.04                                    |
| Sanitation  | 14,300.00               | 14,300.00           | 41,061.77   | 26,761.77                                   |
| Health  | 500.00                  | 500.00              | 625.00  | 125.00                                      |
| Culture and Recreation                              | 19,500.00               | 19,500.00           | 20,971.00   | 1,471.00                                    |
| Fines and Forfeits:                                 |                         |                     |   |   |
| Court Fines and Costs                               | 1,000.00                | 1,000.00            | 95.38   | (904.62)                                    |
| Miscellaneous Revenue:                              |                         |                     |   |   |
| Investment Earnings                                 | 20,000.00               | 20,000.00           | 33,274.26   | 13,274.26                                   |
| Special Assessment Revenue                          |                         |                     | 14,990.03   | 14,990.03                                   |
| Contributions and Donations<br>from Private Sources |                         |                     | 30,100.00   | 30,100.00                                   |
| GO Bonds Issued                                     |                         |                     | -   | -   |
| Other   | 13,000.00               | 13,000.00           | 19,250.02   | 6,250.02                                    |
| <b>Total Revenue</b>                                | <u>3,024,250.00</u>     | <u>3,024,250.00</u> | <u>3,946,863.14</u>                                 | <u>922,613.14</u>                           |
| <b>Expenditures:</b>                                |                         |                     |   |   |
| General Government:                                 |                         |                     |   |   |
| Legislative   | 27,000.00               | 27,000.00           | 23,061.63   | 3,938.37                                    |
| Executive   |                         |                     | -   | -   |
| Elections   | 4,550.00                | 4,550.00            | 1,912.49  | 2,637.51                                    |
| Financial Administration                            | 383,950.00              | 394,950.00          | 368,041.55  | 26,908.45                                   |
| City Attorney                                       | 35,000.00               | 35,000.00           | 27,821.36   | 7,178.64                                    |
| Other   | 186,450.00              | 188,850.00          | 70,542.84   | 118,307.16                                  |
| <b>Total General Government</b>                     | <u>636,950.00</u>       | <u>650,350.00</u>   | <u>491,379.87</u>                                   | <u>158,970.13</u>                           |

**REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF CANTON  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2022**

|  | <u>Budgeted Amounts</u>       |                               | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|--|-------------------------------|-------------------------------|---|---|
|  | <u>Original</u>               | <u>Final</u>                  |   |   |
| Public Safety:   |                               |                               |   |   |
| Police   | 718,000.00                    | 784,500.00                    | 666,290.69  | 118,209.31                                  |
| Fire   | <u>154,655.00</u>             | <u>164,655.00</u>             | <u>154,537.41</u>                                   | <u>10,117.59</u>                            |
| Total Public Safety  | <u>872,655.00</u>             | <u>949,155.00</u>             | <u>820,828.10</u>                                   | <u>128,326.90</u>                           |
| Public Works:  |                               |                               |   |   |
| Highways and Streets   | 828,150.00                    | 887,150.00                    | 718,347.00  | 168,803.00                                  |
| Sanitation   | <u>75,000.00</u>              | <u>76,200.00</u>              | <u>71,791.45</u>                                    | <u>4,408.55</u>                             |
| Total Public Works   | <u>903,150.00</u>             | <u>963,350.00</u>             | <u>790,138.45</u>                                   | <u>173,211.55</u>                           |
| Health and Welfare:  |                               |                               |   |   |
| Health & Welfare   | <u>15,750.00</u>              | <u>15,750.00</u>              | <u>5,601.92</u>                                     | <u>10,148.08</u>                            |
| Total Health and Welfare   | <u>15,750.00</u>              | <u>15,750.00</u>              | <u>5,601.92</u>                                     | <u>10,148.08</u>                            |
| Culture and Recreation:  |                               |                               |   |   |
| Recreation   | 74,850.00                     | 424,850.00                    | 363,475.65  | 61,374.35                                   |
| Parks  | 244,400.00                    | 378,300.00                    | 281,447.25  | 96,852.75                                   |
| Libraries  | <u>212,400.00</u>             | <u>215,900.00</u>             | <u>188,317.25</u>                                   | <u>27,582.75</u>                            |
| Total Culture and Recreation                                       | <u>531,650.00</u>             | <u>1,019,050.00</u>           | <u>833,240.15</u>                                   | <u>185,809.85</u>                           |
| Conservation and Development:                                      |                               |                               |   |   |
| Economic Development and<br>Assistance (Industrial<br>Development) | <u>37,150.00</u>              | <u>37,150.00</u>              | <u>26,949.56</u>                                    | <u>10,200.44</u>                            |
| Total Conservation and Development                                 | <u>37,150.00</u>              | <u>37,150.00</u>              | <u>26,949.56</u>                                    | <u>10,200.44</u>                            |
| Total Transfers  | <u>26,000.00</u>              | <u>26,000.00</u>              | <u>26,000.00</u>                                    | <u>-</u>                                    |
| Total Expenditures   | <u>3,023,305.00</u>           | <u>3,660,805.00</u>           | <u>2,994,138.05</u>                                 | <u>666,666.95</u>                           |
| Excess of Revenue Over (Under)<br>Expenditures                     | <u>945.00</u>                 | <u>(636,555.00)</u>           | <u>952,725.09</u>                                   | <u>1,589,280.09</u>                         |
| Net Change in Fund Balances  | 945.00                        | (636,555.00)                  | 952,725.09  | 1,589,280.09                                |
| Fund Balance - Beginning   | <u>8,188,065.95</u>           | <u>8,188,065.95</u>           | <u>8,188,065.95</u>                                 |   |
| Adjustment to Beginning F/B  |                               |                               |   |   |
| <b>FUND BALANCE - ENDING</b>                                       | <u><b>\$ 8,189,010.95</b></u> | <u><b>\$ 7,551,510.95</b></u> | <u><b>\$ 9,140,791.04</b></u>                       | <u><b>\$ 1,589,280.09</b></u>               |

