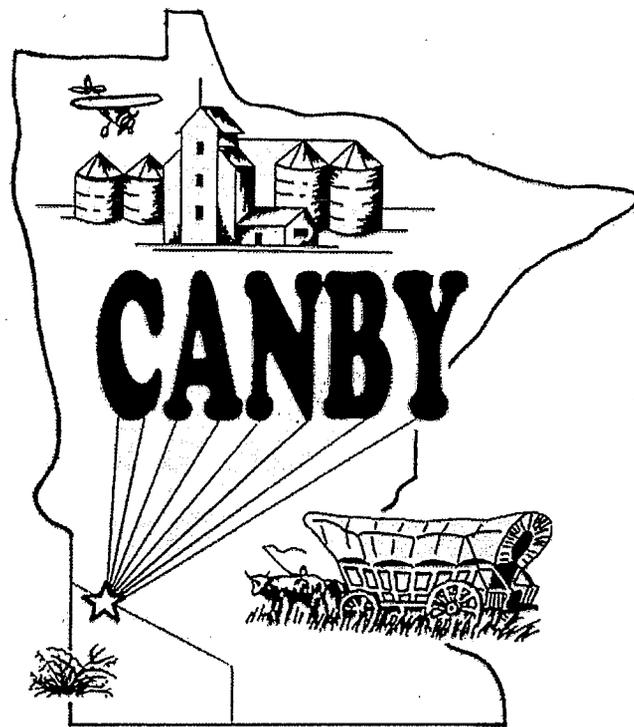
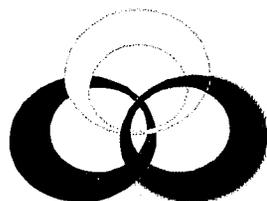


**City of Canby
Audit Report
For the Year Ended
December 31, 2009**



GATEWAY TO THE PRAIRIE



Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks &
Investments

**CITY OF CANBY
CANBY, MINNESOTA
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CANBY, MINNESOTA
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INTRODUCTORY SECTION

**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

ELECTED OFFICIALS

POSITION

Eugene Bies

Mayor

Eugene Eilers

Council Member

Robert Sik

Council Member

Denise Hanson

Council Member

Jack Winter

Council Member

CITY ADMINISTRATOR

Diane Miller

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Darci Anderson
Cindy Foerster
Donna Geringer
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Diana Kocourek
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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Canby
Canby, Minnesota 56220

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Canby, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2010, on our consideration of the City of Canby, Minnesota'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 15, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canby, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kinner & Company Ltd

Kinner & Company Ltd
Certified Public Accountants
Tracy, Minnesota

June 15, 2010

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

This section of the City of Canby's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2009 to meet the required reporting by the Government Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. Statement No. 34 is designed to make the annual reports easier for the public to understand and more useful to stakeholders.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. In addition to the Management's Discussion and Analysis (MD & A), the report consists of government-wide statements, fund financial statements, and notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported on this statement for some items that will only result in cash flows in future fiscal periods, (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) for other functions that are intended to recover all or a significant portion of their costs through users fees and charges (business-type activities). The government activities of the City include general government, public safety, public works, streets, parks, culture and recreation. The business-type activities of the City include water, wastewater, and garbage.

The government-wide financial statements include not only the City itself (known as the primary government), but also water, wastewater and garbage. The water, wastewater and garbage, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: government funds and proprietary funds.

Government Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of government funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9-15 of this report.

Proprietary fund. The City maintains three business-type activities in the proprietary funds. These accounts are for the water, wastewater and garbage funds.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and garbage, all of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,809,587 at the close of the most recent fiscal year.

The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Net Assets

	Governmental Activities		Business-Type Activities		2009
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>Total</u>
Current and other assets	1,268,151	1,385,456	671,082	593,943	1,939,233
Capital assets	<u>3,788,744</u>	<u>3,753,718</u>	<u>3,687,452</u>	<u>3,793,658</u>	<u>7,476,196</u>
Total assets	<u>5,056,895</u>	<u>5,139,174</u>	<u>4,358,534</u>	<u>4,387,601</u>	<u>9,415,429</u>
Long-term liabilities outstanding	988,394	1,200,188	1,403,000	1,533,000	2,391,394
Other liabilities	<u>177,727</u>	<u>204,713</u>	<u>36,723</u>	<u>20,085</u>	<u>214,450</u>
Total liabilities	<u>1,166,121</u>	<u>1,404,901</u>	<u>1,439,723</u>	<u>1,553,085</u>	<u>2,605,844</u>
Net assets					
Invested in capital assets, net of related debt	2,800,351	2,553,530	2,284,452	2,390,658	5,084,803
Net assets	<u>1,090,424</u>	<u>1,180,742</u>	<u>634,360</u>	<u>443,858</u>	<u>1,724,784</u>
	<u>3,890,775</u>	<u>3,734,272</u>	<u>2,918,812</u>	<u>2,834,516</u>	<u>6,809,587</u>

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City's net assets by \$156,502. Key elements of this increase are as follows:

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Changes in Net Assets

	Governmental activities		Business-type Activities		2009
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	108,633	106,437	660,499	621,109	769,132
Operating grants and contributions	74,019	194,467			74,019
Capital grants and contributions	124,725	58,969			124,725
General Revenues					
Property taxes	498,833	480,658			498,833
Special Assessments	5,096	11,046	1,035	2,985	6,131
Intergovernmental Revenue	765,289	736,239			765,289
Fines and Forfeits	5,108	6,262			5,108
Grants & Contributions not restricted to specific programs	4,350	2,544			4,350
Unrestricted Investment Earnings	27,167	27,635	8,651	12,872	35,818
Miscellaneous	113,318	108,194	11,193	9,979	124,511
Total Revenues	<u>1,726,538</u>	<u>1,732,451</u>	<u>681,378</u>	<u>646,945</u>	<u>2,407,916</u>
Expenses					
Governmental activities	1,538,803	1,668,646			1,538,803
Business-type activities			620,540	554,246	620,540
Total expenses	<u>1,538,803</u>	<u>1,668,646</u>	<u>620,540</u>	<u>554,246</u>	<u>2,159,343</u>
Transfers In (Out)	(23,458)		23,458		0
Increase in net assets	164,277	63,805	84,296	92,699	248,573
Net assets, January 1	3,734,272	3,670,467	2,834,516	2,741,817	6,568,788
Prior Period - Capital Asset Inventory Adjustment	(7,774)				(7,774)
Net assets, December 31	<u>3,890,775</u>	<u>3,734,272</u>	<u>2,918,812</u>	<u>2,834,516</u>	<u>6,809,587</u>

The City's total net assets increased by \$248,573. Most of this increase resulted from growth of capital grants and contributions, special assessments and charges for services.

For the most part, increase in expenses closely paralleled inflation and growth in the demand for service.

Business-type activities. Business-type activities increased the City's net assets by \$84,296, accounting for 34 percent of the total growth in the City's net assets.

Financial Analysis of the Government's Funds The City's total net assets increased by \$164,277. Most of this increase resulted from growth of capital grants and contributions, special assessments and charges for services.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported ending balances of \$1,078,454. Eighty-two percent of the total amount of \$882,011 constitutes unreserved fund balances, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed to a specific area.

Proprietary fund. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2009 amounts to \$7,476,197 (net of accumulated depreciation). The investment in capital assets includes land, buildings, system improvements, machinery, equipment and park facilities.

Long-Term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$2,391,394.

Economic Factor and Next Year's Budget and Rates

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Acting City Administrator, City of Canby, 110 Oscar Avenue North, Canby, Minnesota 56220.

Sincerely,
Jack Winter
Acting City Administrator

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary (Enterprise) Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF CANBY
STATEMENT OF NET ASSETS
DECEMBER 31, 2009
(With Comparative Totals as of December 31, 2008)

ASSETS	Governmental	Business-Type	Totals	
	Activities	Activities	2009	2008
Cash, Including Time Deposits	\$ 892,803.66	\$ 342,997.64	\$ 1,235,801.30	\$ 1,195,252.00
Investments	128,620.21	244,315.29	372,935.50	470,785.45
Delinquent Taxes Receivable	34,263.15		34,263.15	30,826.65
Special Assessments Receivable	58,490.49	17,041.03	75,531.52	86,419.36
Accounts Receivable		59,672.69	59,672.69	50,488.69
Other Receivables	15,630.17		15,630.17	8,154.54
Internal Balance	9,278.00	(9,278.00)	(0.00)	-
Prepaid Expenses	27,938.00	9,278.00	37,216.00	36,246.00
Notes Receivable	85,477.72		85,477.72	87,549.80
Bond Costs, Net	15,649.75	7,056.00	22,705.75	13,676.35
Capital Assets:				
Non-depreciable	327,885.00	126,703.93	454,588.93	429,473.43
Depreciable, net	3,460,859.36	3,560,748.35	7,021,607.71	7,117,903.33
TOTAL ASSETS	\$ 5,056,895.51	\$ 4,358,534.93	\$ 9,415,430.44	\$ 9,526,775.60
LIABILITIES				
Accounts Payable	3,536.26	7,126.70	10,662.96	36,612.92
Due to Other Governments	11,699.54		11,699.54	-
Accrued Compensated Absences	19,177.39	14,069.13	33,246.52	23,358.05
Deferred Revenue	143,313.58	15,526.63	158,840.21	164,827.12
Long-term Liabilities:				
Due within One Year	152,362.04	133,000.00	285,362.04	286,795.02
Due beyond One Year	836,031.75	1,270,000.00	2,106,031.75	2,446,393.79
TOTAL LIABILITIES	1,166,120.56	1,439,722.46	2,605,843.02	2,957,986.90
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,800,350.57	2,284,452.28	5,084,802.85	4,944,187.95
Net Assets	1,090,424.38	634,360.19	1,724,784.57	1,624,600.75
TOTAL NET ASSETS	\$ 3,890,774.95	\$ 2,918,812.47	\$ 6,809,587.42	\$ 6,568,788.70

See notes to basic financial statements

CITY OF CANBY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Capital Grants and Contributions	Governmental Activities	Business-type Activities
	2009	2009	2009	2009	2009	2008
Governmental Activities:						
General Government and Administration	\$ 359,448.64	\$ 6,226.67	\$ -	\$ (353,221.97)	\$ -	\$ (350,080.71)
Public Safety	399,207.83	37,451.69	74,019.24	(219,807.90)	(219,807.90)	(214,190.81)
Public Works	271,399.99		56,796.00	(214,603.99)	(214,603.99)	(265,350.95)
Cultural and Recreational	209,274.66			(209,274.66)	(209,274.66)	(228,775.05)
Economic Development	12,633.31	12,072.08		(561.23)	(561.23)	(19,852.56)
Miscellaneous	214,634.74	52,882.07		(161,752.67)	(161,752.67)	(157,630.11)
Depreciation-Unallocated						
Interest and Charges on Long Term Debt	72,203.46			(72,203.46)	(72,203.46)	(72,993.90)
Total Governmental Activities	1,538,802.63	108,632.51	74,019.24	(1,231,425.88)	(1,231,425.88)	(1,308,874.09)
Business-type Activities:						
Wastewater Fund	209,475.51	201,674.12		(7,801.39)	(7,801.39)	(72.73)
Water Fund	263,846.90	333,801.65		69,954.75	69,954.75	65,316.38
Garbage Fund	147,218.27	125,023.67		(22,194.60)	(22,194.60)	1,619.75
Total Business-type Activities	620,540.68	660,499.44		39,958.76	39,958.76	66,863.40
Total Primary Government	2,159,343.31	769,131.95	74,019.24	(1,231,425.88)	(1,191,467.12)	(1,242,010.69)
General Revenues						
Taxes						
Property taxes, levied for general purposes				329,282.13	329,282.13	295,732.90
Property taxes, levied for debt service				169,550.45	169,550.45	184,924.97
Intergovernmental Revenue				765,288.80	765,288.80	736,238.94
Fines and Forfeits				5,108.10	5,108.10	6,262.45
Grants and Contributions not Restricted to Specific Programs				4,350.00	4,350.00	2,543.75
Unrestricted Investment Earnings				27,167.60	8,651.31	40,507.26
Special Assessments				5,095.95	1,035.19	14,031.21
Miscellaneous				113,317.90	11,192.98	95,341.88
Sale of Assets						22,931.78
Transfers				(23,457.65)	23,457.65	-
Total General Revenues, Special Items, and Transfers				1,395,703.28	1,440,040.41	1,398,515.14
Change in Net Assets				164,277.40	84,295.89	156,504.45
Net Assets - Beginning of Year				3,734,272.12	2,834,516.58	6,412,284.25
Prior Period Adjustment				(7,774.57)	(7,774.57)	-
Net Assets - End of Year				\$ 3,890,774.95	\$ 2,918,812.47	\$ 6,568,788.70

See notes to basic financial statements

CITY OF CANBY, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	General Fund	Economic Development Fund	GO Munic Bonds 1997	GO Munic Bonds 1999	Other Governmental Funds	Totals December 31, 2009	Totals December 31, 2008
ASSETS							
Assets:							
Cash, Including Time Deposits	\$ 595,569.42	\$ 42,574.03	\$ -	\$ 26,739.09	\$ 227,921.12	\$ 892,803.66	\$ 909,225.85
Investments	1,205.22				127,414.99	128,620.21	233,636.90
Delinquent Taxes Receivable	22,597.73			3,701.89	7,963.53	34,263.15	30,826.65
Special Assessments Receivable	13,418.31			14,583.67	30,488.51	58,490.49	73,783.76
Other Receivables	15,447.09				183.08	15,630.17	8,154.54
Prepaid Expenses	27,938.00					27,938.00	27,068.00
Due from Other Funds	251,460.54		11,726.81	7,856.00	12,059.15	283,102.50	222,795.54
Notes Receivable	-	85,477.72			-	85,477.72	87,549.80
TOTAL ASSETS	<u>\$ 927,636.31</u>	<u>\$ 128,051.75</u>	<u>\$ 11,726.81</u>	<u>\$ 52,880.65</u>	<u>\$ 406,030.38</u>	<u>\$ 1,526,325.90</u>	<u>\$ 1,593,041.04</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 3,536.26				\$ -	\$ 3,536.26	\$ 35,566.35
Due to Other Governments	-				11,699.54	11,699.54	-
Due to Other Funds	19,084.00		28,790.01		225,950.49	273,824.50	231,331.72
Deferred Revenue	24,406.30	85,477.72		15,473.99	33,453.17	158,811.18	159,500.27
Total Liabilities	<u>47,026.56</u>	<u>85,477.72</u>	<u>28,790.01</u>	<u>15,473.99</u>	<u>271,103.20</u>	<u>447,871.48</u>	<u>426,398.34</u>
Fund Balances:							
Fund Balance - Reserved			(17,063.20)	37,406.66	176,100.04	196,443.50	233,475.15
Fund Balance (Deficit) - Unreserved, Designated	953,830.63	42,574.03			(41,172.86)	955,231.80	1,187,381.90
Fund Balance (Deficit) - Unreserved, Undesignated	(73,220.88)					(73,220.88)	(254,214.35)
Total Fund Balance	<u>880,609.75</u>	<u>42,574.03</u>	<u>(17,063.20)</u>	<u>37,406.66</u>	<u>134,927.18</u>	<u>1,078,454.42</u>	<u>1,166,642.70</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 927,636.31</u>	<u>\$ 128,051.75</u>	<u>\$ 11,726.81</u>	<u>\$ 52,880.65</u>	<u>\$ 406,030.38</u>	<u>\$ 1,526,325.90</u>	<u>\$ 1,593,041.04</u>

See notes to basic financial statements

CITY OF CANBY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total fund balance - total governmental funds \$ 1,078,454.42

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

Capital assets (net of depreciation) used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet. 3,788,744.36

Government funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities. 15,649.75

Deferred revenue on property taxes in governmental funds is susceptible to full accrual on the government-wide statements. 15,497.60

Deferred revenue on economic development loans is susceptible to full accrual on the government-wide statements.

