

City of Canton

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2024**

City of Canton
City Officials
December 31, 2024

Mayor:

Sandra Lundstrom

Governing Board:

Jackie Pigors

Tyler Larson

Paul Garbers

Kris York

Finance Officer:

Kyle Cwach

City of Canton
Table of Contents

	Page
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	1-2
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance -----	3-5
Schedule of Prior and Current Audit Findings and Questioned Costs -----	6-7
Corrective Action Plan (Unaudited) -----	8
Independent Auditor’s Report -----	9-11
Financial Statements:	
Statement of Net Position – Modified Cash Basis -----	12
Statement of Activities – Modified Cash Basis: -----	13
Balance Sheet – Modified Cash Basis – Governmental Funds -----	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds: -----	15-16
Statement of Net Position – Modified Cash Basis – Proprietary Funds -----	17
Statement of Revenues, Expenses, and Changes in Net Position – Modified Cash Basis – Proprietary Funds: -----	18
Notes to the Modified Cash Basis Financial Statements -----	19-34
Supplemental Information -----	35
Budgetary Comparison Schedules-Modified Cash Basis: General Fund -----	36-37
Notes to Budgetary Comparison Schedules-----	38
Schedule of Changes in Long-Term Debt -----	39
Schedule of the Proportionate Share of the Net Pension Liability (Asset) -----	40
Notes to the Supplementary Information – Pension Schedules -----	41
Combining Balance Sheet – Nonmajor Governmental Funds -----	42
Combining Statement of Revenues, Expenditures and Change in Fund Balances – Nonmajor Governmental Funds -----	43
Schedule of Expenditures of Federal Awards -----	44-45



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Council Members
City of Canton, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Canton, South Dakota (City), as of December 31, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 11, 2025. A disclaimer of opinion was issued on the aggregate discretely presented component unit because the financial data of this component unit was not audited.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs, as finding 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit. The City's response to the findings identified in our audit are described in the accompany Schedule of Prior and Current Audit Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "CIO of Elk Point".

Elk Point, South Dakota
July 11, 2025



**Independent Auditor’s Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the City Council
City of Canton
Lincoln County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Canton, South Dakota, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2024. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs.

In our opinion, the City of Canton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in cursive script that reads "CLO Ref LLC".

Elk Point, South Dakota

July 11, 2025

City of Canton
Schedule of Prior Audit Findings and Questioned Costs
For the Year Ended December 31, 2024

Schedule of Prior Audit Findings

Internal Control-Related Findings – Significant Deficiency:

Finding No. 2023-001 – Lack of Segregation of Duties

There is a significant deficiency resulting from the lack of segregation of duties for revenues and expenditures. This audit finding has not been resolved and will be restated in finding number 2024-001.

Schedule of Current Audit Findings

Section I - Summary of Independent Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

City of Canton
Schedule of Prior Audit Findings and Questioned Costs
For the Year Ended December 31, 2024

Section II - Financial Statement Findings

Internal Control-Related Findings - Significant Deficiency

Finding No. 2024-001 - Lack of Segregation of Duties

Criteria: In order to achieve proper internal control, it is necessary to have segregation of duties provided between performance, review and record keeping of the tasks related to the revenues. Lack of this segregation of duties could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with management assertions.

Condition: The City of Canton has limited number of office personnel, and accordingly, does not have adequate internal accounting controls in revenue and expenditure functions because of lack of segregation of duties.

Cause: The City has insufficient number of staff to adequately separate duties.

Effect: As a result, a misappropriation of assets and errors could occur in the financial reporting process and not detected.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the City officials exercise adequate oversight of the accounting function.

Views of Responsible Officials: Management agrees with the finding and recommendations. A response can be found in the Corrective Action Plan.

Section III - Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).

City of Canton

Office of the Finance Officer
Phone: (605) 987-2881

210 N Dakota St.
Canton, South Dakota 57013

Corrective Action Plan (Unaudited)

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

Name and address of the independent public accounting firm:

ELO Prof. LLC
1101 W. Main St.
Elk Point, SD 57025

Finding No. 2024-001

Significant Deficiency

Significant deficiency resulting from lack of segregation of duties.