Foot Notes \*

**REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF CANTON  
BUDGETARY COMPARISON SCHEDULE  
BBB SALES TAX FUND  
For the Year Ended December 31, 2022**

|  | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|----------------------|---|---|
|  | <u>Original</u>         | <u>Final</u>         |   |   |
| <b>Revenues:</b>   |                         |                      |   |   |
| Taxes:   |                         |                      |   |   |
| General Sales and Use Taxes                                  | \$ 60,000.00            | \$ 60,000.00         | \$ 68,230.00  | \$ 8,230.00                                 |
| Total Revenue  | <u>60,000.00</u>        | <u>60,000.00</u>     | <u>68,230.00</u>                                    | <u>8,230.00</u>                             |
| <b>Expenditures:</b>   |                         |                      |   |   |
| Debt Service   | -                       | -                    | -   | -   |
| Economic Development and<br>Assistance (Industrial Developme | <u>41,500.00</u>        | <u>114,000.00</u>    | <u>103,652.50</u>                                   | <u>10,347.50</u>                            |
| Total Expenditures   | <u>41,500.00</u>        | <u>114,000.00</u>    | <u>103,652.50</u>                                   | <u>10,347.50</u>                            |
| Net Change in Fund Balances                                  | 18,500.00               | (54,000.00)          | (35,422.50)   | 18,577.50                                   |
| Fund Balance - Beginning                                     | <u>166,920.42</u>       | <u>166,920.42</u>    | <u>166,920.42</u>                                   |   |
| ADJ to Beginning F/B*  |                         |                      |   |   |
| FUND BALANCE - ENDING  | <u>\$ 185,420.42</u>    | <u>\$ 112,920.42</u> | <u>\$ 131,497.92</u>                                | <u>\$ 18,577.50</u>                         |

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE**  
**Debt Service Fund**  
**For the Year Ended December 31, 2022**