Accrued absences do not require current financial resources. Therefore they are not reported as a liability in governmental funds balance sheet. (19,177.39)

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.

Due within one year	152,362.04	
Due in more than one year	836,031.75	(988,393.79)

Net assets of governmental activities \$ 3,890,774.95

See notes to basic financial statements.

CITY OF CANBY MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	General Fund	Economic Development Fund	GO Munic Bonds 1997	GO Munic Bonds 1999	Other Governmental Funds	Totals	
						2009	2008
Revenues:							
Local and County Revenue	\$ 332,869.78			\$ 55,622.29	\$ 118,521.93	\$ 507,014.00	\$ 484,383.31
Licenses and Permits	6,226.67					6,226.67	3,734.00
Intergovernmental Revenue	943,798.04			7,856.00	12,379.00	964,033.04	989,674.28
Charges for Services	42,801.69					42,801.69	43,225.97
Fines and forfeitures	5,108.10					5,108.10	6,262.45
Interest Income	16,520.65	1,897.54		1,585.71	7,163.70	27,167.60	27,635.20
Special Assessments	(3,859.62)			4,559.49	4,396.08	5,095.95	11,046.25
Miscellaneous	165,199.97	12,072.08			-	177,272.05	170,315.33
Total Revenue	1,508,665.28	13,969.62	-	69,623.49	142,460.71	1,734,719.10	1,736,276.79
Expenditures:							
General Government	297,037.36					297,037.36	293,950.56
Public Safety	318,343.76					318,343.76	351,380.64
Public Works	249,193.26					249,193.26	263,740.51
Culture and Recreation	188,963.12					188,963.12	208,463.51
Economic Development		12,633.31				12,633.31	94,802.76
Miscellaneous	106,185.86				4,236.29	110,422.15	101,957.49
Capital Outlay	321,466.32				-	321,466.32	294,000.60
Debt Service:							
Principal on Debt	12,795.02		10,000.00	285,000.00	279,000.00	586,795.02	140,500.14
Interest and Other Charges on Debt	8,064.98		11,574.75	4,842.51	44,763.62	69,245.86	72,993.90
Total Expenditures	1,502,049.68	12,633.31	21,574.75	289,842.51	327,999.91	2,154,100.16	1,821,790.11
Excess of Revenues Over (Under) Expenditures	6,615.60	1,336.31	(21,574.75)	(220,219.02)	(185,539.20)	(419,381.06)	(85,513.32)
Other Financing Sources (Uses):							
Loan Advances	-				375,000.00	375,000.00	100,000.00
Bond Discount					(3,000.00)	(3,000.00)	-
Bond Issue Costs					(9,575.00)	(9,575.00)	-
Transfers from Other Funds	82,402.83	30,000.00	20,496.02	238,212.51	227,108.47	598,219.83	22,277.74
Transfers to Other Funds	(46,346.98)	(5,000.00)		(41,000.00)	(529,330.50)	(621,677.48)	(22,277.74)
Total Other Financing Sources (Uses)	36,055.85	25,000.00	20,496.02	197,212.51	60,202.97	338,967.35	100,000.00
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	42,671.45	26,336.31	(1,078.73)	(23,006.51)	(125,336.23)	(80,413.71)	14,486.68
Fund Balance - January 1	699,616.28	16,237.72	(134,484.39)	60,413.17	524,859.92	1,166,642.70	1,152,156.02
Prior Period Adjustment	138,322.02	-	118,499.92	-	(264,596.51)	(7,774.57)	-
Fund Balance - December 31	\$ 880,609.75	\$ 42,574.03	\$ (17,063.20)	\$ 37,406.66	\$ 134,927.18	\$1,078,454.42	\$1,166,642.70

See notes to basic financial statements

**CITY OF CANBY
RECONCILIATION OF THE STATEMENT OF
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net changes in fund balances-total government funds		\$ (80,413.71)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		321,466.32
<p>The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net assets.</p>		-
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.</p>		(286,440.36)
<p>The issuance of long-term debt (i.e. Bonds) provides current resources to government funds, while the repayment of the principal of the long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. Also, the government funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		221,412.42
<p>Some property tax will not be collected for several months after city's fiscal year end, they are not considered "available" revenues in the government funds.</p>		
Deferred Revenues, December 31, 2008	(23,679.02)	
Deferred Revenues, December 31, 2009	15,497.60	(8,181.42)
<p>Accrued leave is reported in the government-wide statement of activities and changes in net assets, but does not required the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.</p>		
Accrued Leave, December 31, 2008	15,611.54	
Accrued Leave, December 31, 2009	(19,177.39)	(3,565.85)
Change in net assets of governmental activities		\$ 164,277.40

See notes to basic financial statements.

CITY OF CANBY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Local and County Revenue	\$ 338,860.00	\$ 375,069.50	\$ 332,869.78	\$ (42,199.72)
Licenses and Permits	4,950.00	4,950.00	6,226.67	1,276.67
Intergovernmental Revenue	835,681.00	815,091.00	943,798.04	128,707.04
Charges for Services	36,000.00	36,600.00	42,801.69	6,201.69
Fines and forfeitures	9,000.00	5,000.00	5,108.10	108.10
Interest Income	6,500.00	6,500.00	16,520.65	10,020.65
Special Assessments	2,500.00	5,000.00	(3,859.62)	(8,859.62)
Miscellaneous	122,276.00	161,100.00	165,199.97	4,099.97
Total Revenue	1,355,767.00	1,409,310.50	1,508,665.28	99,354.78
Expenditures:				
General Government	327,194.00	315,394.00	297,037.36	18,356.64
Public Safety	306,062.00	321,252.00	318,343.76	2,908.24
Public Works	253,291.00	245,291.00	480,113.66	(234,822.66)
Culture and Recreation	195,381.00	186,361.00	188,963.12	(2,602.12)
Miscellaneous	152,651.50	108,401.50	106,185.86	2,215.64
Capital Outlay	44,000.00	257,050.00	90,545.92	166,504.08
Debt Service:				
Bond Payments	16,260.00	12,860.00	12,795.02	64.98
Interest and other Fees	10,953.00	8,153.00	8,064.98	88.02
Total Expenditures	1,305,792.50	1,454,762.50	1,502,049.68	(47,287.18)
Excess of Revenues Over (Under)				
Expenditures	49,974.50	(45,452.00)	6,615.60	52,067.60
Other Financing Sources (Uses):				
Loan Proceeds	-	-	-	-
Transfers from Other Funds	2,492.00	2,492.00	82,402.83	79,910.83
Transfers to Other Funds	(10,000.00)	(17,000.00)	(46,346.98)	(29,346.98)
Total Other Financing Sources (Uses)	(7,508.00)	(14,508.00)	36,055.85	50,563.85
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and				
Other Financing Uses	\$ 42,466.50	\$ (59,960.00)	42,671.45	\$ 102,631.45
Fund Balance - January 1			699,616.28	
Prior Period Adjustment			138,322.02	
Fund Balance - December 31			\$ 880,609.75	

See notes to basic financial statements

**CITY OF CANBY, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

(With Comparative Totals for the year ended December 31, 2008)

	Business-Type Activities			Totals	
	Wastewater Fund	Water Fund	Non-Major Garbage Fund	2009	2008
ASSETS					
Current Assets:					
Cash, Including Time Deposits	\$ 11,066.59	\$ 330,040.36	\$ 1,890.69	\$ 342,997.64	\$ 286,026.15
Investments	86,665.58	89,405.95	68,243.76	244,315.29	237,148.55
Delinquent Special Assessments Receivable	8,643.63	8,397.40		17,041.03	12,635.60
Accounts Receivable	20,350.57	27,311.52	12,010.60	59,672.69	50,488.69
Prepaid Expense	4,825.00	4,453.00		9,278.00	9,178.00
Total Current Assets	131,551.37	459,608.23	82,145.05	673,304.65	595,476.99
Non-Current Assets:					
Capital Assets:					
Land	79,835.00	21,344.93	25,524.00	126,703.93	101,588.43
Buildings	172,471.50	1,878,920.45		2,051,391.95	2,051,391.95
Improvements Other Than Buildings	377,987.76	815,582.67		1,193,570.43	1,177,693.82
Equipment	2,795,231.49	71,046.13	5,380.11	2,871,657.73	2,871,657.73
Accumulated Depreciation	(1,426,115.77)	(1,124,005.86)	(5,750.13)	(2,555,871.76)	(2,408,673.57)
Net Capital Assets	1,999,409.98	1,662,888.32	25,153.98	3,687,452.28	3,793,658.36
Bond Discount, net of amortization	7,056.00	-	-	7,056.00	7,644.00
TOTAL ASSETS	\$ 2,138,017.35	\$ 2,122,496.55	\$ 107,299.03	\$ 4,367,812.93	\$ 4,396,779.35
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 485.94	\$ 482.67	\$ 6,158.09	\$ 7,126.70	\$ 1,046.57
Due to Other Funds	4,825.00	4,453.00		9,278.00	9,178.00
Deferred Revenue	8,053.59	7,473.04		15,526.63	11,291.69
Bonds Payable, Current Portion	25,000.00	108,000.00		133,000.00	130,000.00
Total Current Liabilities	38,364.53	120,408.71	6,158.09	164,931.33	151,516.26
Noncurrent Liabilities:					
Accrued Vacation	5,327.55	7,262.48	1,479.10	14,069.13	7,746.51
Notes and Bonds Payable	340,000.00	930,000.00		1,270,000.00	1,403,000.00
Total Noncurrent Liabilities	345,327.55	937,262.48	1,479.10	1,284,069.13	1,410,746.51
TOTAL LIABILITIES	383,692.08	1,057,671.19	7,637.19	1,449,000.46	1,562,262.77
Net Assets:					
Invested in Capital Assets, Net of Related Debt	1,634,409.98	624,888.32	25,153.98	2,284,452.28	2,384,129.87
Net Assets-Unrestricted, Designated	68,147.08	676,633.68		744,780.76	530,142.72
Net Assets-Unrestricted	51,768.21	(236,696.64)	74,507.86	(110,420.57)	(79,756.01)
Total Net Assets	\$ 1,754,325.27	\$ 1,064,825.36	\$ 99,661.84	\$ 2,918,812.47	\$ 2,834,516.58

See notes to basic financial statements.

CITY OF CANBY MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	Business-Type Activities			Totals	
	Wastewater	Water	Non-Major Garbage	2009	2008
	Fund	Fund	Fund		
Operating Revenues:					
Customer Charges	\$ 201,674.12	\$ 333,801.65	\$ 125,023.67	\$ 660,499.44	\$ 621,109.38
Special Assessments	1,035.19	-		1,035.19	2,984.96
Miscellaneous		2,341.47	1,973.00	4,314.47	2,601.25
Total Operating Revenues	202,709.31	336,143.12	126,996.67	665,849.10	626,695.59
Operating Expenses:					
Distribution		40,593.83		40,593.83	30,762.95
Production		67,938.65		67,938.65	57,687.60
Operating Expenses	123,488.99	54,074.46	139,136.36	316,699.81	274,418.95
Depreciation and Amortization	69,659.02	77,996.26	130.91	147,786.19	142,485.08
Total Operating Expenses	193,148.01	240,603.20	139,267.27	573,018.48	505,354.58
Net Operating Income (Loss)	9,561.30	95,539.92	(12,270.60)	92,830.62	121,341.01
Nonoperating Revenues (Expenses):					
Interest Income	1,164.76	7,198.00	288.55	8,651.31	12,872.06
Sales Tax Expense		(2,784.00)	(7,951.00)	(10,735.00)	(9,573.00)
Refunds and Reimbursements	175.83	842.84		1,018.67	785.30
Rental Income		5,859.84		5,859.84	6,348.16
Sale of Asset	-			-	244.40
Interest Expense	(16,327.50)	(20,459.70)		(36,787.20)	(39,318.40)
Transfers In	23,457.65			23,457.65	-
Total Nonoperating Revenues (Expenses)	8,470.74	(9,343.02)	(7,662.45)	(8,534.73)	(28,641.48)
Change in Net Assets	18,032.04	86,196.90	(19,933.05)	84,295.89	92,699.53
Net Assets - January 1	1,736,293.23	978,628.46	119,594.89	2,834,516.58	2,741,817.05
Net Assets - December 31	\$ 1,754,325.27	\$ 1,064,825.36	\$ 99,661.84	\$ 2,918,812.47	\$ 2,834,516.58

See notes to basic financial statements.