Initial Fiscal Year Finding Occurred: 1989

Finding Summary: A significant deficiency in internal controls was reported due to a lack of proper segregation of duties resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Responsible Individual: Kyle Cwach

Corrective Action Plan: At this time, it is not cost efficient for the City of Canton to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the City to decrease the likelihood that financial data is adversely affected.

Anticipated Completion Date: Ongoing

If there are any questions regarding this plan, please contact Kyle Cwach at (605) 987-2881.

Sincerely,
Sandra Lundstrom, Mayor
City of Canton



Independent Auditor's Report

To the City Council
City of Canton, South Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the City of Canton, South Dakota (City), as of December 31, 2024, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of Canton. Accordingly, we do not express opinions on those financial statements.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying modified cash basis of accounting financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund and aggregate remaining fund information of the City of Canton as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit

The financial statements of the Canton Housing and Redevelopment Commission have not been audited, and we were not engaged to audit the Canton Housing and Redevelopment Commission's financial statements as part of the City's basic financial statements. The Canton Housing and Redevelopment Commission financial activities are included in the City's basic financial statements as part of the discretely presented component units and represent the assets, net position, and revenues of the City's aggregate discretely presented component units.

Emphasis of Matter

As discussed in Note 1.c. of the financial statements, which describes the basis of accounting, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified cash basis of accounting financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedule, Schedule of Changes in Long-Term Debt, and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Expenditures of Federal Awards, which is required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the nonmajor combining worksheets as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, the Schedule of Changes in Long-Term Debt, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



Elk Point, South Dakota
July 11, 2025

City of Canton
Statement of Net Position – Modified Cash Basis
December 31, 2024

	Primary Government			Unaudited
	Governmental	Business-Type		Accrual Basis
	Activities	Activities	Total	Component
				Unit
Assets:				
Cash and cash equivalents	\$ 5,404,250	\$ 3,648,498	\$ 9,052,748	\$ 36,434
Investments-Certificates of Deposit	11,750	--	11,750	--
Accounts receivable, net	--	--	--	27,139
Prepaid expenses	--	--	--	8,920
Other assets	1,818	--	1,818	75,610
Net pension asset	--	--	--	222
Capital assets:				
Land	--	--	--	25,811
Other capital assets, net of depreciation	--	--	--	193,125
Total Assets	5,417,818	3,648,498	9,066,316	367,261
Deferred Outflows of Resources:				
Pension related deferred outflows	--	--	--	24,005
Liabilities:				
Accounts payable	1,818	--	1,818	15,142
Payroll deductions payable	--	--	--	2,792
Accrued wages payable	--	--	--	8,874
Customer deposits payable	--	--	--	15,147
Total Liabilities	1,818	--	1,818	41,955
Deferred Inflows of Resources:				
Pension related deferred inflows	--	--	--	4,264
Net Position:				
Restricted for:				
Library	34,075	--	34,075	--
Promotion of the city	163,479	--	163,479	--
HRC purposes	--	--	--	345,047
Unrestricted	5,218,446	3,648,498	8,866,944	--
Total Net Position	\$ 5,416,000	\$ 3,648,498	\$ 9,064,498	\$ 345,047