|                             | <u>Budgeted Amounts</u> |                      | <b>Actual<br/>Amounts<br/>(Budgetary<br/>Basis)</b> | <b>Variance<br/>Positive<br/>(Negative)</b> |
|-----------------------------|-------------------------|----------------------|---|---|
|                             | <u>Original</u>         | <u>Final</u>         |   |   |
| <b>Revenues:</b>            |                         |                      |   |   |
| Taxes:                      |                         |                      |   |   |
| Property Taxes              | <u>\$178,800.00</u>     | <u>\$ 178,800.00</u> | <u>\$178,909.09</u>                                 | <u>\$ 109.09</u>                            |
| Total Revenue               | <u>178,800.00</u>       | <u>178,800.00</u>    | <u>178,909.09</u>                                   | <u>109.09</u>                               |
| <b>Expenditures:</b>        |                         |                      |   |   |
| Debt Service                | <u>178,800.00</u>       | <u>178,800.00</u>    | <u>174,507.50</u>                                   | <u>4,292.50</u>                             |
| Total Expenditures          | <u>178,800.00</u>       | <u>178,800.00</u>    | <u>174,507.50</u>                                   | <u>4,292.50</u>                             |
| Net Change in Fund Balances |                         | -                    | 4,401.59  | 4,401.59                                    |
| Fund Balance - Beginning    | <u>(2,516.80)</u>       | <u>(2,516.80)</u>    | <u>(2,516.80)</u>                                   |   |
| FUND BALANCE - ENDING       | <u>\$ (2,516.80)</u>    | <u>\$ (2,516.80)</u> | <u>\$ 1,884.79</u>                                  | <u>\$ 4,401.59</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.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the modified cash basis of accounting.

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

The City's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lies in the manner in which revenues and expenditures are recorded. Under budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, the revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPALITY OF CANTON  
SCHEDULE OF THE CITY OF CANTON PENSION CONTRIBUTIONS

South Dakota Retirement System

\* Last 10 Years

|  | 2022            | 2021          | 2020            | 2019            | 2018            | 2017            | 2016            | 2015            | 20      | 20      |
|--|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|---------|
| Contractually required contribution                                  | \$ 76,289.58    | \$ 66,862.57  | \$ 67,916.15    | \$ 67,365.34    | \$ 65,705.43    | \$ 68,510.47    | \$ 62,367.15    | \$ 61,520.86    | \$ -    | \$ -    |
| Contributions in relation to the contractually required contribution | \$ 76,289.58    | \$ 66,862.57  | \$ 67,916.15    | \$ 67,365.34    | \$ 65,705.43    | \$ 68,510.47    | \$ 62,367.15    | \$ 61,520.86    | \$ -    | \$ -    |
| Contribution deficiency (excess)                                     | \$ -            | \$ -          | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -    | \$ -    |
| County's/Municipality's covered payroll                              | \$ 1,134,961.52 | \$ 991,374.09 | \$ 1,026,840.00 | \$ 1,025,327.00 | \$ 1,019,655.00 | \$ 1,122,358.00 | \$ 1,115,786.00 | \$ 1,094,467.00 | \$ -    | \$ -    |
| Contributions as a percentage of covered payroll                     | 6.72%           | 6.74%         | 6.61%           | 6.57%           | 6.44%           | 6.10%           | 5.59%           | 5.62%           | #DIV/0! | #DIV/0! |

\* Until a full 10-year trend is compiled, the County/Municipality will present information for those years for which information is available.



MUNICIPALITY OF CANTON  
Notes to Supplementary Information  
Schedule of the Proportionate Share of the Net Pension Liability (Asset)

**Changes from Prior Valuation**

The June 30, 2022 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2021 Actuarial Valuation. One change in actuarial assumptions and one plan provision change are reflected and described below.

The details of the changes since the last valuation are as follows:

**Benefit Provision Changes**

During the 2022 Legislature Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

**Actuarial Assumption Changes**

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021 and presented to the SDRS Board of Trustees in April and June, 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