**CITY OF CANBY, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2009
 (With Comparative Totals for the year ended December 31, 2008)**

	Business-Type Activities			Totals	
	Wastewater	Water	Non-Major Garbage	2009	2008
	Fund	Fund	Fund		
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 200,774.33	\$ 338,608.10	\$123,814.86	\$ 663,197.29	\$ 629,532.27
Cash Received from Others	175.83			175.83	268.30
Cash Paid to Suppliers	(120,820.30)	(240,443.80)	(141,515.69)	(502,779.79)	(425,776.07)
Cash Paid to Employees		79,115.25		79,115.25	49,431.25
Net Cash Flows Provided (Used) by Operating Activities	<u>80,129.86</u>	<u>177,279.55</u>	<u>(17,700.83)</u>	<u>239,708.58</u>	<u>253,455.75</u>
Cash Flows from Capital and Related Financing Activities:					
Cash Received from Transfers from Other Funds	23,542.65	15.00		23,557.65	(9,398.00)
Cash Paid for Principal on Debt	(25,000.00)	(105,000.00)		(130,000.00)	(128,000.00)
Cash Paid for Bond Discount	-			-	-
Cash Paid for Interest on Debt	(16,327.50)	(20,459.70)		(36,787.20)	(39,318.40)
Acquisition of Capital Assets	(11,975.61)	(3,901.00)	(25,115.50)	(40,992.11)	(85,102.45)
Net Cash Flows from Capital and Related Financing Activities	<u>(29,760.46)</u>	<u>(129,345.70)</u>	<u>(25,115.50)</u>	<u>(184,221.66)</u>	<u>(261,818.85)</u>
Cash Flows From Investing Activities:					
Interest Earned on Investments	1,164.76	7,198.00	288.55	8,651.31	12,872.06
Net (Increases) Decreases in Investments	(50,146.02)	(246.27)	43,225.55	(7,166.74)	5,990.39
Net Cash Flows from Investing Activities	<u>(48,981.26)</u>	<u>6,951.73</u>	<u>43,514.10</u>	<u>1,484.57</u>	<u>18,862.45</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,388.14	54,885.58	697.77	56,971.49	10,499.35
Cash and Cash Equivalents - Beginning of Year	<u>9,678.45</u>	<u>275,154.78</u>	<u>1,192.92</u>	<u>286,026.15</u>	<u>275,526.80</u>
Cash and Cash Equivalents - End of Year	\$ 11,066.59	\$ 330,040.36	\$ 1,890.69	\$ 342,997.64	\$ 286,026.15

RECONCILIATION OF EARNINGS TO NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 9,561.30	\$ 95,539.92	\$(12,270.60)	\$ 92,830.62	\$ 121,341.01
Other Revenue	175.83	6,702.68	-	6,878.51	7,133.46
Other Expense		(2,784.00)	(7,951.00)	(10,735.00)	(9,573.00)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	69,659.02	77,996.26	130.91	147,786.19	142,485.08
Changes in Assets and Liabilities:					
Accounts Receivable	(2,026.45)	(3,975.74)	(3,181.81)	(9,184.00)	(3,327.01)
Special Assessments	1,126.66	(5,532.09)		(4,405.43)	1,194.18
Prepaid Expense	(85.00)	(15.00)		(100.00)	(602.00)
Deferred Revenue	(1,035.19)	5,270.13		4,234.94	(1,895.65)
Accrued Expenses				-	-
Accounts Payable	286.87	482.67	5,310.59	6,080.13	(857.76)
Accrued Vacation	2,466.82	3,594.72	261.08	6,322.62	(2,442.56)
Net Cash Provided (Used) by Operating Activities	\$ 80,129.86	\$ 177,279.55	\$ (17,700.83)	\$ 239,708.58	\$ 253,455.75

See notes to basic financial statements.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted account principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has not chosen to do so.

The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Canby, Minnesota (the City) is a municipal corporation, incorporated under the laws of the State of Minnesota, and governed under a charter adopted. The City was formed and operates pursuant to applicable Minnesota laws and statutes. The City operates under an elected Mayor and four member council form of government. The council has control over all activities related to the City of Canby. The City provides the following services: sanitation, recreation, public improvements, planning and zoning, and general administrative services.

These financial statements present the City (the primary government) and its components unit, the Canby Economic Development Authority. The City follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The City includes all component units of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity to comprise the primary government presentation. The City's blended component units consist of:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Economic Development Authority – The City created an Economic Development Authority (EDA) by resolution of its governing board. The EDA is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the EDA is reported as if it were part of the primary government because its purpose is to approve the City's redevelopment plans. The EDA cannot issue bonded debt without the City's approval. The activities of the EDA are reported as a nonmajor special revenue fund in the Governmental Fund Financial Statements.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. They include all funds of the reporting entity except for fiduciary funds (of which, the City has none).

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues subject to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column on the fund financial statements.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The city maintains TIF Districts, economic development and John Swenson Trust special revenue funds.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's judgment.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The City maintains water, sewer and garbage enterprise funds.

Fiduciary Funds:

Agency Fund

An agency fund is used to account for assets held solely in custodial capacity. Accordingly, assets in agency funds are always matched by liabilities to the owners of the assets. The city has no agency funds.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all resources of the general government, except those required to be accounted for in other funds.

The *GO Bonds 1997* accounts for the activities of the City for payment of principal and interest on this bond.

The *GO Bonds 1999* accounts for the activities of the City for payment of principal and interest on this bond.

The *Economic Development* fund accounts for the activities of the City for economic development

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operations of the City's water system.

The *Sewer Fund* accounts for the operations of the City's sewer system.

The *Garbage Fund* accounts for the operations of the City's garbage collection system.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds. The City has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS or EQUITY

Deposits and Investments

For the purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

Investments are carried at fair value, based on quoted market price at the reporting date.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade (utility) and property tax receivables are shown at a gross amount, since both taxes and trade (utility) receivable are assessable to the property taxes and are collectible upon sale of the assessed property.

The City levies its property tax for the subsequent year during the month of October. Property taxes attach as an enforceable lien on property as of January 1. Revenues are accrued and recognized in the year collectible.

December 31 is the last day the City can certify a tax levy to the County Auditor for collection the following year. The County Auditor makes up the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City. Assessments receivable consist of the portion of improvements made by the City and charged against the properties affected.

These assessments are payable with interest over a period of years. The County Auditor remits a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January each year. The County Treasurer mails copies of all real estate and personal property tax statements.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS or EQUITY (Continued)

Real property taxes may be paid in two equal installments. The first payment is due on May 15 for both non-agricultural and agricultural property and the second payment is due on October for non-agricultural property and November 15 for agricultural property. Personal property taxes may be paid on May 15 and October 14. The County is the collection agent for the levy. The County provides tax settlements to cities and other taxing districts three times a year in January, June, and December. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Portions of the tax levy paid by the state in the form of market value assistance are included in intergovernmental revenue. Only that portion collected directly from property owners is reflected in tax revenue. Delinquent property taxes are deferred and recognized when received or in the hands of the collection agency in the fund financial statements since they do not constitute "available spendable resources". In the government-wide financial statements, under the accrual basis of accounting, they are recognized as revenues since they are earned. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

Inventories

Inventory is valued at lower of cost or market using the first-in, first-out method. The cost of other consumable materials and supplies on hand are immaterial to the financial statements and the City has therefore chosen to report these items as expenditures/expenses at the time of purchase.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Assets

Restricted assets are deposits held for specifically required purposes and are offset by fund balance reserve accounts.

Capital Assets

Capital assets are defined by the City as assets with an initial individual cost of \$2,500 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets (i.e., roads, bridges, sidewalks, drainage, and similar items), and intangible assets (i.e. internally generated computer software) are reported in the application governmental or business-type activities column of the government-wide financial statements.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS or EQUITY (Continued)

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded s estimated fair value at the date of donation.

GASB No. 34 required that the City report and depreciate new infrastructure assets effective fiscal year ending December 31, 2004. Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to December 31, 2003, were not required to be capitalized by the City. These infrastructure assets are likely to be the largest asset class of the City. Neither the historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required for cities of this size. City has elected not to record infrastructure values retroactively as allowed by accounting principles generally accepted in the United States of America.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the City as a whole. When purchased, such assets are recorded s expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net assets.

Capital assets of the enterprise funds are capitalized in the funds.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements and in the enterprise fund financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

Land	Not Depreciated
Infrastructure	15-65 Years
Buildings	10-50 Years
Improvements	15-50 Years
Machinery and Equipment	3-20 Years

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS or EQUITY (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and amortization over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and the proprietary fund types. In the governmental funds of the fund financial statements, vacation and sick pay are recorded as expenditures and accrued as a current liability only if they have matured, for example, as a result of employee's resignations and retirements.

Vacation leave - All regular employees who have been employed 10 years or less will accumulate one day's credit for each month worked with a maximum of 10 days which can be earned each year. Any regular employee who has been employed more than ten but less than twenty years by the city will accumulate one and one-half day's credit for each month worked with a maximum of 15 days which can be earned each year. Any regular employee who has been employed more than twenty years by the city will accumulate two day's credit for each month worked with a maximum of 20 days which can be earned each year, and in addition thereto shall be entitled to one additional day for each year of employment over twenty years with a maximum of five additional days which can be earned each year. The maximum vacation leave which can be earned by an employee of more than twenty-five years shall be 25 days. This amount is charged to expense in the year paid.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS or EQUITY (Continued)

Sick leave – Sick leave will be earned on the basis of one day for each month worked, for a total of 12 possible days per year. Sick leave may be accrued for a total of 90 days of work allowance. Sick leave may also be transferred from one employee to another as needed for an extended illness. Such situations would be approved by the city administrator when they arise. This would be a maximum of 5 days to be transferred by employees. This is charged to expense in the year paid.

Severance pay, which is received upon termination of employment, consists of unused vacation pay accrued through the date of termination. This is paid at the former employee’s hourly pay rate. Severance pay may also include a portion of unpaid sick leave. In the event a regular employee terminates employment and has given proper notice, the regular employee shall be entitled to the following benefits:

<u>Years of Service</u>	<u>Compensation-% of Unused Sick Leave</u>
0 – 4	0%
5 – 9	10%
10 – 14	25%
15 – 19	40%
20 – 25	55%
Over 25	70%

Fund Equity

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative Council plan that are subject to change.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. COMPARATIVE DATA

The financial statements include certain prior year comparative financial information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City’s financial statements for the year ended December 31, 2008 from which the summarized information was derived.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund. Budgets have not been adopted for the major Small Cities Development Special Revenue Fund as prescribed by Government Auditing Standards.

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

1. The department heads submit to the city clerk a budget of estimated expenditures for the ensuing year after which the City Clerk subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.
2. Upon receipt of the budget estimates, the Council holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.
3. At least ten days prior to October 1, the budget is legally enacted through the passage of an ordinance. The City Clerk is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council.
4. Budgeted amounts are as originally adopted by the City Council. All supplemental appropriations require the approval of the City Council. There were no amendments to the original appropriations. The City prepared and adopted a legal budget.
5. All budgeted appropriations lapse at the end of the year. The legal level of budgetary control is at the functional level.

All budget amounts presented reflect the original budget and the final budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). The General Fund utilized the same basis of accounting for both budgetary purposes and actual results.

Encumbrances

The City does not utilize encumbrance accounting.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had excess expenditures over appropriations:

GO Tax Increment Bonds-1997	21,575
GO Bonds-1999	233,856
GO Munic Bond-1980	16,493
GO Fire Hall Bonds-1986	513
GO Impr Bonds- 1998	127,677
GO Impr Bonds – 2001	466
GO Tax Increment Bonds – 2004	22,690
GO Impr Refund Bonds – 2009	66,274
EDA	10,736

C. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2009:

GO Tax Increment Bonds-2004	37,235
GO Tax Increment Bonds-1997	156,059

D. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Minnesota Statutes §475.53, subd. 3 limits the amount of outstanding general obligation bonded debt of the municipality. The City complies with such laws.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a pooled cash and investment portfolio that is used by substantially all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle monies while ensuring the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved.

Investment income derived from the pooled funds is allocated to respective funds on the basis of applicable cash balance participation by each fund.

Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits be insured, protected by surety bond or collateralized, and the market value of collateral pledged must equal 110% of the deposits not covered by insurance or surety bonds.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Authorized collateral includes all treasury bills, notes, and bonds; issues of U.S. governmental agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank and certificates of deposit. Minnesota statutes also require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City does not have any deposit policies that would further limit deposit choices.

According to Minnesota Statutes, the aggregate of a municipality's interest bearing account, i.e., savings accounts, NOW accounts, and time deposits (CD's) with the same depository are insured up to a total of \$250,000. The aggregate of a municipality's non-interest bearing checking accounts are insured up to a total of \$250,000 and are insured separately from the municipality's other deposits. This separate \$250,000 coverage for non-interest bearing accounts only applies if the depository is in the same state as the municipality.

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, cash equivalents, and investments, had a bank balance of \$1,403,343 at December 31, 2009, that was fully insured by depository insurance or secured with collateral held by the City's agent in its name. The carrying amount of these deposits at December 31, 2009 was \$1,235,701.

Investment Policy

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a.) Direct obligations guaranteed by the United States or its agencies;
- b.) Shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; General obligations of the State of Minnesota or its municipalities
- c.) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- d.) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less;

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy (Continued)

- e.) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers
- f.) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- g.) Guaranteed investment contract (GIC’s) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United State insurance company and with a credit quality in one of the top two highest categories.

The City does not have any investment policies that would further limit investment choices.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs for operation. The City only invests in certificates of deposits and the 4M Fund to limit its interest rate risk. Investments in certificates of deposit are made so maturities coincide with cash flow needs and investments in the 4M Fund are not subject to maturities so there is no interference with cash flows.

As of December 31, 2009, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$372,936	*

*4M Fund is not subject to weighted average maturity policy.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. The investment policy of the City limits their investment options to those authorized by the State of Minnesota as described above.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy (Continued)

Concentrations of Credit Risk: The risk of loss attributed to the magnitude of the City's investments in a single issuer. The City places no limit on the amount that may be invested in any one issuer. As of December 31, 2009, 100% of the City's investments are in the 4M Fund and Certificates of Deposits.

Custodial Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2009, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

A reconciliation of cash and investments as shown on the Statement of Net Assets:

Deposits	\$1,235,701
Investments	<u>372,936</u>
Total	<u>\$1,608,637</u>

Reconciliation to Statement of Net Assets:

Cash, Including Time Deposits	\$1,235,801
Investments	372,936
Less Petty Cash	<u>(100)</u>
Total	<u>\$1,608,637</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

C. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists almost entirely of delinquent taxes. No allowance for uncollectible accounts is deemed necessary at year end.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of deferred revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property Taxes & Special Assessments	\$73,333	\$0
Notes Receivable	<u>85,478</u>	<u>0</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$158,811</u>	<u>\$0</u>

D. NOTES RECEIVABLE

The Economic Development Authority of Canby has established the Economic Development Fund to provide low interest loans to assist business with economic development. The loans have been collateralized and call for periodic payments of principal and interest. In the fund financial statements, under the modified accrual basis of accounting, the loans in the have been completely offset by a liability account, deferred revenue. Therefore, no revenues will be recognized until the payments are actually received. In the government-wide financial statements, under the accrual basis of accounting, revenues are earned and therefore, recognized.