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Unaudited Accrual Basis Component Unit	
		Charges for Services	Operating Grants and Contributions	Changes in Net Position				
				Governmental Activities	Primary Government Business-Type Activities	Total		
Primary Government:								
Governmental Activities:								
General government	\$ 668,613	\$ 344,012	\$ 625,676	\$ 301,075	\$ --	\$ 301,075	\$ --	
Public safety	921,912	35,379	--	(886,533)	--	(886,533)	--	
Public works	1,713,691	8,529	124,570	(1,580,592)	--	(1,580,592)	--	
Health and welfare	4,137	--	--	(4,137)	--	(4,137)	--	
Culture and recreation	5,843,979	115,755	--	(5,728,224)	--	(5,728,224)	--	
Conservation and development	65,150	--	--	(65,150)	--	(65,150)	--	
Principle/interest on long-term debt	177,458	--	--	(177,458)	--	(177,458)	--	
Total Governmental Activities	9,394,940	503,675	750,246	(8,141,019)	--	(8,141,019)	--	
Business-type Activities:								
Liquor	1,193,637	1,183,378	--	--	(10,259)	(10,259)	--	
Water	3,214,114	1,114,196	475,496	--	(1,624,422)	(1,624,422)	--	
Sewer	3,405,553	959,782	1,202,564	--	(1,243,207)	(1,243,207)	--	
Airport	386,737	36,955	366,384	--	16,602	16,602	--	
Total Business-Type Activities	8,200,041	3,294,311	2,044,444	--	(2,861,286)	(2,861,286)	--	
Total Primary Government	\$ 17,594,981	\$ 3,797,986	\$ 2,794,690	(8,141,019)	(2,861,286)	(11,002,305)	--	
Component Units:								
Housing and redevelopment	\$ 169,637	\$ 120,866	\$ 30,999				(17,772)	
General Revenues:								
Taxes:								
				Property tax	1,728,486	--	1,728,486	--
				Sales tax	1,717,089	--	1,717,089	--
				State shared revenues	57,166	--	57,166	--
				County shared revnues	20,347	--	20,347	--
				Unrestricted investment earnings	9,200	21,832	31,032	--
				General revenues and long term debt issued	1,597,000	3,351,003	4,948,003	--
				Transfers	(26,000)	26,000	--	--
				Total General Revenues and Transfers	5,103,288	3,398,835	8,502,123	--
Change in Net Position				(3,037,731)	537,549	(2,500,182)	(17,772)	
Net Position-Beginning of Year				8,453,731	3,110,949	11,564,680	362,819	
Net Position-End of Year				\$ 5,416,000	\$ 3,648,498	\$ 9,064,498	\$ 345,047	

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Balance Sheet – Modified Cash Basis – Governmental Funds
December 31, 2024

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 5,218,446	\$ 185,804	\$ 5,404,250
Investments	--	11,750	11,750
Due from other funds	1,818	--	1,818
Total Assets	<u>5,220,264</u>	<u>197,554</u>	<u>5,417,818</u>
Liabilities and Fund Balances			
Due to other funds	\$ --	\$ 1,818	\$ 1,818
Total Liabilities	<u>--</u>	<u>1,818</u>	<u>1,818</u>
Fund Balances:			
Restricted			
Economic development and promotion	\$ --	\$ 163,479	\$ 163,479
Library	--	34,075	34,075
Assigned			
Promotion of the city	1,842,500	--	1,842,500
Unassigned	3,377,764	(1,818)	3,375,946
Total Fund Balances	<u>5,220,264</u>	<u>195,736</u>	<u>5,416,000</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,220,264</u>	<u>\$ 197,554</u>	<u>\$ 5,417,818</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Modified Cash Basis – Governmental Funds
For the Year Ended December 31, 2024

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes			
General property taxes	\$ 1,554,919	\$ 173,567	\$ 1,728,486
General sales taxes	1,651,087	66,002	1,717,089
Licenses and permits	79,352	--	79,352
Intergovernmental revenue			
Federal grants	625,676	--	625,676
State shared revenues			
Bank franchise tax	24,594	--	24,594
Motor vehicle commercial prorated	1,394	--	1,394
Liquor tax reversion	20,969	--	20,969
Motor vehicles licenses	50,592	--	50,592
Local government highway and bridge	72,584	--	72,584
State payments in lieu of taxes	11,603	--	11,603
County shared revenues	14,347	6,000	20,347
Charges for goods and services			
General government	344,012	--	344,012
Public safety	34,615	--	34,615
Highways and streets	6,279	--	6,279
Sanitation	2,250	--	2,250
Culture and recreation	29,679	6,724	36,403
Fines and forfeits			
Court fines and costs	764	--	764
Miscellaneous revenue			
Investment earnings	9,200	--	9,200
Contributions	157,224	--	157,224
Other	202,590	--	202,590
Total Revenue	<u>\$ 4,893,730</u>	<u>\$ 252,293</u>	<u>\$ 5,146,023</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Modified Cash Basis – Governmental Funds
For the Year Ended December 31, 2024 (Continued)

Expenditures:

Current:

General government:

Legislative	\$ 23,325	\$ --	\$ 23,325
-------------	-----------	-------	-----------