### **Actuarial Method Changes**

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

**MUNICIPALITY OF CANTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2022**

| Federal Grantor/Pass-Through Grantor<br>Program or Cluster Title  | Federal CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Expenditures<br>2022 |
|---|------------------------|--|----------------------|
| Indirect Federal Funding:<br>US Department of Treasury - Pass Through Programs:<br>SD Bureau of Finance and Management,<br>Coronavirus Relief Fund        | 21.019                 |  | 4,994.80             |
| SD Department of Transportation,<br>State Aeronautics:<br>Airport improvement Projects  | 20.106                 | 11   | 154,302.07           |
| Indirect Federal Funding:<br>SD Department of Transportation,<br>Highway Planning and Construction:<br>Transportation Enhancement Projects                | 20.205                 |  |                      |
| SD Department of Public Safety,<br>State Homeland Security Grant<br>Alcohol Traffic Safety and Drunk Driving Prevention<br>Incentive Grants               | 97.067<br>20.600       | 14   | 6,486.24             |
| <b>Total Department of Transportation</b>   |                        |  | <b>165,783.11</b>    |
| General Services Administration:<br>Indirect Federal Funding:<br>SD Federal Property Agency,<br>Donation of Federal Surplus<br>Personal Property (Note 4) | 39.003                 |  | 11,681.93            |
| <b>Total General Services Administration</b>  |                        |  | <b>11,681.93</b>     |
| Environmental Protection Agency<br>Indirect Federal Funding:<br>Capitalization Grant for Clean Water State Revolving Funds                                | 66.458                 |  |                      |
| <b>Total Environmental Protection Agency</b>  |                        |  | <b>0.00</b>          |
| US Department of Treasury-Direct Programs:<br>Coronavirus State and Local Fiscal Recovery Funds   | 21.027                 |  | 325,500.16           |
| <b>Total US Department of Treasury</b>  |                        |  | <b>325,500.16</b>    |
| United States Department of Justice<br>Direct Federal Funding-DOJ<br>Bullet Proof Vest Partnership Grants   | 16.607                 |  |                      |
| <b>Total United States Department of Agriculture</b>  |                        |  | <b>0.00</b>          |
| <b>GRAND TOTAL</b>  |                        |  | <b>\$502,965.20</b>  |

**(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, 2022

| <u>Indebtedness</u>  | <u>Long-Term<br/>Debt<br/>1-Jan-22</u> | <u>Add<br/>New<br/>Debt</u> | <u>Less<br/>Debt<br/>Retired</u> | <u>Long-Term<br/>Debt<br/>31-Dec-22</u> |
|--|--|-----------------------------|----------------------------------|---|
| <b>Governmental Long-Term Debt:</b>  |  |                             |                                  |   |
| 231.01 General Obligation Bonds  | 2,600,000.00                           |                             | 115,000.00                       | 2,485,000.00                            |
| 231.02 Revenue Bonds   |  |                             |                                  |   |
| 237 Other Long-Term Liabilities  | 366.19                                 |                             | 366.19                           | 0.00                                    |
| <b>Enterprise Long-Term Debt: (only cash basis entities need to complete the enterprise section)</b> |  |                             |                                  |   |
| 231.01 General Obligation Bonds  |  |                             |                                  |   |
| 231.02 Revenue Bonds   |  |                             |                                  |   |
| 236 Advance from Other Funds   |  |                             |                                  |   |
| 237 Other Long-Term Liabilities  | 5,437,374.42                           | 0.00                        | 258,643.45                       | 5,178,730.97                            |
| <b>Total</b>   | <u>8,037,740.61</u>                    | <u>0.00</u>                 | <u>374,009.64</u>                | <u>7,663,730.97</u>                     |

(Do not include interest in the above figures)

Note 1 - Long-Term Debt:

Debt payable at December 31, 2022 is comprised of the following:

General Long-Term Debt:

General Obligation Bonds, Maturing in 2039 with interest rates between 2% and 3%. The Payments are made the Debt Service Fund. \$ 2,485,000.00

Other Debt is comprised of 2 Copier leases. The Payments are made from the General Fund. \$ -

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 \$ 67,106.99

Drinking Water #2, maturing in 2048 with an interest rate of 3.50%. The payments are made from the Water Fund \$ 1,457,268.56

Drinking Water #3, maturing in 2048 with an interest rate of 3.50%. The payments are made from the Water Fund \$ 693,500.87

Clean Water #2, maturing in 2024 with an interest rate of 3.50%. The payments are made from the Sewer Fund. \$ 80,519.84

Clean Water #3, maturing in 2031 with an interest rate of 3.00%. The payments are made from the Sewer Fund. \$ 787,503.94

Clean Water #4. maturing in 2044 with and interest rate of 3.25%. The payments are made from the Sewer Fund. \$ 600,941.57

Clean Water #5. maturing in 2048 with and interest rate of 3.50%. The payments are made from the Sewer Fund. \$ 1,491,889.20

**TOTAL STATE REVOLVING FUND LOANS:** \$ 5,178,730.97