The following is a summary of notes receivable transactions for the year ended December 31, 2009:

	<u>Balance</u> <u>1-1-09</u>	<u>Amount</u> <u>Advanced</u>	<u>Payments</u> <u>Received</u>	<u>Adjustments</u>	<u>Balance</u> <u>12-31-09</u>
EDA Loans	<u>\$87,550</u>	<u>\$10,107</u>	<u>\$12,179</u>	<u>\$0</u>	<u>\$85,478</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

E. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance <u>1-1-09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-09</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$327,885	\$0	\$0	\$327,885
Construction in Progress	<u>0</u>	<u>155,980</u>	0	<u>155,980</u>
Total Capital Assets Not Being Depreciated	<u>327,885</u>	<u>155,980</u>	<u>0</u>	<u>483,865</u>
Capital Assets Being Depreciated:				
Buildings	2,791,702	0	0	2,791,702
Improvements Other Than Buildings	2,377,695	118,235	0	2,495,930
Machinery & Equipment	<u>1,425,451</u>	<u>47,251</u>	<u>0</u>	<u>1,472,702</u>
Total Capital Assets Being Depreciated	<u>6,594,848</u>	<u>165,486</u>	<u>0</u>	<u>6,760,334</u>
Less Accumulated Depreciation for:				
Buildings	1,903,498	173,413	0	2,076,911
Improvements Other Than Buildings	332,659	5,360	0	338,019
Machinery & Equipment	<u>932,858</u>	<u>107,667</u>	<u>0</u>	<u>1,040,525</u>
Total Accumulated Depreciation	<u>3,169,015</u>	<u>286,440</u>	<u>0</u>	<u>3,455,455</u>
Total Capital Assets Being Depreciated, Net	<u>3,425,833</u>	<u>(120,954)</u>	<u>0</u>	<u>3,304,879</u>
Total Capital Assets	<u>\$3,753,718</u>	<u>\$35,026</u>	<u>\$0</u>	<u>\$3,788,744</u>

	Balance <u>1-1-09</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-09</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$101,589	<u>\$25,115</u>	\$0	\$126,704
Total Capital Assets Not Being Depreciated	<u>101,589</u>	<u>25,115</u>	<u>0</u>	<u>126,704</u>
Capital Assets Being Depreciated:				
Buildings	2,051,392	0	0	2,051,392
Improvements other than Buildings	1,177,694	15,877	0	1,193,571
Equipment	<u>2,871,657</u>	<u>0</u>	<u>0</u>	<u>2,871,657</u>
Total Capital Assets Being Depreciated	<u>6,100,743</u>	<u>15,877</u>	<u>0</u>	<u>6,116,620</u>
Less Accumulated Depreciation for:				
Buildings	685,269	46,688	0	731,957
Improvements other than Buildings	732,100	31,131	0	763,231
Equipment	<u>991,305</u>	<u>69,379</u>	<u>0</u>	<u>1,060,684</u>
Total Accumulated Depreciation	<u>2,408,674</u>	<u>147,198</u>	<u>0</u>	<u>2,555,872</u>
Total Capital Assets Being Depreciated, Net	<u>3,692,069</u>			<u>3,560,748</u>
Business-Type Activity Capital Assets, Net	<u>\$3,793,658</u>			<u>\$3,687,452</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

E. CAPITAL ASSETS (Continued)

Depreciation Expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$60,547
Public Safety	82,883
Public Works	18,486
Culture & Recreation	20,311
Housing & Economic Development	0
Miscellaneous	104,213
Depreciation-Unallocated	<u>0</u>
Total Depreciation Expense- Governmental Activities	<u>\$286,440</u>

Business-Type Activities:

Water	\$77,996
Wastewater	69,071
Garbage	<u>131</u>
Total Depreciation Expense- Business-Type Activities	<u>\$147,198</u>

F. ACCOUNTS PAYABLE:

Payables in the general, major governmental funds and enterprise funds are composed almost entirely of payables to vendors.

G. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2009:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

<u>Issuance</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-08</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12-31-09</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities:</u>								
Bonds Payable:								
1986 Fire Hall Bonds-GMAC	165,000	01/2016	6.0%	56,000	0	7,000	49,000	8,000
1980 Municipal Building Bonds-GMAC	250,000	01/2010	5.0%	16,000	0	16,000	0	0
1988 Improvement Bonds-USBANK	370,000	12/2013	4.20%	160,000	0	160,000	0	0
1999 Improvement Bonds-USBANK	560,000	07/2014	4.40%	285,000	0	285,000	0	0
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	150,000	0	10,000	140,000	10,000
2000 Improvement Bonds-USBANK	125,000	09/2015	6.00%	70,000	0	10,000	60,000	10,000
2001 Improvement Bonds-USBANK	150,000	12/2016	5.30%	105,000	0	10,000	95,000	10,000
TIF Note, Series 2001-A-HRA of Canby	35,000	08/2018	9.00%	33,000	0	1,000	32,000	1,000
2002 GO Fire Truck-Rural Development Admin	125,500	12/2017	4.625%	85,189	0	7,847	77,342	8,210
2004 GO TIF Bonds-Northland Trust	175,000	12/2015	5.00%	140,000	0	15,000	125,000	20,000
2008 GO Fire Truck – USDA Rural Development	100,000	9/2023	4.125%	100,000	0	4,948	95,052	5,152
2009 GO Refunding Bond – USBank	375,000	3/2014	4.125%	0	<u>375,000</u>	<u>60,000</u>	<u>315,000</u>	<u>80,000</u>
Total Bonds Payable				<u>1,200,189</u>	<u>375,000</u>	<u>586,795</u>	<u>988,394</u>	<u>152,362</u>
Total Long-Term Liabilities Governmental Activities				<u>\$1,200,189</u>	<u>\$375,000</u>	<u>\$586,795</u>	<u>\$988,394</u>	<u>\$152,362</u>
<u>Business-Type Activities:</u>								
<u>Water Fund</u>								
1998 GO Water Bonds-MN Dept of Trade	1,830,000	08/2018	1.79%	1,143,000	0	105,000	1,038,000	108,000
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	390,000	0	25,000	365,000	25,000
Total Long-term Liabilities Business-Type Activities				<u>1,533,000</u>	<u>0</u>	<u>130,000</u>	<u>1,403,000</u>	<u>133,000</u>
Total Long-term Liabilities				<u>\$2,733,189</u>	<u>\$375,000</u>	<u>\$716,795</u>	<u>\$2,391,394</u>	<u>\$285,362</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. General obligation revenue bonds have been issued for governmental activities. The bonds are direct obligations and pledge the full faith, credit and taxing power of the City.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

General Tax Increment Bonds

In 1997, 2001 and 2004 the City issued taxable tax increment bonds. General obligation revenue bonds have been issued for governmental activities. These bonds are backed by the full faith, credit and taxing power of the City and are serviced by debt service funds.

Notes Payable

In 2008 the City entered into a promissory note with USDA Rural Development for the acquisition of a fire truck. The note provides for annual payments of \$9,073 at 4.125% for 15 years. The balance at December 31, 2009 was \$95,052.

General Obligation Revenue and Revenue Refunding Bonds

General obligation revenue and revenue refunding bonds are recorded as liabilities in the water and wastewater funds. The bonds are payable from revenues derived from the operations of those utilities and are backed by the full faith, credit and taxing power of the City.

Annual Debt Service Requirements

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2009, excluding compensated absences over the life of the debt, are summarized as follows:

	<u>GO Bonds</u>		<u>GO Tax Increment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental-Type Activities				
2010	116,210	22,367	31,000	19,660
2011	96,590	19,227	31,000	17,870
2012	116,987	15,920	31,000	16,080
2013	107,403	11,969	31,000	14,185
2014	77,837	7,640	31,000	12,290
2015-2019	81,315	6,598	84,000	37,830
2020-2024	0	0	50,000	13,695
2025-2029	0	0	8,000	1,800
2030-2034	0	0	0	0
2035-2039	0	0	0	0
2040-2044	0	0	0	0
2045-2049	0	0	0	0
Totals	<u>\$596,342</u>	<u>\$83,721</u>	<u>\$297,000</u>	<u>\$133,410</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

	Governmental Activities		Business-Type Activities	
	Notes Payable		GO Water Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	5,152	3,921	133,000	34,033
2011	5,365	3,708	134,000	31,224
2012	5,586	3,487	146,000	28,398
2013	5,816	3,257	148,000	25,012
2014	6,056	3,017	150,000	21,589
2015-2019	34,241	11,124	657,000	53,774
2020-2024	<u>32,836</u>	<u>3,456</u>	<u>35,000</u>	<u>1,627</u>
Totals	<u>\$95,052</u>	<u>\$31,970</u>	<u>\$1,403,000</u>	<u>\$195,657</u>

H. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2009 were as follows:

<u>Transfers To:</u>	<u>Transfer From:</u>				<u>Total</u>
	<u>General</u>	<u>EDA</u>	<u>GOIB 1999</u>	<u>Non-Major Gov't</u>	
Major Funds:					
General Fund	\$ 0	\$5,000	\$0	\$77,403	\$82,403
EDA	30,000	0	0	0	30,000
GO Tax Inc 1997	0	0	0	20,496	20,496
GOIB 1999	0	0	0	238,213	238,213
Wastewater	0	0	0	23,458	23,458
Non-Major Gov't Funds	<u>16,347</u>	<u>0</u>	<u>41,000</u>	<u>169,761</u>	<u>227,108</u>
Total	<u>\$46,347</u>	<u>\$5,000</u>	<u>\$41,000</u>	<u>\$529,331</u>	<u>\$621,678</u>

All transfers between funds were for operating expenses.

	Transfers		Net Transfers/ <u>Internal Activity</u>
	<u>In</u>	<u>Out</u>	
Reconciliation to Fund Financial Statements:			
Governmental Funds	598,220	(621,678)	
Enterprise Funds	<u>23,458</u>	<u>(0)</u>	
Total Transfers	<u>621,678</u>	<u>(621,678)</u>	
Reconciliation to Statement of Activities:			
Net Transfers for Governmental Activities			
Governmental Funds	0	(23,458)	(23,458)
Net Transfers for Business-Type Activities	23,458	0	23,458

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

H. INTERFUND TRANSACTIONS (Continued)

Interfund Balances

At December 31, 2009, the following interfund balances were owed between funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$4,453	To cover operating
Wastewater Fund	General Fund	4,825	To cover operating
TIF 1-5	General Fund	1,423	To reimburse TIF expense
TIF 1-6	General Fund	18,259	To reimburse TIF expense
TIF 1-7	General Fund	12,329	To reimburse TIF expense
TIF 1-8	General Fund	10,024	To reimburse TIF expense
TIF 1-9	General Fund	10,948	To reimburse TIF expense
TIF 1-10	General Fund	31,539	To reimburse TIF expense
TIF 1-11	General Fund	17,804	To reimburse TIF expense
TIF 1-12	General Fund	11,768	To reimburse TIF expense
TIF 1-14	General Fund	10,168	To reimburse TIF expense
TIF 1-15	General Fund	9,060	To reimburse TIF expense
TIF 1-18	General Fund	11,888	To reimburse TIF expense
TIF 1-19	General Fund	10,925	To reimburse TIF expense
GO Tax Inc 1997	General Fund	28,790	To cover debt service
GOIB 2001	General Fund	57,258	To cover debt service
General	TIF 1-4	701	To reimburse MV credit
GOIB 2001	TIF 14	831	To reimburse TIF
General	Fire Hall Bldg Bonds	1,412	To reimburse MV credit
General	GOIB 1998	5,071	To reimburse MV credit
General	GOIB 1999	7,856	To reimburse MV credit
General	GOIB 2000	1,926	To reimburse MV credit
General	GOIB 2001	2,118	To reimburse MV credit
General	GO Tax Inc 1997	<u>11,727</u>	To reimburse MV credit
		<u>\$283,103</u>	

I. RESERVED FUND BALANCE

Special Revenue Funds:

John Swenson Trust Fund \$50,936

Debt Service Funds:

GO Municipal Bldg Bonds-1980	\$ 21,862
GO Fire Hall Bonds-1986	24,846
GO Improvement Bonds-1992	2
GO Tax Increment Bonds-1997	(17,063)
GO Improvement Bonds-1998	22,409

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

I. RESERVED FUND BALANCE (Continued):

Debt Service Funds (continued):

GO Improvement Bonds-1999	37,407
GO Improvement Bonds-2000	64,644
GO Improvement Bonds-2001	26,871
GO Improvement Bonds- 2009	1,282
GO Tax Increment Bonds-2004	<u>(36,752)</u>
Total Debt Service Funds	<u>\$145,508</u>
Total All Funds	<u>\$196,444</u>

NOTE 4 OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT) to provide its general liability and property coverage. The LMCIT is a public entity risk pool currently operating as a common risk management and insurance program for participating Minnesota cities. All cities in the LMCIT are jointly and severally liable for all claims and expenses of the pool. The amount of any liability in excess of assets of the pool may be assessed to participating cities if a deficiency occurs. The LMCIT is self-sustaining through member premiums and re-insures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies.

A. RISK MANAGEMENT (Continued)

As of December 31, 2009, the City did not have any claims which were probably and measurable and therefore no liability is recorded in the financial statements presented. The City has not had any claims which exceeded its deductible during the past three years.

B. COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning authority, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as the result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

Litigation

The City is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

The City participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA). PERA is the administrator of two-cost sharing multiple-employer retirement plans, the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF). PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at www.mnper.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026. The following disclosures are made in accordance with GASB Statement No. 27:

1. Defined Benefit Pension Plans – Statewide

A. Plan Description

All full-time and certain part-time employees of the City of Canby are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

1. Defined Benefit Pension Plans – Statewide

A. Plan Description (continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the internet at www.mnpera.org, or by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

1. Defined Benefit Pension Plans – Statewide

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members are required to contribute 9.4% of their annual covered salary in 2009. PECF members are required to contribute 5.83% of their annual covered salary. The City of Canby is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, 14.1% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008 and 2007 were \$22,887, \$33,760, and \$39,672, respectively. The City's contributions to the Public Employees Police and Fire Fund or the Public Employees Correctional Fund for the years ending December 31, 2009, 2008 and 2007 were \$18,071, \$19,449, and \$21,359, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. TAX INCREMENT FINANCING DISTRICTS

The City of Canby is the administering authority for the following tax increment finance districts which were established in various years. During 2009, the City of Canby received \$45,129 from these districts in tax revenue. This revenue is transferred to the General Fund on an annual basis. In 1997, the City created a new municipal development district and merged all existing Districts into the new District. All existing Districts were renamed. Detailed information on these districts is listed below.

The above estimates are because Minnesota now uses tax capacity instead of assessed value.