Elections	1,912	--	1,912
-----------	-------	----	-------

Financial administration	469,617	--	469,617
--------------------------	---------	----	---------

Planning and zoning	173,759	--	173,759
---------------------	---------	----	---------

Public safety:

Police	761,834	--	761,834
--------	---------	----	---------

Fire	160,078	--	160,078
------	---------	----	---------

Public works:

Highways and streets	1,590,174	--	1,590,174
----------------------	-----------	----	-----------

Sanitation	123,517	--	123,517
------------	---------	----	---------

Health and welfare:

Health	4,137	--	4,137
--------	-------	----	-------

Culture and recreation:

Recreation	5,456,161	--	5,456,161
------------	-----------	----	-----------

Parks	165,220	--	165,220
-------	---------	----	---------

Library	204,418	18,180	222,598
---------	---------	--------	---------

Economic development and

Assistance (industrial development):	15,691	49,459	65,150
--------------------------------------	--------	--------	--------

Debt service	--	177,458	177,458
--------------	----	---------	---------

Total Expenditures	9,149,843	245,097	9,394,940
--------------------	-----------	---------	-----------

Excess of Revenues Over (Under)

Expenditures	(4,256,113)	7,196	(4,248,917)
--------------	-------------	-------	-------------

Other Financing Sources:

Transfers out	(26,000)	--	(26,000)
---------------	----------	----	----------

Long-term debt issued	1,100,000	--	1,100,000
-----------------------	-----------	----	-----------

Sale of Municipal Property	57,386	--	57,386
----------------------------	--------	----	--------

Compensation for Loss or

Damage to Capital Assets	79,800	--	79,800
--------------------------	--------	----	--------

Total Other Financing Sources	1,211,186	--	1,211,186
-------------------------------	-----------	----	-----------

Net Change in Fund Balance	(3,044,927)	7,196	(3,037,731)
----------------------------	-------------	-------	-------------

Fund Balances- Beginning of Year	8,265,191	188,540	8,453,731
----------------------------------	-----------	---------	-----------

Fund Balances - End of Year	\$ 5,220,264	\$ 195,736	\$ 5,416,000
-----------------------------	--------------	------------	--------------

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Statement of Net Position – Modified Cash Basis – Proprietary Funds
December 31, 2024

	<u>Liquor Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-Major Airport Fund</u>	<u>Totals</u>
Assets:					
Current Assets:					
Cash and cash equivalents	\$ 199,253	\$ 856,293	\$ 2,571,757	\$ 21,195	\$ 3,648,498
Total Assets	<u>199,253</u>	<u>856,293</u>	<u>2,571,757</u>	<u>21,195</u>	<u>3,648,498</u>
Net Position:					
Unrestricted net position	<u>199,253</u>	<u>856,293</u>	<u>2,571,757</u>	<u>21,195</u>	<u>3,648,498</u>
Total Net Position	<u><u>\$ 199,253</u></u>	<u><u>\$ 856,293</u></u>	<u><u>\$ 2,571,757</u></u>	<u><u>\$ 21,195</u></u>	<u><u>\$ 3,648,498</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Statement of Revenues, Expenses, and Changes in Net Position –
Modified Cash Basis – Proprietary Funds
For the Year Ended December 31, 2024

	Enterprise Funds				
	Liquor Fund	Water Fund	Sewer Fund	Non-Major Airport Fund	Totals
Operating Revenues:					
Charges for goods and services	\$ 1,183,378	\$ 860,500	\$ 848,476	\$ 13,989	\$ 2,906,343
Surcharges	--	232,385	110,457	--	342,842
Other	--	21,311	849	22,966	45,126
Total Operating Revenues	<u>1,183,378</u>	<u>1,114,196</u>	<u>959,782</u>	<u>36,955</u>	<u>3,294,311</u>
Operating Expenses:					
Personal services	--	91,446	1,580,715	31,033	1,703,194
Other current expense	--	2,754,195	1,497,872	337,897	4,589,964
Materials	1,193,637	225,761	44,530	17,807	1,481,735
Total Operating Expenses	<u>1,193,637</u>	<u>3,071,402</u>	<u>3,123,117</u>	<u>386,737</u>	<u>7,774,893</u>
Operating Income (Loss)	<u>(10,259)</u>	<u>(1,957,206)</u>	<u>(2,163,335)</u>	<u>(349,782)</u>	<u>(4,480,582)</u>
Nonoperating Revenue (Expense):					
Operating grants	--	475,496	1,202,564	366,384	2,044,444
Investment earnings	580	14,114	7,138	--	21,832
Interest expense and fiscal charges	--	(142,712)	(282,436)	--	(425,148)
Long-term debt issued	--	1,329,625	2,021,378	--	3,351,003
Total Nonoperating Revenue	<u>580</u>	<u>1,676,523</u>	<u>2,948,644</u>	<u>366,384</u>	<u>4,992,131</u>
Net Income (Loss) Before Transfers	(9,679)	(280,683)	785,309	16,602	511,549
Transfers in	<u>--</u>	<u>--</u>	<u>--</u>	<u>26,000</u>	<u>26,000</u>
Net Change in Net Position	(9,679)	(280,683)	785,309	42,602	537,549
Net Position - Beginning of Year	<u>208,932</u>	<u>1,136,976</u>	<u>1,786,448</u>	<u>(21,407)</u>	<u>3,110,949</u>
Net Position - End of Year	<u>\$ 199,253</u>	<u>\$ 856,293</u>	<u>\$ 2,571,757</u>	<u>\$ 21,195</u>	<u>\$ 3,648,498</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies:

As discussed further in Note 1c, 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 City of Canton, (City) 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 City is financially accountable. The City 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 City. The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City 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-years, 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 Statements of Net Position and Statements of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. 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. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

The Statements of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City'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 two major categories: governmental and proprietary. 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 City 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 City's financial reporting entity are described below:

Governmental Funds:

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

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

BBB Sales 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 ordinances. This is a not major fund.

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

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Series 2020 Debt Service Fund – to account for property taxes which may be used only for the payment of the debt principal, interest, and related casts. This is not a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by 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 revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing service, 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.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

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 not 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 City’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 Statements of Net Position and Statements 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 Statements of Net Position and Statements of Activities and the fund financial statements, governmental, business-type, and component unit 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 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.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

The acceptable modification to the cash basis of accounting implemented by the City in these financial statements is:

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.

Recording assets and liabilities related to interfund receivables and payables resulting from cash transactions between funds.

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 City 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 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:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most 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 City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, General Obligation Bonds and Revenue Bonds.

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 City has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the City. The City 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 City 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 City'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.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

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 does 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 City’s policy to first use restricted Net Position if any, 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 City 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.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

1. Summary of Significant Accounting Policies: (Continued)

- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund Balance may be assigned by the governing body or Finance Officer.
- Unassigned – Included 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.

The City would use restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk:

The City 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 City'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 City 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.

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

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

2. Deposits and Investments Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk: (Continued)

As of December 31, 2024, the City had the following investments:

<u>Investments</u>	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT-Government	Unrated	N/A	<u>\$ 3,297,257</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 City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

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

Interest Rate Risk – The City does not have a formal investment policy that limits investment securities 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 City'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 City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

4. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2024, was as follows:

	Governmental Funds
Library	\$ 34,075
Promotion of the city	163,479
Total	<u>\$ 197,554</u>

5. Interfund Transfers:

Interfund transfers for the year ended December 31, 2024, were as follows:

Transfer from General Fund to Airport fund to cover cash shortages.	\$ 26,000
--	-----------

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). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is 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 four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

6. Pension Plan: (Continued)

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. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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 the 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 3rd 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 3rd 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 the 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.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

6. Pension Plan: (Continued)

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, 2024, 2023, and 2022, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 93,895
2023	85,448
2022	75,918

Pension Asset:

At June 30, 2024, SDRS is 100.0% 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, 2024, and reported by the Municipality as of December 31, 2024, are as follows:

Proportionate share of net position restricted for pension benefits	\$ 8,015,582
Less proportionate share of total pension benefits	<u>8,017,757</u>
Proportionate share of net pension benefits	<u><u>\$ (2,175)</u></u>

The net pension asset was measured as of June 30, 2024 and the total pension liability used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the City's proportion was 0.053730%, which is a decrease of 0.003141% from its proportion measured as of June 30, 2023.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