Tax Increment Financing District No. 1-2 and Amendments

Type of district – Redevelopment

Authorizing law – Minnesota Statute #472A

Year established – 1985

Duration – not to exceed twenty-five (25) years of increment

Original assessed value – 188

Current assessed value – Estimated 1,829

Captured assessed value – Estimated 1,641

Retained by authority – Estimated 1,641

Shared with other authorities – Estimated -0-

Total bonds issued - -0-

Total loans incurred - -0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

D. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-3

Type of district – Economic development/Denny’s Welding & Mfg

Authorizing law – Minnesota Statute #469

Year established – 1996

Duration – not to exceed eleven (11) years – with nine (9) years of increment

Original tax capacity – 989

Current tax capacity – 1,563

Captured tax capacity – 574

Retained by authority – 574

Shared with other authorities – -0-

Total bonds issued - -0-

Total loans incurred - -0-

Tax Increment Financing District No. 1-4 and Amendments

Type of district – Redevelopment/Canby Farmers Grain

Authorizing law – Minnesota Statute #469

Year established – 1999

Duration – not to exceed twenty-five (25) years of increment

Original tax capacity – 11,262

Current tax capacity – 20,297

Captured tax capacity – 9,035

Retained by authority – 9,035

Shared with other authorities – -0-

Total bonds issued - 146,587

Total loans incurred - -0-

Tax Increment Financing District No. 1-5 and Amendments

Type of district – Economic development/Hoffman Builders

Authorizing law – Minnesota Statute #469

Year established – 1997

Duration – not to exceed eleven (11) years – with nine (9) years of increments

Original tax capacity – 32

Current tax capacity – 2,133

Captured tax capacity – 2,101

Retained by authority – 2,101

Shared with other authorities – -0-

Total bonds issued - 27,370

Total loans incurred - -0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

D. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-6

Type of district – Redevelopment/Clark-Hanson VFW Post 117

Authorizing law – Minnesota Statute #469

Year established – 2000

Duration – not to exceed twenty-five (25) years of increment

Original tax capacity –	33
Current tax capacity –	1,460
Captured tax capacity –	1,493
Retained by authority –	1,493
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	29,326

Tax Increment Financing District No. 1-7

Type of district – Redevelopment/Farmers Ag Center

Authorizing law – Minnesota Statute #469

Year established – 1998

Duration – not to exceed eleven (11) years with nine (9) years of increments

Original tax capacity –	825
Current tax capacity –	2,349
Captured tax capacity –	1,524
Retained by authority –	1,524
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	19,000

Tax Increment Financing District No. 1-8

Type of district – Redevelopment/Borderline

Authorizing law – Minnesota Statute #469

Year established – 1999

Duration – not to exceed twenty-five (25) years of increment

Original tax capacity –	46
Current tax capacity –	1,408
Captured tax capacity –	1,362
Retained by authority –	1,362
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	19,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

D. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-9

Type of district – Redevelopment/Steve Grong Construction

Authorizing law – Minnesota Statute #469

Year established – 1999

Duration – not to exceed twenty-five (25) years of increment

Original tax capacity –	231
Current tax capacity –	1,719
Captured tax capacity –	1,488
Retained by authority –	1,488
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

Tax Increment Financing District No. 1-10

Type of district – Redevelopment

Authorizing law – Minnesota Statute #469

Year established – 1999

Duration – not to exceed eleven (11) years with nine (9) years of increments

Original tax capacity –	55
Current tax capacity –	73
Captured tax capacity –	18
Retained by authority –	18
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	70,000

Tax Increment Financing District No. 1-11

Type of district – Redevelopment/John Lair Redevelopment

Authorizing law – Minnesota Statute #469

Year established – 2000

Duration – not to exceed twenty-five (25) years of increment

Original tax capacity –	149
Current tax capacity –	1,241
Captured tax capacity –	1,092
Retained by authority –	1,092
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	24,500

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

D. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-12

Type of district – Redevelopment/Janischeski
Authorizing law – Minnesota Statute #469
Year established – 2000
Duration – not to exceed twenty-five (25) years of increment
Original tax capacity – 177
Current tax capacity – 1,625
Captured tax capacity – 1,448
Retained by authority – 1,448
Shared with other authorities – -0-
Total bonds issued - -0-
Total loans incurred - 20,000

Tax Increment Financing District No. 1-14

Type of district – Redevelopment/Janischeski
Authorizing law – Minnesota Statute #469
Year established – 2000
Duration – not to exceed twenty-five (25) years of increment
Original tax capacity – 95
Current tax capacity – 1,588
Captured tax capacity – 1,493
Retained by authority – 1,493
Shared with other authorities – -0-
Total bonds issued - -0-
Total loans incurred - -0-

Tax Increment Financing District No. 1-15

Type of district – Redevelopment/Janischeski
Authorizing law – Minnesota Statute #469
Year established – 2000
Duration – not to exceed twenty-five (25) years of increment
Original tax capacity – 57
Current tax capacity – 1,402
Captured tax capacity – 1,345
Retained by authority – 1,345
Shared with other authorities – -0-
Total bonds issued - -0-
Total loans incurred - -0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

D. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-16

Type of district – Redevelopment/Keystone
 Authorizing law – Minnesota Statute #469
 Year established – 2001
 Duration – not to exceed twenty-five (25) years of increment
 Original tax capacity – 3,244
 Current tax capacity – 5,660
 Captured tax capacity – 2,416
 Retained by authority – 2,416
 Shared with other authorities – -0-
 Total bonds issued - -0-
 Total loans incurred - 20,000

Tax Increment Financing District No. 1-18

Type of district – Redevelopment
 Authorizing law – Minnesota Statute #469
 Year established – 2001
 Duration – not to exceed twenty-five (25) years of increment
 Original tax capacity – 348
 Current tax capacity – 3,610
 Captured tax capacity – 3,262
 Retained by authority – 3,262
 Shared with other authorities – -0-
 Total bonds issued - -0-
 Total loans incurred - -0-

Tax Increment Financing District No. 1-19

Type of district – Redevelopment
 Authorizing law – Minnesota Statute #469
 Year established – 2001
 Duration – not to exceed twenty-five (25) years of increment
 Original tax capacity – 120
 Current tax capacity – 1,602
 Captured tax capacity – 1,482
 Retained by authority – 1,482
 Shared with other authorities – -0-
 Total bonds issued - -0-
 Total loans incurred - -0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 4 OTHER INFORMATION (Continued)

D. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-21

Type of district – Redevelopment

Authorizing law – Minnesota Statute #469

Year established – 2004

Duration – not to exceed twenty-five (25) years of increment

Original tax capacity - 451

Current tax capacity - 755

Captured tax capacity – 304

Retained by authority – 304

Shared with other authorities – -0-

Total bonds issued - 175,000

Total loans incurred - -0-

E. FEDERAL AIDS – SINGLE AUDIT ACT

The City expended less than \$500,000 of federal financial assistance and is exempt from the audit requirements of the Single Audit Act and all other federal audit requirements.

F. PRIOR PERIOD ADJUSTMENT

The City met with the State Auditor and has done a thorough review of their TIF Districts. This review has generated prior period adjustments to make the necessary adjustments to the previously reported information for each of the Districts.

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**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***

Honorable Mayor and Members of the Council
City of Canby, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Canby, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City of Canby, Minnesota's basic financial statements and have issued our report thereon dated June 15, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Canby, Minnesota's internal control over financial reporting as a basis of designing our auditing procedures 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 of Canby, Minnesota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Canby, Minnesota's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Canby, Minnesota's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Canby, Minnesota's financial statements that is more than inconsequential will not be prevented or detected by the City of Canby, Minnesota's internal control. We consider the deficiencies described in the accompanying schedule of findings on compliance and internal control to be significant deficiencies in internal control over financial reporting. Findings 2009-1, 2009-2, 2009-3 and 2009-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Canby, Minnesota's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-1, 2009-2, 2009-3 and 2009-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canby, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Canby, Minnesota, in a separate letter dated June 15, 2010.

The City of Canby, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Canby, Minnesota's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, City of Canby complied with the material terms and conditions of applicable legal provisions.

The City of Canby's written response to the significant deficiencies, material weaknesses, and legal compliance findings identified in our audit has not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and City Council. However, this report is a matter of public record and its distribution is not limited.


Kinner & Company Ltd
Certified Public Accountants
Tracy, Minnesota

June 15, 2010

CITY OF CANBY
SCHEDULE OF FINDINGS ON
COMPLIANCE AND INTERNAL CONTROL
DECEMBER 31, 2009

CURRENT YEAR FINDINGS

2009-1 Finding: The City does not maintain an adequate segregation of duties among its accounting personnel.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The following segregation of duties are presently in place:

- The City Council reviews and approves all bills
- The City Council and/or other personnel periodically review various expenditure reports for amounts, classifications and comparison to budget.

Due to limited personnel, it is not practical to implement a complete segregation of duties. However, the City will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

2009-2 Finding: Year end closing procedures

Criteria: The City of Canby's management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including account coding, reporting of accruals and net assets and cash flow reporting.

Condition: As part of the audit we proposed material adjustments and passed adjustments for closing the City's books at year end, recording of accruals, reclassifications to the proper accounts and note disclosure preparation.

Cause: The City has a limited number of personnel with limited financial reporting experience.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the City to provide accurate accrual basis financial information.

Recommendation: We recommend City management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

2009-3 Finding: Financial Statement Preparation

Criteria: City management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with Governmental Accounting Standards Board Statement No. 34

CITY OF CANBY
SCHEDULE OF FINDINGS ON
COMPLIANCE AND INTERNAL CONTROL
DECEMBER 31, 2009

Condition: As part of the audit, management requested us to prepare a draft of City financial statements, including the related notes to the financial statements.

Cause: The City has a limited number of personnel with limited financial reporting experience.

Effect: The design of the controls over financial reporting process would affect the ability of the City to report financial data consistently with the assertions of management in the financial statements.

Recommendation: We recognize the fact that the City has made a cost benefit decision to engage the audit firm to draft its financial statements. We recommend that the City be aware of the requirements for fair presentation of the financial statements in accordance with the Governmental Accounting Standards Board Statement No. 34.

2009-4 Finding: No Budget for Major Special Revenue Funds-Economic Development

Criteria: City management is responsible for establishing a budget for any major special revenue funds.

Condition: As part of the audit, management did not establish a budget for the major special revenue funds.

Cause: The city has a limited amount of funds.

Effect: The budgetary comparison schedule in the audit report does not include the major special revenue funds.

Recommendation: We recommend the City adopt a budget for major special revenue funds.

PRIOR YEAR FINDINGS

2008-1 Finding: The City does not maintain an adequate segregation of duties among its accounting personnel.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The following segregation of duties are presently in place:

- The City Council reviews and approves all bills
- The City Council and/or other personnel periodically review various expenditure reports for amounts, classifications and comparison to budget.

Due to limited personnel, it is not practical to implement a complete segregation of duties. However, the City will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

CITY OF CANBY
SCHEDULE OF FINDINGS ON
COMPLIANCE AND INTERNAL CONTROL
DECEMBER 31, 2009

2008-2 Finding: Year end closing procedures

Criteria: The City of Canby's management is responsible for establishing and maintaining internal controls for the proper recording of all the City's accounting transactions, including account coding, reporting of accruals and net assets and cash flow reporting.

Condition: As part of the audit we proposed material adjustments and passed adjustments for closing the City's books at year end, recording of accruals, reclassifications to the proper accounts and note disclosure preparation.

Cause: The City has a limited number of personnel with limited financial reporting experience.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the City to provide accurate accrual basis financial information.

Recommendation: We recommend City management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

2008-3 Finding: Financial Statement Preparation

Criteria: City management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with Governmental Accounting Standards Board Statement No. 34

Condition: As part of the audit, management requested us to prepare a draft of City financial statements, including the related notes to the financial statements.

Cause: The City has a limited number of personnel with limited financial reporting experience.

Effect: The design of the controls over financial reporting process would affect the ability of the City to report financial data consistently with the assertions of management in the financial statements.

Recommendation: We recognize the fact that the City has made a cost benefit decision to engage the audit firm to draft its financial statements. We recommend that the City be aware of the requirements for fair presentation of the financial statements in accordance with the Governmental Accounting Standards Board Statement No. 34.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**CITY OF CANBY, MINNESOTA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	2009
ASSETS				
Assets:				
Cash, Including Time Deposits	\$ 186,363.49	\$ 41,557.63	\$ -	\$ 227,921.12
Investments		127,414.99		127,414.99
Taxes Receivable	1,392.13	6,571.40	-	7,963.53
Interest Receivable	183.08			183.08
Special Assessments Receivable		30,488.51		30,488.51
Notes Receivable				-
Due from other Funds	1,532.15	10,527.00	-	12,059.15
TOTAL ASSETS	\$ 189,470.85	\$ 216,559.53	\$ -	\$ 406,030.38
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	11,699.54	-		11,699.54
Deferred Revenue	146.39	33,306.78		33,453.17
Due to Other Funds/Districts	167,861.34	58,089.15		225,950.49
Total Liabilities	179,707.27	91,395.93	-	271,103.20
Fund Balances:				
Fund Balance - Reserved	50,936.44	125,163.60		176,100.04
Fund Balance (Deficit) - Unreserved, Designated	(41,172.86)		-	(41,172.86)
Total Fund Balance	9,763.58	125,163.60	-	134,927.18
TOTAL LIABILITIES AND FUND BALANCE	\$ 189,470.85	\$ 216,559.53	\$ -	\$ 406,030.38

**CITY OF CANBY, MINNESOTA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	2009
Revenue:				
Local and County Revenue:				
General Property Taxes	\$ 44,329.68	\$ 74,192.25	\$ -	\$ 118,521.93
Intergovernmental Revenue:				
Market Value Credit	1,852.00	10,527.00		12,379.00
State Grants	-			-
Interest Income	2,901.11	4,262.59	-	7,163.70
Special Assessments		4,396.08		4,396.08
Note Principal Payments	-			-
Total Revenue	49,082.79	93,377.92	-	142,460.71
Expenditures:				
Administrative Expenses	311.32			311.32
Miscellaneous Expense	3,924.97			3,924.97
Capital Outlay			-	-
Debt Service:				
Bond Payments	1,000.00	278,000.00		279,000.00
Interest on bonds & other fees	12,679.84	32,083.78		44,763.62
Total Expenditures	17,916.13	310,083.78	-	327,999.91
Excess of Revenues Over (Under) Expenditures	31,166.66	(216,705.86)	-	(185,539.20)
Other Financing Sources (Uses):				
Bond Proceeds		375,000.00	-	375,000.00
Bond Discount		(3,000.00)	-	(3,000.00)
Bond Issue Costs		(9,575.00)	-	(9,575.00)
Operating Transfers In	17,100.96	210,007.51		227,108.47
Operating Transfers Out	(20,496.02)	(488,483.22)	(20,351.26)	(529,330.50)
Total Other Financing Sources (Uses)	(3,395.06)	83,949.29	(20,351.26)	60,202.97
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	27,771.60	(132,756.57)	(20,351.26)	(125,336.23)
Fund Balance January 1	246,588.49	257,920.17	20,351.26	524,859.92
Prior Period Adjustment	(264,596.51)			(264,596.51)
Fund Balance December 31	\$ 9,763.58	\$ 125,163.60	\$ -	\$ 134,927.18

**CITY OF CANBY MINNESOTA
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2009**

	TIF District #1-2	TIF District #1-3	TIF District #1-4	TIF District #1-5	TIF District #1-6	TIF District #1-7	TIF District #1-8	TIF District #1-9	TIF District #1-10	TIF District #1-11	TIF District #1-12
ASSETS											
Cash and Investments	\$ -	\$ -	\$ 2,386.64	\$ 14,446.75	\$ 14,240.47	\$ 12,329.47	\$ 9,711.99	\$ 10,948.32	\$ 7,052.64	\$ 9,150.70	\$ 11,767.57
Interest Receivable	-	-	170.21	-	-	-	-	-	-	-	146.39
Taxes Receivable	-	-	1,532.15	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	4,089.00	\$ 14,446.75	\$ 14,240.47	\$ 12,329.47	\$ 9,711.99	\$ 10,948.32	\$ 7,052.64	\$ 9,150.70	\$ 11,913.96
TOTAL ASSETS	\$ -	\$ -	\$ 4,089.00	\$ 14,446.75	\$ 14,240.47	\$ 12,329.47	\$ 9,711.99	\$ 10,948.32	\$ 7,052.64	\$ 9,150.70	\$ 11,913.96