6. Pension Plan: (Continued)

Actuarial Assumptions:

The total pension asset in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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	1.71%

Mortality Rates:

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: 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 rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table
Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2023.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

6. Pension Plan: (Continued)

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, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
	<u>100%</u>	

Discount Rate:

The discount rate used to measure the total pension 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 from 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 asset.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

6. Pension Plan: (Continued)

Sensitivity of (Asset) to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.50% as well as what the City's proportionate share of the net pension (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>
City's proportionate share of the net pension liability (asset)	\$ 1,105,206	\$ (2,175)	\$ (908,357)

Pension Plan Fiduciary Net Position:

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

7. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2024, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The City 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 City'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 City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-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 City pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile and general liability.

City of Canton
Notes to the Modified Cash Basis Financial Statements
December 31, 2024

7. Risk Management: (Continued)

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 City 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 City 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.

Workers' Compensation:

The City joined the South Dakota Municipal League Workers' 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City'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 workers' compensation claims. The City pays an annual premium, to provide workers' 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 City 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.

Unemployment Benefits:

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

Supplemental Information

City of Canton
 Budgetary Comparison Schedule – Modified Cash Basis – General Fund
 For the Year Ended December 31, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 1,628,400	\$ 1,628,400	\$ 1,554,919	\$ (73,481)
General sales and use tax	1,200,000	1,200,000	1,651,087	451,087
Licenses and permits	33,200	33,200	79,352	46,152
Intergovernmental:				
Federal grants	--	--	625,676	625,676
State Shared Revenues:				
Bank franchise tax	31,000	31,000	24,594	(6,406)
Motor vehicle commercial prorate	2,000	2,000	1,394	(606)
Liquor tax reversion	21,000	21,000	20,969	(31)
Motor vehicle licenses (5%)	30,000	30,000	50,592	20,592
Local government highway and bridge fund	70,000	70,000	72,584	2,584
State Payments in Lieu of Taxes	--	--	11,603	11,603
County Shared Revenue:				
County road tax (25%)	12,000	12,000	14,347	2,347
Charges for Goods and Services:				
General government	340,000	340,000	344,012	4,012
Public Safety	24,500	24,500	34,615	10,115
Highway and streets	15,000	15,000	6,279	(8,721)
Sanitation	250	250	2,250	2,000
Health	500	500	--	(500)
Culture and recreation	41,500	41,500	29,679	(11,821)
Fines and Forfeits:				
Court fines and costs	1,000	1,000	764	(236)
Miscellaneous Revenue:				
Investment earnings	40,000	40,000	9,200	(30,800)
Contributions and donations	--	--	157,224	157,224
Other	43,000	43,000	202,590	159,590
Total Revenues	<u>\$ 3,533,350</u>	<u>\$ 3,533,350</u>	<u>\$ 4,893,730</u>	<u>\$ 1,360,380</u>

See accompanying Note to Budgetary Comparison Schedules.

City of Canton
 Budgetary Comparison Schedule – Modified Cash Basis – General Fund
 For the Year Ended December 31, 2024 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures				
General Government:				
Mayor & council	\$ 29,000	\$ 29,000	\$ 23,325	\$ 5,675
Elections	5,550	5,550	1,912	3,638
Financial administration	472,950	472,950	469,617	3,333
Legal	50,000	50,000	--	50,000
General Government Building	205,600	205,600	173,759	31,841
Public Safety:				
Police	848,000	848,000	761,834	86,166
Fire	226,050	226,050	160,078	65,972
Public Works:				
Highways and streets	1,789,550	1,789,550	1,590,174	199,376
Sanitation	178,600	178,600	123,517	55,083
Health and Welfare:				
Health	13,250	13,250	4,137	9,113
Culture and Recreation:				
Recreation	6,946,650	6,946,650	5,456,161	1,490,489
Parks	214,600	214,600	165,220	49,380
Libraries	268,950	268,950	204,418	64,532
Conservation and Development:				
Economic Development and Assistance	36,150	36,150	15,691	20,459
Total Expenditures	<u>11,284,900</u>	<u>11,284,900</u>	<u>9,149,843</u>	<u>2,135,057</u>
Excess of Revenues Over				
Expenditures	<u>(7,751,550)</u>	<u>(7,751,550)</u>	<u>(4,256,113)</u>	<u>3,495,437</u>
Other Financing Sources:				
Transfers (out)	(26,000)	(26,000)	(26,000)	--
Long-term debt issued	--	--	1,100,000	1,100,000
Sale of Municipal Property	--	--	57,386	57,386
Compensation for Loss or				
Damage to Capital Assets	--	--	79,800	79,800
Total Other Financing Sources	<u>(26,000)</u>	<u>(26,000)</u>	<u>1,211,186</u>	<u>1,237,186</u>
Net Changes in Fund Balance	(7,777,550)	(7,777,550)	(3,044,927)	4,732,623
Fund Balance, Beginning of Year	<u>8,265,191</u>	<u>8,265,191</u>	<u>8,265,191</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ 487,641</u>	<u>\$ 487,641</u>	<u>\$ 5,220,264</u>	<u>\$ 4,732,623</u>

See accompanying Note to Budgetary Comparison Schedules.

City of Canton
Notes to Budgetary Comparison Schedules
December 31, 2024

Note 1: Budgets and Budgetary Accounting:

The City 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 introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, 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 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.

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.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund
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: GAAP/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 the budgetary basis, revenue and expenditures are recognized on a modified cash basis. Utilizing the modified cash basis, 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.

City of Canton
Schedule of Changes in Long-Term Debt
For the Year Ended December 31, 2024

Debt payable at December 31, 2024 is comprised of the following:

	Long-Term Debt 01/01/24	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/24	Due within One Year
Primary Government					
Governmental Activities:					
Sales Tax Revenue Bond	\$ --	\$ 1,100,000	\$ --	\$ 1,100,000	\$ 13,660
GO Bond Series 2020	2,365,000	--	125,000	2,240,000	125,000
Total Governmental Activities	2,365,000	1,100,000	125,000	3,340,000	138,660
Business-Type Activities:					
Drinking water bonds	2,131,381	1,329,626	89,289	3,371,718	82,386
Clean water bonds	2,780,365	2,021,378	186,311	4,615,432	188,766
Total Business-Type Activities	4,911,746	3,351,004	275,600	7,987,150	271,152
Total Long-Term Debt:	<u>\$ 7,276,746</u>	<u>\$ 4,451,004</u>	<u>\$ 400,600</u>	<u>\$ 11,327,150</u>	<u>\$ 409,812</u>

The annual debt service requirements are as follows:

	Principal	Interest
2025	\$ 409,812	\$ 383,727
2026	448,805	245,985
2027	464,706	331,205
2028	480,990	317,199
2029	492,673	302,717
2030-2034	2,271,164	1,302,068
2035-2039	2,489,606	950,143
2040-2044	1,887,820	572,960
2045-2049	1,555,249	276,708
2050-2054	826,325	78,012
	<u>\$ 11,327,150</u>	<u>\$ 4,760,724</u>

City of Canton
Schedule of the City's Proportionate Share of the Net Pension Asset
Years Ended December 31, 2024

Calendar Year	City's Proportion of the Net Pension Liability/Asset	City's Proportionate Share of the Net Pension Liability/Asset	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
2024	0.053730%	\$ (2,175)	\$ 1,353,146	0.16%	100.00%
2023	0.056871%	\$ (5,551)	\$ 1,302,267	0.43%	100.10%
2022	0.049233%	\$ (4,653)	\$ 1,053,888	0.44%	100.10%
2021	0.047993%	\$ (367,544)	\$ 982,586	37.41%	105.52%
2020	0.050587%	\$ (2,197)	\$ 1,000,858	0.22%	100.04%
2019	0.052217%	\$ (5,534)	\$ 1,009,608	0.55%	100.09%
2018	0.054346%	\$ (1,267)	\$ 992,689	0.13%	100.02%
2017	0.053267%	\$ (4,834)	\$ 1,036,928	0.47%	100.10%
2016	0.054792%	\$ 185,081	\$ 952,510	-19.43%	96.89%
2015	0.055367%	\$ (234,829)	\$ 934,277	25.13%	104.10%