LIABILITIES AND FUND BALANCES

Liabilities:											
Due to General Fund/Other Districts	\$ -	\$ -	\$ 11,726.81	\$ 1,422.90	\$ 18,259.09	\$ 12,329.47	\$ 10,024.25	\$ 10,948.32	\$ 31,538.51	\$ 17,803.65	\$ 11,767.57
Due to Other Governmental Units	-	-	0.00	-	-	-	-	-	-	-	146.39
Deferred Revenue	-	-	11,726.81	1,422.90	18,259.09	12,329.47	10,024.25	10,948.32	31,538.51	17,803.65	11,913.96
Total Liabilities	-	-	11,726.81	1,422.90	18,259.09	12,329.47	10,024.25	10,948.32	31,538.51	17,803.65	11,913.96
Fund Balances:											
Fund Balance - Reserved	-	-	(7,637.81)	13,023.85	(4,018.62)	-	(312.26)	-	(24,485.87)	(8,652.95)	-
Fund Balance (Deficit) - Unreserved, Designated	-	-	(7,637.81)	13,023.85	(4,018.62)	-	(312.26)	-	(24,485.87)	(8,652.95)	-
Total Fund Balances	-	-	4,089.00	\$ 14,446.75	\$ 14,240.47	\$ 12,329.47	\$ 9,711.99	\$ 10,948.32	\$ 7,052.64	\$ 9,150.70	\$ 11,913.96
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 4,089.00	\$ 14,446.75	\$ 14,240.47	\$ 12,329.47	\$ 9,711.99	\$ 10,948.32	\$ 7,052.64	\$ 9,150.70	\$ 11,913.96

	TIF District #1-14	TIF District #1-15	TIF District #1-16	TIF District #1-18	TIF District #1-19	TIF District #1-21	John Swenson Trust	2009
ASSETS								
Cash and Investments	\$ 9,092.49	\$ 9,060.27	\$ 11,699.54	\$ 2,798.80	\$ 10,924.48	\$ -	\$ 50,753.36	\$ 186,363.49
Interest Receivable	1,075.53	-	-	-	-	0.00	183.08	183.08
Taxes Receivable	-	-	-	-	-	0.00	-	1,392.13
Due from General Fund	-	-	-	-	-	0.00	-	1,532.15
TOTAL ASSETS	\$ 10,168.02	\$ 9,060.27	\$ 11,699.54	\$ 2,798.80	\$ 10,924.48	\$ -	\$ 50,936.44	\$ 189,470.85

LIABILITIES AND FUND BALANCES

Liabilities:								
Due to General Fund/Other Districts	\$ 10,168.02	\$ 9,060.27	\$ -	\$ 11,888.00	\$ 10,924.48	\$ -	\$ -	\$ 167,861.34
Due to Other Governmental Units	-	-	11,699.54	-	-	-	-	11,699.54
Deferred Revenue	-	-	-	-	-	-	-	146.39
Total Liabilities	10,168.02	9,060.27	11,699.54	11,888.00	10,924.48	-	-	179,707.27
Fund Balances:								
Fund Balance - Reserved	-	-	-	(9,089.20)	-	0.00	50,936.44	50,936.44
Fund Balance (Deficit) - Unreserved, Designated	-	-	-	(9,089.20)	-	-	(41,172.86)	(41,172.86)
Total Fund Balances	-	-	-	(9,089.20)	-	-	9,763.58	9,763.58
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,168.02	\$ 9,060.27	\$ 11,699.54	\$ 2,798.80	\$ 10,924.48	\$ -	\$ 50,936.44	\$ 189,470.85

CITY OF CANBY MINNESOTA
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

	TIF District #1-2	TIF District #1-3	TIF District #1-4	TIF District #1-5	TIF District #1-6	TIF District #1-7	TIF District #1-8	TIF District #1-9	TIF District #1-10	TIF District #1-11	TIF District #1-12
Revenue:											
Property Taxes	\$ 2,598.83	\$ -	\$ 13,593.14	\$ -	\$ 2,312.16	\$ 2,415.10	\$ 1,920.17	\$ 2,168.76	\$ 28.50	\$ 1,729.36	\$ 2,092.38
Market Value Credit			111.00				238.00	188.00			202.00
Interest Income		45.07	151.06	170.72	166.01	124.79	98.30	110.81	71.38	92.61	119.10
Total Revenue	2,598.83	45.07	13,855.20	170.72	2,478.17	2,539.89	2,256.47	2,467.57	99.88	1,821.97	2,413.48
Expenditures:											
Administrative Expenses		21.18	21.18	14.84	21.18	21.18	21.18	21.17	21.17	21.17	21.17
Miscellaneous Expense											
Debt Service:											
Principal on Debt											
Interest and Other Charges on Debt											
Total Expenditures	2,598.83	21.18	21.18	14.84	21.18	2,518.71	21.18	1,527.07	21.17	21.17	783.52
Excess of revenues over (under) expenditures	-	23.89	13,834.02	155.88	2,456.99	-	2,235.29	919.33	78.71	1,800.80	1,608.79
Other financing sources (uses):											
Operating Transfers In		16,346.98	(14,670.83)	(3,020.47)	(2,804.72)						
Operating Transfers Out											
Total other financing sources (uses)	-	16,346.98	(14,670.83)	(3,020.47)	(2,804.72)	-	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	-	16,370.87	(836.81)	(2,864.59)	(347.73)	-	2,235.29	919.33	78.71	1,800.80	1,608.79
Fund Balance January 1		(16,370.87)	94,698.14	19,511.89	16,945.93	9,810.76	7,714.70	8,689.92	6,973.93	7,349.90	9,577.26
Prior Period Adjustment			(101,499.14)	(3,623.45)	(20,616.82)	(9,810.76)	(10,262.25)	(9,609.25)	(31,538.51)	(17,803.65)	(11,186.05)
Fund Balance December 31	\$ -	\$ -	\$ (7,837.81)	\$ (3,023.85)	\$ (4,018.62)	\$ -	\$ (312.26)	\$ -	\$ (24,485.87)	\$ (8,652.95)	\$ -

	TIF District #1-14	TIF District #1-15	TIF District #1-16	TIF District #1-18	TIF District #1-19	TIF District #1-21	John Swenson Trust	2009 Totals
Revenue:								
Property Taxes	\$ 2,897.07	\$ 1,894.70	\$ 3,827.74	\$ 4,715.12	\$ 2,136.65	\$ -	\$ -	\$ 44,329.68
Market Value Credit	214.00	236.00		452.00	211.00			1,852.00
State Grants								
Interest Income	92.03	91.70	118.41	28.33	110.55		1,310.24	2,901.11
Note Principal Payments								
Total Revenue	3,203.10	2,222.40	3,946.15	5,195.45	2,458.20	-	1,310.24	49,082.79
Expenditures:								
Administrative Expenses	21.18	21.18	21.18	21.18	21.18			311.32
Miscellaneous Expense								3,924.97
Debt Service:								
Principal on Debt								1,000.00
Interest and Other Charges on Debt	97.45	1,048.78			1,135.48			12,679.84
Grants Given								
Total Expenditures	118.63	1,069.96	3,946.15	3,991.18	1,156.66	-	1,310.24	17,916.13
Excess of revenues over (under) expenditures	3,084.47	1,152.44	-	1,204.27	1,301.54	-	1,310.24	31,166.66
Other financing sources (uses):								
Operating Transfers In								17,100.96
Operating Transfers Out								(20,496.02)
Total other financing sources (uses)	-	-	-	-	-	-	-	(3,395.06)
Excess of revenues and other sources over (under) expenditures and other uses	3,084.47	1,152.44	-	1,204.27	1,301.54	753.98	1,310.24	27,771.60
Fund Balances January 1	7,200.10	7,095.05	7,774.57	2,046.53	8,698.46	(753.98)	49,626.20	246,588.49
Prior Period Adjustment	(10,284.57)	(8,247.49)	(7,774.57)	(12,340.00)	(10,000.00)	-	(264,596.51)	
Fund Balance December 31	\$ -	\$ -	\$ -	\$ (9,089.20)	\$ -	\$ -	\$ 50,936.44	\$ 9,763.58

**CITY OF CANBY, MINNESOTA
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2009**

(With Comparative Totals for the year ended December 31, 2008)

	<u>TIF District #1-21</u>	<u>Totals</u>	
		<u>2009</u>	<u>2008</u>
ASSETS			
Cash and Investments	\$ -	\$ -	\$ 20,351.26
Due from General Fund		-	
Taxes Receivable	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,351.26</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Deferred Revenue	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balance:			
Fund Balance - Designated	-	-	20,351.26
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,351.26</u>

CITY OF CANBY, MINNESOTA
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	TIF District #1-21	Totals 2009	2008
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Interest	-	-	208.21
Total Revenues	-	-	208.21
Expenditures:			
Capital Outlay	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	208.21
Other Financing Sources (Uses):			
Bond Proceeds	-	-	-
Bond Discount	-	-	-
Bond Issuance Costs	-	-	-
Transfers Out	(20,351.26)	(20,351.26)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,351.26)	(20,351.26)	208.21
Fund Balance, January 1	20,351.26	20,351.26	20,143.05
Fund Balance, December 31	\$ -	\$ -	\$ 20,351.26

General Fund

This fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF CANBY MINNESOTA
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2009**

(With Comparative Totals for the year ended December 31, 2008)

	2009	2008
ASSETS		
Cash, Including Time Deposits	\$ 595,569.42	\$ 610,787.38
Investments	1,205.22	1,202.31
Taxes Receivable	22,597.73	18,730.55
Special Assessments Receivable	13,418.31	18,316.24
Other Receivables	15,447.09	7,971.46
Prepaid Expense	27,938.00	27,068.00
Due from Other Funds	251,460.54	100,660.49
Notes Receivable	-	-
TOTAL ASSETS	\$ 927,636.31	\$ 784,736.43
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 3,536.26	\$ 35,118.60
Due to Other Governments	-	-
Due to Other Funds	19,084.00	23,009.00
Deferred Revenue	24,406.30	26,992.55
Total Liabilities	47,026.56	85,120.15
Fund Balances:		
Fund Balance - Designated for Equipment/Building Reserve	953,830.63	953,830.63
Fund Balance - Unreserved, Undesignated	(73,220.88)	(254,214.35)
Total Fund Balance	880,609.75	699,616.28
TOTAL LIABILITIES AND FUND BALANCES	\$ 927,636.31	\$ 784,736.43

**CITY OF CANBY MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Postive (Negative)	2008 Actual
	Original	Final			
Revenues:					
Local and County Revenue:					
General Property Taxes	\$ 338,860.00	\$ 375,069.50	\$ 332,869.78	\$ (42,199.72)	\$ 294,499.79
Total Local and County Revenue	338,860.00	375,069.50	332,869.78	(42,199.72)	294,499.79
Licenses and Permits:					
Business	1,500.00	1,500.00	1,887.17	387.17	1,360.00
Liquor	3,150.00	3,150.00	3,937.50	787.50	2,100.00
Non-Business	200.00	200.00	230.00	30.00	230.00
Pet	100.00	100.00	172.00	72.00	44.00
Total Licenses and Permits	4,950.00	4,950.00	6,226.67	1,276.67	3,734.00
Intergovernmental Revenue:					
Local Government Aid	714,591.00	734,841.00	694,581.00	(40,260.00)	665,221.00
Market Value Assistance	25,000.00	25,000.00	48,160.26	23,160.26	45,696.94
Mobile Home Aid	50.00	50.00	0.54	(49.46)	-
Local Performance Aid & PERA Aid	2,312.00	2,200.00	2,312.00	112.00	2,312.00
State Aid - Police	12,000.00	12,000.00	16,379.24	4,379.24	17,241.61
State Aid - Fire	18,000.00	18,000.00	13,340.00	(4,660.00)	13,581.00
Public Safety - Canby & Porter	40,728.00	-	44,300.00	44,300.00	92,644.00
Assistance to Firefighters Grant	-	-	67,929.00	67,929.00	36,575.00
Airport Improvement Program Grant	23,000.00	23,000.00	56,796.00	33,796.00	22,393.73
Other Grants	-	-	-	-	-
Total Intergovernmental Revenue	835,681.00	815,091.00	943,798.04	128,707.04	895,665.28
Charges for Services:					
Cemetery Revenue					
Lot Sales	4,000.00	4,000.00	5,000.00	1,000.00	1,900.00
Perpetual Care	-	-	350.00	350.00	75.00
Total Cemetery Revenue	4,000.00	4,000.00	5,350.00	1,350.00	1,975.00
Fire Revenue:					
Fire Control Income	25,000.00	25,000.00	29,201.69	4,201.69	26,875.97
Rural Fire Calls	7,000.00	7,600.00	8,250.00	650.00	14,375.00
Total Fire Revenue	32,000.00	32,600.00	37,451.69	4,851.69	41,250.97
Total Charges for Services	36,000.00	36,600.00	42,801.69	6,201.69	43,225.97
Fines and Forfeitures:					
Traffic and Ordinance Fines	9,000.00	5,000.00	5,108.10	108.10	6,262.45
Miscellaneous:					
Interest Income	6,500.00	6,500.00	16,520.65	10,020.65	9,465.31
Rents	800.00	600.00	290.00	(310.00)	380.00
Airport Hanger Rent	8,000.00	8,000.00	10,065.00	2,065.00	9,165.00
Special Assessments	2,500.00	5,000.00	(3,859.62)	(8,859.62)	1,630.55
Airport Farm Rent	5,600.00	5,600.00	8,112.70	2,512.70	5,322.34
Airport Gas & Gravel Sales	30,000.00	78,000.00	29,043.43	(48,956.57)	40,775.16
Airport Utility Reimbursement	400.00	400.00	310.94	(89.06)	264.33
Airport Lot Lease	1,500.00	1,500.00	4,672.16	3,172.16	4,946.51
Cable Franchise Fee	6,500.00	5,000.00	7,446.09	2,446.09	6,849.37
Insurance Refunds & Dividends	15,000.00	15,000.00	37,188.90	22,188.90	6,356.00

CITY OF CANBY MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	Budgeted Amounts		Actual	Variance w/Final	2008
	Original	Final		Budget-Postive (Negative)	Actual
Pop Machine	400.00	400.00	305.85	(94.15)	360.65
Private Grants	-	-	-	-	-
Donations	3,500.00	1,500.00	4,350.00	2,850.00	2,543.75
Vehicle Forfeiture Sales	-	-	1,000.00	1,000.00	-
Sale of Assets	-	-	-	-	22,687.38
Other Miscellaneous Revenue	50,576.00	45,100.00	62,414.90	17,314.90	66,714.64
Total Miscellaneous Revenues	131,276.00	172,600.00	177,861.00	5,261.00	177,460.99
Total Revenues	1,355,767.00	1,409,310.50	1,508,665.28	99,354.78	1,420,848.48
Expenditures:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries	7,200.00	7,200.00	7,200.00	-	7,200.00
Payroll Taxes	551.00	551.00	550.80	0.20	550.80
Travel and Conference	1,500.00	1,300.00	1,290.53	9.47	53.53
Insurance and Bonds	600.00	600.00	545.52	54.48	484.74
Subscriptions and Memberships	50.00	50.00	20.00	30.00	-
Miscellaneous	50.00	50.00	-	50.00	22.37
Total Mayor and Council	9,951.00	9,751.00	9,606.85	144.15	8,311.44
General Insurance	100,000.00	100,000.00	88,235.29	11,764.71	85,150.00
Election Expense	-	300.00	283.25	16.75	2,498.01
City Administration:					
Salaries	40,000.00	40,000.00	39,800.88	199.12	38,671.20
Payroll Taxes	5,760.00	5,310.00	5,285.33	24.67	5,021.72
Unemployment	-	-	-	-	4,689.00
Insurance	12,720.00	10,270.00	10,163.48	106.52	9,955.09
Office Supplies	4,200.00	5,150.00	3,317.14	1,832.86	2,653.61
Maintenance and Repair - Equipment	500.00	500.00	284.02	215.98	130.10
Communications	5,000.00	5,000.00	4,606.05	393.95	4,648.92
Travel, Conferences and Schools	800.00	250.00	236.56	13.44	418.34
Printing and Publishing	3,700.00	3,200.00	2,460.73	739.27	3,265.30
Subscriptions and Memberships	2,200.00	2,200.00	2,035.00	165.00	2,085.00
Contracted Services	59,900.00	57,400.00	56,501.21	898.79	58,423.61
Miscellaneous	155.00	155.00	39.86	115.14	261.80
Equipment and Improvements	-	-	-	-	-
Total City Administration	134,935.00	129,435.00	124,730.26	4,704.74	130,223.69
Assessor	14,400.00	14,400.00	14,400.00	-	13,805.00
Accounting and Legal	24,600.00	26,100.00	24,526.15	1,573.85	22,525.89
Planning & Zoning	-	-	-	-	-
Municipal Building:					
Wages	-	-	-	-	1,842.64
Payroll Taxes	-	-	-	-	234.13
Insurance	-	-	-	-	-
Maintenance and Repair	4,750.00	4,050.00	7,650.48	(3,600.48)	911.97
Supplies	1,100.00	1,100.00	945.21	154.79	1,231.30

**CITY OF CANBY MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Postive (Negative)	2008 Actual
	Original	Final			
Municipal Building Continued:					
Utilities	16,765.00	14,515.00	12,465.88	2,049.12	13,741.28
Contracted Services	5,400.00	4,400.00	4,264.67	135.33	2,963.65
Miscellaneous	75.00	75.00	10.00	65.00	10.00
Equipment and Improvements	-	-	-	-	-
Total Municipal Building	28,090.00	24,140.00	25,336.24	(1,196.24)	20,934.97
Public Restrooms Service	2,000.00	1,350.00	1,307.09	42.91	1,455.07
Advertising and Promotion:					
Printing and Publishing	10,518.00	7,018.00	6,046.00	972.00	6,810.84
Utilities	1,900.00	1,600.00	1,608.60	(8.60)	1,695.73
Total Advertising and Promotion	12,418.00	8,618.00	7,654.60	963.40	8,506.57
Christmas Decoration Utilities	800.00	1,300.00	957.63	342.37	539.92
Total General Government	327,194.00	315,394.00	297,037.36	18,356.64	293,950.56
PUBLIC SAFETY:					
Police Protection:					
Wages	140,000.00	140,000.00	139,315.58	684.42	144,904.26
Payroll Taxes\PERA	20,500.00	21,400.00	21,433.69	(33.69)	19,509.30
Insurance	21,900.00	22,650.00	22,540.12	109.88	23,275.63
Office\General Supplies	4,000.00	4,000.00	3,260.84	739.16	12,848.25
Motor Fuel and Lubes	10,000.00	8,500.00	8,227.10	272.90	11,656.04
Maintenance and Repair	3,000.00	4,300.00	3,899.10	400.90	3,469.39
Communications	4,000.00	4,000.00	3,869.16	130.84	3,757.86
Travel, Conferences and Schools	2,800.00	1,800.00	1,161.19	638.81	1,393.73
Subscriptions and Memberships	325.00	325.00	285.00	40.00	310.00
Vehicle Forfeiture	-	350.00	330.00	20.00	5,470.37
Contracted Services	34,000.00	37,750.00	38,968.24	(1,218.24)	39,936.12
Miscellaneous	125.00	125.00	-	125.00	362.12
Equipment and Improvements	21,000.00	-	-	-	-
Total Public Safety	261,650.00	245,200.00	243,290.02	1,909.98	266,893.07
Fire Protection:					
Wages	18,000.00	10,800.00	7,155.00	3,645.00	17,525.00
Payroll Taxes\PERA	1,377.00	877.00	547.39	329.61	1,340.71
Insurance	-	-	-	-	-
Interest	10,953.00	8,153.00	8,064.98	88.02	4,286.86
Principal	16,260.00	12,860.00	12,795.02	64.98	7,500.14
City Aid to Fire Relief	3,000.00	3,000.00	3,000.00	-	3,000.00
State Aid to Fire Relief	18,000.00	13,400.00	13,340.00	60.00	13,581.00
Supplies	2,225.00	21,275.00	22,385.42	(1,110.42)	31,219.12
Motor Fuel and Lubes	2,500.00	2,000.00	1,507.34	492.66	2,093.28
Maintenance and Repair	5,150.00	4,650.00	7,552.19	(2,902.19)	3,661.85
Communications	500.00	500.00	507.99	(7.99)	503.60
Travel, Conferences and Schools	4,000.00	4,300.00	4,144.60	155.40	4,863.92
Utilities	5,000.00	5,000.00	4,578.48	421.52	4,239.39

CITY OF CANBY MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	Budgeted Amounts		Actual	Variance w/Final Budget-Postive (Negative)	2008 Actual
	Original	Final			
Fire Protection Continued:					
Contracted Services	2,500.00	7,500.00	7,900.39	(400.39)	325.10
Miscellaneous	350.00	400.00	404.40	(4.40)	403.20
Equipment and Improvements	500.00	47,500.00	47,251.30	248.70	260,868.40
Total Fire Protection	90,315.00	142,215.00	141,134.50	1,080.50	355,411.57
Civil Defense:					
Maintenance and Repair	-	-	-	-	-
Travel, Conferences and Schools	410.00	-	-	-	-
Utilities	250.00	550.00	544.56	5.44	406.40
Supplies	250.00	200.00	169.00	31.00	75.00
Subscriptions and Memberships	150.00	-	-	-	-
Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Civil Defense	1,060.00	750.00	713.56	36.44	481.40
Animal Control:					
Contracted Services	1,500.00	1,500.00	1,250.00	250.00	1,250.00
Supplies	250.00	100.00	66.98	33.02	-
Total Animal Control	1,750.00	1,600.00	1,316.98	283.02	1,250.00
Total Public Safety	354,775.00	389,765.00	386,455.06	3,309.94	624,036.04
PUBLIC WORKS:					
Streets:					
Wages	114,000.00	115,000.00	116,198.92	(1,198.92)	112,100.23
Payroll Taxes/PERA	16,416.00	16,066.00	16,280.21	(214.21)	15,406.95
Insurance	22,500.00	20,750.00	20,613.92	136.08	20,093.44
Motor Fuel and Lubes	14,500.00	12,500.00	12,830.90	(330.90)	13,825.72
Maintenance and Repair	33,500.00	35,500.00	35,251.63	248.37	33,615.46
Travel, Conferences and Schools	450.00	100.00	47.62	52.38	54.95
Utilities	275.00	375.00	361.62	13.38	229.87
Supplies	6,500.00	9,000.00	8,880.72	119.28	3,950.49
Expansion Project	13,500.00	167,550.00	230,920.40	(63,370.40)	360.00
Contracted Services	-	-	-	-	24,814.18
Miscellaneous	-	200.00	645.90	(445.90)	631.25
Total Streets	221,641.00	377,041.00	442,031.84	(64,990.84)	225,082.54
Snow Removal	2,900.00	2,900.00	2,339.49	560.51	1,307.59
City Garage:					
Utilities	7,000.00	5,600.00	4,623.52	976.48	5,074.49
Maintenance and Repair	2,740.00	240.00	4,344.05	(4,104.05)	728.28
Supplies	500.00	500.00	505.67	(5.67)	499.39
Miscellaneous	10.00	60.00	10.00	50.00	21.79
Equipment	-	-	-	-	-
Dues and Licenses	100.00	100.00	10.00	90.00	45.00
Total City Garage	10,350.00	6,500.00	9,493.24	(2,993.24)	6,368.95
Street Lighting Utilities	31,900.00	26,400.00	26,249.09	150.91	30,981.43
Total Public Works	266,791.00	412,841.00	480,113.66	(67,272.66)	263,740.51

CITY OF CANBY MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	Budgeted Amounts		Actual	Variance w/Final Budget-Postive (Negative)	2008 Actual
	Original	Final			
CULTURE & RECREATION:					
Library:					
Maintenance and Repair	-	-	-	-	-
Communications	600.00	600.00	504.84	95.16	504.84
Insurance	-	-	-	-	-
Contracted Services	82,798.00	82,378.00	82,378.00	-	84,431.00
Miscellaneous	-	-	-	-	1,000.00
Equipment and Improvements	-	-	-	-	-
Total Libraries	83,398.00	82,978.00	82,882.84	95.16	85,935.84
Recreation Council:					
Wages	38,600.00	36,600.00	36,595.56	4.44	44,321.66
Payroll Taxes	2,953.00	2,803.00	2,799.57	3.43	3,390.61
Miscellaneous	250.00	-	2,000.00	(2,000.00)	-
Utilities	1,000.00	1,200.00	1,200.88	(0.88)	834.17
Total Recreation	42,803.00	40,603.00	42,596.01	(1,993.01)	48,546.44
Parks:					
Salaries & Wages	20,000.00	19,600.00	19,591.34	8.66	19,734.64
Payroll Taxes/PERA	2,680.00	2,630.00	2,595.66	34.34	2,620.09
Insurance	3,325.00	3,025.00	2,971.81	53.19	2,538.35
Motor Fuels & Lubes	2,900.00	1,700.00	1,650.08	49.92	2,897.60
Maintenance and Repair Building	4,600.00	2,000.00	3,182.77	(1,182.77)	3,072.05
Utilities	1,800.00	1,400.00	1,416.18	(16.18)	1,536.56
Supplies	2,500.00	1,700.00	1,457.61	242.39	2,638.72
Contracted Services	-	250.00	243.58	6.42	598.62
Subscriptions and Memberships	125.00	175.00	160.50	14.50	98.38
Equipment Purchases	-	-	-	-	-
Miscellaneous	1,600.00	1,350.00	1,292.58	57.42	1,327.08
Total Parks	39,530.00	33,830.00	34,562.11	(732.11)	37,062.09
Swimming Pool:					
Communications	300.00	200.00	176.94	23.06	125.47
Utilities	12,000.00	12,700.00	12,652.37	47.63	13,791.08
Travel	600.00	550.00	510.26	39.74	450.58
Maintenance and Repair Equipment	4,000.00	1,500.00	1,434.56	65.44	3,112.59
Maintenance and Repair Building	3,650.00	1,150.00	1,079.60	70.40	10,816.00
Supplies	9,000.00	12,600.00	12,581.09	18.91	8,086.91
Miscellaneous	100.00	250.00	487.34	(237.34)	536.51
Equipment and Improvements	5,000.00	-	-	-	-
Total Swimming Pool	34,650.00	28,950.00	28,922.16	27.84	36,919.14
Total Culture and Recreation	200,381.00	186,361.00	188,963.12	(2,602.12)	208,463.51

**CITY OF CANBY MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Postive (Negative)	2008 Actual
	Original	Final			
MISCELLANEOUS:					
Airport:					
Motor Fuels and Lubes	500.00	500.00	360.61	139.39	1,142.80
Maintenance and Repair	3,100.00	4,100.00	3,105.12	994.88	2,845.95
Communications	1,700.00	1,800.00	1,790.29	9.71	1,834.47
Utilities	5,250.00	4,750.00	4,561.46	188.54	4,792.17
Supplies	78,200.00	42,400.00	42,336.33	63.67	31,773.86
Travel	1,800.00	-	-	-	674.43
Licenses and Taxes	3,000.00	3,000.00	2,935.00	65.00	2,454.00
Contracted Services	17,500.00	17,000.00	16,419.70	580.30	18,256.24
Farm Maintenance	-	-	-	-	-
Miscellaneous	2,700.00	1,500.00	1,585.28	(85.28)	3,229.36
Equipment and Improvements	4,000.00	42,000.00	43,294.62	(1,294.62)	33,132.20
Total Airport	117,750.00	117,050.00	116,388.41	661.59	100,135.48
Cemetery:					
Wages	17,000.00	19,100.00	19,089.11	10.89	15,115.06
Payroll Taxes\PERA	2,677.50	2,577.50	2,523.31	54.19	1,966.39
Utilities	250.00	250.00	169.39	80.61	114.45
Maintenance and Repair	100.00	-	-	-	233.90
Supplies	300.00	300.00	197.85	102.15	221.98
Capital	-	-	-	-	-
Health Insurance	3,375.00	3,025.00	2,971.81	53.19	2,538.35
Total Cemetery	23,702.50	25,252.50	24,951.47	301.03	20,190.13
Other:					
Canby Area Business Service	7,000.00	4,000.00	4,277.68	(277.68)	4,937.33
Insect and Pest Control	2,550.00	-	-	-	391.92
Stone Hill Project	-	-	-	-	-
Miscellaneous	5,649.00	4,099.00	3,862.92	236.08	2,699.83
Total Other	15,199.00	8,099.00	8,140.60	(41.60)	8,029.08
Total Miscellaneous	156,651.50	150,401.50	149,480.48	921.02	128,354.69
Total Expenditures	1,305,792.50	1,454,762.50	1,502,049.68	(47,287.18)	1,518,545.31
Excess of Revenues Over (Under) Expenditures	49,974.50	(45,452.00)	6,615.60	52,067.60	(97,696.83)
Other Financing Sources (Uses):					
Transfer In	2,492.00	2,492.00	82,402.83	79,910.83	2,277.74
Transfer Out	(15,000.00)	(17,000.00)	(46,346.98)	(29,346.98)	(20,000.00)
Loan Proceeds	-	-	-	-	100,000.00
Total Other Financing Sources (Uses)	(12,508.00)	(14,508.00)	36,055.85	50,563.85	82,277.74
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 37,466.50	\$ (59,960.00)	42,671.45	\$ 102,631.45	(15,419.09)
Fund Balance - January 1			699,616.28		715,035.37
Prior Period Adjustment			138,322.02		-
Fund Balance - December 31			\$ 880,609.75		\$ 699,616.28

Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - - where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

The City currently has three enterprise funds:

Water Fund – This fund accounts for the surcharge on utilities provided to the City's residents.

Wastewater Fund – This fund accounts for utilities provided to the City's residents.

Garbage Fund – This fund accounts for the municipal garbage service provided to the city's residents.