*The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

City of Canton
Notes to Supplementary Information – Pension Schedules
As of December 31, 2024

Changes from Prior Valuation

The June 30, 2024, Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

Benefit Provision Changes

During the 2024 Legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% 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, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

City of Canton
Combining Balance Sheet – Nonmajor Governmental Funds
For Year End December 31, 2024

	Special Revenue		Debt Service	Total Nonmajor Governmental Funds
	BBB Sales Tax Fund	Library Fund	TIF #1 Fund	
Assets:				
Cash and cash equivalents	\$ 163,479	\$ 22,325	\$ --	\$ 185,804
Investments	--	11,750	--	11,750
Total Assets	<u>163,479</u>	<u>34,075</u>	<u>--</u>	<u>197,554</u>
Liabilities and Fund Balances:				
Due to other funds	--	--	1,818	1,818
Total Liabilities	<u>--</u>	<u>--</u>	<u>1,818</u>	<u>1,818</u>
Fund Balances:				
Restricted	163,479	34,075	--	197,554
Unassigned	--	--	(1,818)	(1,818)
Total Fund Balances	<u>163,479</u>	<u>34,075</u>	<u>(1,818)</u>	<u>195,736</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 163,479</u>	<u>\$ 34,075</u>	<u>\$ --</u>	<u>\$ 197,554</u>

City of Canton
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Nonmajor Governmental Funds
For Year End December 31, 2024

	<u>Special Revenue</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
	<u>BBB Sales Tax Fund</u>	<u>Library Fund</u>	<u>TIF #1 Fund</u>	
Revenues:				
Taxes				
General property taxes	\$ --	\$ --	\$ 173,567	\$ 173,567
General sales taxes	66,002	--	--	66,002
County shared revenues	--	6,000	--	6,000
Culture and recreation	--	6,724	--	6,724
	<u>66,002</u>	<u>12,724</u>	<u>173,567</u>	<u>252,293</u>
Total Revenue	<u>66,002</u>	<u>12,724</u>	<u>173,567</u>	<u>252,293</u>
Expenditures:				
Culture and recreation:				
Library	\$ --	\$ 18,180	\$ --	\$ 18,180
Economic development and assistance (industrial development)	49,459	--	--	49,459
Debt service	--	--	177,458	177,458
	<u>49,459</u>	<u>18,180</u>	<u>177,458</u>	<u>245,097</u>
Total Expenditures	<u>49,459</u>	<u>18,180</u>	<u>177,458</u>	<u>245,097</u>
Net Change in Fund Balance	16,543	(5,456)	(3,891)	7,196
Fund Balances- Beginning of Year	146,936	39,531	2,073	188,540
Fund Balances - End of Year	<u>\$ 163,479</u>	<u>\$ 34,075</u>	<u>\$ (1,818)</u>	<u>\$ 195,736</u>

City of Canton
Schedule of Expenditures of Federal Awards
For Year End December 31, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Other Programs:			
US Department of Transportation - Direct Programs:			
Airport Infrastructure Grant	20.106	N/A	<u>\$ 366,383</u>
US Department of Transportation - Pass-Through Programs:			
SD Department of Transportation,			
State and Community Highway Safety	20.600	CDBG 2122-110-05 69A37521300001	<u>2,175</u>
Minimum Penalties for Repeat Offenders for Drving While Intoxicated	20.608	640SDA	<u>2,249</u>
Total US Department of Transportation			<u>370,807</u>
US Department of Treasury - Direct Programs:			
Coronavirus State and Local Fiscal Recovery Funds (Note 3)	21.027	2022G-ARP502 & 2022G-ARP-503	<u>1,272,433</u>
Total US Department of Treasury			<u>1,272,433</u>
US Department of Homeland Security - Pass-Through Programs:			
SD Department of Public Safety - Office of Emergency Management,			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	DR-4440	<u>728,382</u>
Hazard Mitigation Grant	97.039	DR-4000-43R	<u>620,939</u>
Total US Department of Homeland Security			<u>1,349,321</u>
Grand Total			<u><u>\$ 2,992,561</u></u>

City of Canton
Schedule of Expenditures of Federal Awards
For Year End December 31, 2024 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.