**CITY OF CANBY, MINNESOTA
ENTERPRISE FUNDS
WASTEWATER FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

(With Comparative Totals for the year ended December 31, 2008)

	2009	2008
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 11,066.59	\$ 9,678.45
Investments	86,665.58	36,519.56
Special Assessments Receivable	8,643.63	9,770.29
Accounts Receivable	20,350.57	18,324.12
Prepaid Insurance	4,825.00	4,740.00
Total Current Assets	131,551.37	79,032.42
Non-Current Assets:		
Capital Assets:		
Land	79,835.00	79,835.00
Buildings	172,471.50	172,471.50
Improvements Other Than Buildings	377,987.76	366,012.15
Machinery and Equipment	2,795,231.49	2,795,231.49
Less: Accumulated Depreciation	(1,426,115.77)	(1,357,044.75)
Net Capital Assets	1,999,409.98	2,056,505.39
Bond Discount, net of amortization	7,056.00	7,644.00
TOTAL ASSETS	\$ 2,138,017.35	\$ 2,143,181.81
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 485.94	\$ 199.07
Loan Payable to Other Funds	4,825.00	4,740.00
Deferred Revenue	8,053.59	9,088.78
Bonds Payable, Current Portion	25,000.00	25,000.00
Total Current Liabilities	38,364.53	39,027.85
Noncurrent Liabilities:		
Accrued Vacation	5,327.55	2,860.73
Bonds Payable	340,000.00	365,000.00
Total Noncurrent Liabilities	345,327.55	367,860.73
TOTAL LIABILITIES	383,692.08	406,888.58
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,634,409.98	1,688,644.66
Net Assets-Unrestricted, Designated	68,147.08	-
Net Assets-Unrestricted	51,768.21	47,648.57
TOTAL NET ASSETS	\$ 1,754,325.27	\$ 1,736,293.23

**CITY OF CANBY MINNESOTA
WASTEWATER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)**

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Sales	\$ 201,674.12	\$ 189,380.62
Special Assessments	1,035.19	1,232.66
Total Operating Revenues	<u>202,709.31</u>	<u>190,613.28</u>
Operating Expenses:		
Labor	55,023.70	51,034.14
Employee Benefits	18,285.72	16,884.90
Supplies	5,062.01	7,477.76
Repairs	9,801.40	7,524.66
Utilities	1,996.90	2,544.17
Fuel	826.24	825.86
Telephone	459.72	459.72
Insurance	4,740.00	4,442.00
Auditing	1,200.00	1,200.00
Miscellaneous	2,805.46	314.01
Contracted Services	16,057.85	8,096.17
Travel	518.83	1,035.94
Motor Fuel	5,620.24	1,439.64
Water Purchases	-	-
Truck Expense	145.92	752.82
Equipment Purchases	-	-
Dues and Licenses	945.00	730.00
Depreciation and Amortization	69,659.02	67,676.56
Total Operating Expenses	<u>193,148.01</u>	<u>172,438.35</u>
Net Operating Income (Loss)	<u>9,561.30</u>	<u>18,174.93</u>
Nonoperating Revenues (Expenses):		
Refunds and Reimbursements	175.83	268.30
Interest Income	1,164.76	2,692.67
Interest Expense	(16,327.50)	(17,015.00)
Sale of Assets	-	244.40
Transfer In	23,457.65	-
Total Nonoperating Revenues (Expenses)	<u>8,470.74</u>	<u>(13,809.63)</u>
Change in Net Assets	18,032.04	4,365.30
Net Assets - January 1	<u>1,736,293.23</u>	<u>1,731,927.93</u>
Net Assets - December 31	<u>\$ 1,754,325.27</u>	<u>\$ 1,736,293.23</u>

CITY OF CANBY, MINNESOTA
ENTERPRISE FUND
WASTEWATER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	2009	2008
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 200,774.33	\$ 189,858.27
Cash Received from Others	175.83	268.30
Cash Paid to Suppliers	(120,820.30)	(106,116.08)
Net Cash Flows Provided (Used) by Operating Activities	80,129.86	84,010.49
Cash Flows From Capital and Related Financing Activities:		
Cash Received (Paid) from Loans to Other Funds	23,542.65	(9,702.00)
Cash Paid for Principal on Debt	(25,000.00)	(25,000.00)
Interest Expense	(16,327.50)	(17,015.00)
Acquisition of Capital Assets	(11,975.61)	(47,300.00)
Net Cash Flows from Capital and Related Financing Activities	(29,760.46)	(99,017.00)
Cash Flows From Investing Activities:		
Interest Income	1,164.76	2,692.67
Cash received from sale of assets	-	244.40
Net (Increase) Decrease in Investments	(50,146.02)	13,247.03
Net Cash Flows from Investing Activities	(48,981.26)	16,184.10
Net Increase (Decrease) in Cash and Cash Equivalents	1,388.14	1,177.59
Cash and Cash Equivalents - Beginning of Year	9,678.45	8,500.86
Cash and Cash Equivalents - End of Year	\$ 11,066.59	\$ 9,678.45

RECONCILIATION OF EARNINGS TO NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ 9,561.30	\$ 18,174.93
Other Revenue	175.83	268.30
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	69,659.02	67,676.56
Changes in Assets and Liabilities:		
Accounts Receivable	(2,026.45)	(438.22)
Special Assessments Receivable	1,126.66	915.87
Prepays	(85.00)	(298.00)
Accounts Payable	286.87	(91.27)
Deferred Revenue	(1,035.19)	(1,232.66)
Accrued Vacation	2,466.82	(965.02)
Net Cash Provided (Used) by Operating Activities	\$ 80,129.86	\$ 84,010.49

**CITY OF CANBY, MINNESOTA
ENTERPRISE FUNDS
WATER FUND**

STATEMENT OF NET ASSETS

DECEMBER 31, 2009

(With Comparative Totals for the year ended December 31, 2008)

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash, Including Time Deposits	\$ 330,040.36	\$ 275,154.78
Investments	89,405.95	89,159.68
Special Assessments Receivable	8,397.40	2,865.31
Accounts Receivable	27,311.52	23,335.78
Prepaid Expense	4,453.00	4,438.00
Total Current Assets	<u>459,608.23</u>	<u>394,953.55</u>
Non-Current Assets:		
Capital Assets:		
Land	21,344.93	21,344.93
Buildings	1,878,920.45	1,878,920.45
Improvements Other Than Buildings	815,582.67	811,681.67
Equipment	71,046.13	71,046.13
Accumulated Depreciation	<u>(1,124,005.86)</u>	<u>(1,046,009.60)</u>
Net Capital Assets	<u>1,662,888.32</u>	<u>1,736,983.58</u>
TOTAL ASSETS	<u>\$ 2,122,496.55</u>	<u>\$ 2,131,937.13</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 482.67	\$ -
Due to Other Funds	4,453.00	4,438.00
Deferred Revenue	7,473.04	2,202.91
Bonds Payable, Current Portion	<u>108,000.00</u>	<u>105,000.00</u>
Total Current Liabilities	<u>120,408.71</u>	<u>111,640.91</u>
Noncurrent Liabilities:		
Accrued Vacation	7,262.48	3,667.76
Bonds Payable	<u>930,000.00</u>	<u>1,038,000.00</u>
Total Noncurrent Liabilities	<u>937,262.48</u>	<u>1,041,667.76</u>
TOTAL LIABILITIES	<u>1,057,671.19</u>	<u>1,153,308.67</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	624,888.32	695,315.82
Net Assets-Unrestricted, Designated	676,633.68	530,142.72
Net Assets-Unrestricted	<u>(236,696.64)</u>	<u>(246,830.08)</u>
TOTAL NET ASSETS	<u>\$ 1,064,825.36</u>	<u>\$ 978,628.46</u>

CITY OF CANBY, MINNESOTA
ENTERPRISE FUNDS
WATER FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	2009	2008
Operating Revenues:		
Water Revenue	\$ 333,801.65	\$ 319,064.72
Miscellaneous Income	2,341.47	664.25
Special Assessments		1,752.30
	336,143.12	321,481.27
Total Operating Revenues		
Operating Expenses:		
Production Expenses		
Salaries and Wages	37,760.46	24,715.72
Supplies	14,374.81	15,880.79
Repairs	1,202.35	1,106.06
Utilities	14,601.03	15,985.03
	67,938.65	57,687.60
Total Production Expenses		
Distribution Expenses:		
Salaries and Wages	37,760.07	26,159.08
Supplies	318.18	1,000.00
Repairs	2,515.58	3,603.87
	40,593.83	30,762.95
Total Distribution Expenses		
General Expenses:		
Supplies	6,565.84	9,595.24
Insurance	4,438.00	4,134.00
Travel	761.01	853.17
Auditing	1,200.00	1,200.00
Fuel	2,793.56	4,561.38
Telephone	517.32	536.86
Contractual Services	2,655.01	1,779.13
Truck Expense	444.62	483.52
Miscellaneous Expense	2,680.17	7,681.57
Repairs	1,144.64	10,129.28
Employee Benefits	24,760.37	18,926.38
Dues and Licenses	6,113.92	6,135.20
Capital expenditures	-	-
Depreciation and Amortization	77,996.26	74,395.66
	132,070.72	140,411.39
Total General Expenses		
Total Operating Expenses	240,603.20	228,861.94
Net Operating Income (Loss)	95,539.92	92,619.33
Nonoperating Revenues (Expenses):		
Interest Income	7,198.00	7,619.63
Refunds and Reimbursements	842.84	517.00
Rental Income	5,859.84	6,348.16
Sales Tax Expense	(2,784.00)	(2,583.00)
Interest Expense	(20,459.70)	(22,303.40)
	(9,343.02)	(10,401.61)
Total Nonoperating Revenues (Expenses)		
Change in Net Assets	86,196.90	82,217.72
Net Assets - January 1	978,628.46	896,410.74
Net Assets - December 31	\$ 1,064,825.36	\$ 978,628.46

CITY OF CANBY, MINNESOTA
ENTERPRISE FUND
WATER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)

	2009	2008
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 338,608.10	\$ 325,877.39
Cash Paid to Suppliers	(240,443.80)	(208,417.08)
Cash Paid to Employees	79,115.25	49,431.25
	177,279.55	166,891.56
Cash Flows From Capital and Related Financing Activities:		
Cash Received for Loan to Other Funds	15.00	304.00
Cash Paid for Principal on Debt	(105,000.00)	(103,000.00)
Interest Expense	(20,459.70)	(22,303.40)
Acquisition of Capital Assets	(3,901.00)	(37,802.45)
	(129,345.70)	(162,801.85)
Cash Flows From Investing Activities:		
Interest Earned on Investments	7,198.00	7,619.63
Net (Increase) Decrease in Investments	(246.27)	(2,030.65)
	6,951.73	5,588.98
Net Increase (Decrease) in Cash and Cash Equivalents	54,885.58	9,678.69
Cash and Cash Equivalents - Beginning of Year	275,154.78	265,476.09
Cash and Cash Equivalents - End of Year	\$ 330,040.36	\$ 275,154.78

RECONCILIATION OF EARNINGS TO NET CASH FLOW PROVIDED (USED) BY
OPERATING ACTIVITIES

Operating Income (Loss)	\$ 95,539.92	\$ 92,619.33
Other Revenue	6,702.68	6,865.16
Other Expense	(2,784.00)	(2,583.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	77,996.26	74,395.66
Changes in Assets and Liabilities:		
Accounts Receivable	(3,975.74)	(2,084.36)
Special Assessments Receivable	(5,532.09)	278.31
Prepaid Expense	(15.00)	(304.00)
Accounts Payable	482.67	(189.00)
Deferred Revenue	5,270.13	(662.99)
Accrued Vacation	3,594.72	(1,443.55)
Net Cash Provided (Used) by Operating Activities	\$ 177,279.55	\$ 166,891.56

**CITY OF CANBY, MINNESOTA
GARBAGE FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

(With Comparative Totals for the year ended December 31, 2008)

	2009	2008
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 1,890.69	\$ 1,192.92
Investments	68,243.76	111,469.31
Accounts Receivable	12,010.60	8,828.79
Total Current Assets	82,145.05	121,491.02
Non-Current Assets:		
Capital Assets:		
Land	25,524.00	408.50
Equipment	5,380.11	5,380.11
Accumulated Depreciation	(5,750.13)	(5,619.22)
Net Capital Assets	25,153.98	169.39
TOTAL ASSETS	\$ 107,299.03	\$ 121,660.41
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 6,158.09	\$ 847.50
Total Current Liabilities	6,158.09	847.50
Noncurrent Liabilities:		
Accrued Vacation	1,479.10	1,218.02
Total Noncurrent Liabilities	1,479.10	1,218.02
TOTAL LIABILITIES	7,637.19	2,065.52
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	25,153.98	169.39
Net Assets-Unrestricted	74,507.86	119,425.50
TOTAL NET ASSETS	\$ 99,661.84	\$ 119,594.89

**CITY OF CANBY MINNESOTA
GARBAGE FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)**

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Garbage Receipts	\$ 125,023.67	\$ 112,664.04
Miscellaneous Income	1,973.00	1,937.00
Total Operating Revenues	<u>126,996.67</u>	<u>114,601.04</u>
Operating Expenses:		
Salaries and Wages	13,492.04	12,856.41
Employee Benefits	5,173.04	5,012.96
Contracted Services	59,677.73	54,085.81
Tipping Fees	14,837.40	14,557.50
Supplies	6,799.73	7,232.47
Travel	360.00	701.69
Auditing	1,000.00	1,000.00
Dues and Licenses	445.00	430.00
Miscellaneous	0.04	-
Printing	193.80	166.12
Construction	4,560.00	3,300.00
Assessment	1,226.00	1,407.00
Legal & Professional	31,371.58	2,891.47
Depreciation	130.91	412.86
Total Operating Expenses	<u>139,267.27</u>	<u>104,054.29</u>
Net Operating Income (Loss)	<u>(12,270.60)</u>	<u>10,546.75</u>
Nonoperating Revenues (Expenses):		
Interest Income	288.55	2,559.76
Sales Tax Expense	(7,951.00)	(6,990.00)
Total Nonoperating Revenues (Expenses)	<u>(7,662.45)</u>	<u>(4,430.24)</u>
Change in Net Assets	<u>(19,933.05)</u>	<u>6,116.51</u>
Net Assets - January 1	<u>119,594.89</u>	<u>113,478.38</u>
Net Assets - December 31	<u><u>\$ 99,661.84</u></u>	<u><u>\$ 119,594.89</u></u>

**CITY OF CANBY MINNESOTA
ENTERPRISE FUND
GARBAGE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Totals for the year ended December 31, 2008)**

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 123,814.86	\$ 113,796.61
Cash Paid to Suppliers	<u>(141,515.69)</u>	<u>(111,242.91)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>(17,700.83)</u>	<u>2,553.70</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of Capital Assets	<u>(25,115.50)</u>	<u>0.00</u>
Cash Flows From Investing Activities:		
Interest Earned on Investments	288.55	2,559.76
Net (Increases) Decreases in Investments	<u>43,225.55</u>	<u>(5,470.39)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	697.77	(356.93)
Cash and Cash Equivalents - Beginning of Year	<u>1,192.92</u>	<u>1,549.85</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,890.69</u>	<u>\$ 1,192.92</u>

RECONCILIATION OF EARNINGS TO NET CASH FLOW PROVIDED (USED) BY
OPERATING ACTIVITIES

Operating Income (Loss)	\$ (12,270.60)	\$ 10,546.75
Other Expenses	(7,951.00)	(6,990.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	130.91	412.86
Changes in Assets and Liabilities:		
Accounts Receivable	(3,181.81)	(804.43)
Accounts Payable	5,310.59	(577.49)
Accrued Vacation	<u>261.08</u>	<u>(33.99)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (17,700.83)</u>	<u>\$ 2,553.70</u>