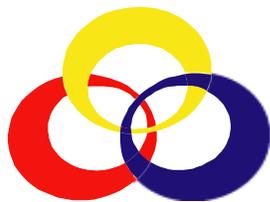


**City of Canby
Audit Report
For the Year Ended
December 31, 2013**



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

City of Canby

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INTRODUCTORY SECTION

**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

ELECTED OFFICIALS

POSITION

Eugene Bies

Mayor

Frank Maas

Council Member

Nancy Bormann

Council Member

Denise Hanson

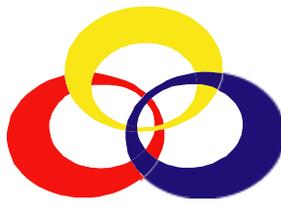
Council Member

Nate Oellien

Council Member

CITY ADMINISTRATOR

Nicholas Johnson



Kinner & Company Ltd Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Canby
Canby, Minnesota 56220

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canby's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014, on our consideration of the City of Canby'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* in considering the City of Canby's internal control over financial reporting and compliance.



Kinner & Company Ltd
Certified Public Accountants

May 19, 2014

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CITY OF CANBY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2013 AND 2012

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, 2013 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 is 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 position presents information on all of the City's assets and liabilities. Over time increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 taxed 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, storm sewer and garbage.

The government-wide financial statements include not only the City itself (known as the primary government), but also water, wastewater, storm sewer and garbage. The water, wastewater, storm sewer 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, 2013 AND 2012

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 governments, 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: governmental funds and proprietary funds.

Governmental 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 12-15 of this report.

Proprietary fund

The City maintains four business-type activities in the proprietary funds. These accounts are for the water, wastewater, storm sewer 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, storm sewer 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.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$11,413,246 and \$11,612,033 at the close of fiscal years 2013 and 2012.

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.

Table 1

Net Position

	Governmental Activities		Business-Type Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	2,447,131	2,675,162	3,649,505	3,828,419
Capital assets	<u>4,664,085</u>	<u>4,849,994</u>	<u>12,804,209</u>	<u>13,266,346</u>
Total assets	<u>7,111,216</u>	<u>7,525,156</u>	<u>16,453,714</u>	<u>17,094,765</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term liabilities outstanding	1,668,003	1,876,517	10,244,000	8,653,839
Other liabilities	<u>216,067</u>	<u>282,533</u>	<u>23,614</u>	<u>2,194,999</u>
Total liabilities	<u>1,884,070</u>	<u>2,159,050</u>	<u>10,267,614</u>	<u>10,848,838</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets				
Net investment in capital assets	2,994,420	2,973,477	2,560,210	2,557,341
Net position -Restricted	52,267	240,292	0	0
Net position -Unrestricted	<u>2,180,459</u>	<u>2,152,337</u>	<u>3,625,890</u>	<u>3,688,586</u>
Total Net Position	<u>5,227,146</u>	<u>5,366,106</u>	<u>6,186,100</u>	<u>6,245,927</u>

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the City as a whole.

Governmental activities

Governmental activities decreased the City's net position by \$138,960 and increased it by \$74,950 for 2013 and 2012

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2013
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	165,499	184,074	888,797	885,604	1,054,296
Operating grants and contributions	28,272	33,100			28,272
Capital grants and contributions	511,966	239,987			511,966
General Revenues					
Property taxes	636,460	610,730	152,293	152,885	636,460
Special Assessments	1,306	(3,286)	32,636	1,114	33,942
Intergovernmental Revenue	705,430	701,946			705,430
Fines and Forfeits	4,184	3,524			4,184
Licenses and Permits					
to specific programs	3,680	3,871			3,680
Unrestricted Investment Earnings	34,995	21,922	75,488	76,686	110,483
Miscellaneous	127,319	158,500	12,599	9,934	139,918
Total Revenues	<u>2,219,111</u>	<u>1,954,368</u>	<u>1,161,813</u>	<u>1,126,223</u>	<u>3,380,924</u>
Expenses					
Governmental activities	2,358,071	1,879,418			2,358,071
Business-type activities			1,221,640	970,660	1,221,640
Total expenses	<u>2,358,071</u>	<u>1,879,418</u>	<u>1,221,640</u>	<u>970,660</u>	<u>3,579,711</u>
Transfers In (Out)	0	0	0	0	0
Increase in net position	(138,960)	74,950	(59,827)	155,563	(198,787)
Net position, January 1, restated	<u>5,366,106</u>	<u>5,291,156</u>	<u>6,245,927</u>	<u>6,090,364</u>	<u>11,612,033</u>
Net position, December 31	<u>5,227,146</u>	<u>5,366,106</u>	<u>6,186,100</u>	<u>6,245,927</u>	<u>11,413,246</u>

The City's total net position decreased by \$198,787 and increased \$230,514 for 2013 and 2012. Most of this decrease was the result of street repairs and cost for a street project to be started in 2014.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012

Business-type activities

Business-type activities decreased the City's net position by \$59,827 and increased \$155,563, accounting for 30 percent of the decrease and 67 percent of the total growth in the City's net position for 2013 and 2012. The decrease is due to water meter replacement project.

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 2013 and 2012, the City's governmental funds reported ending balances of \$1,910,557 and \$2,015,805. Fifty-five percent and fifty-two percent of the total amount of \$1,056,393 and \$1,033,148 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.

Total Net Position in the proprietary funds decreased \$59,827.

The Storm Sewer net position increased \$31,780 to \$411,677.

Wastewater net position decreased \$124,719 to \$3,048,061.

Water net position increased \$36,968 to \$2,610,542.

Solid Waste net position decreased \$3,856 to \$115,820.

**CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

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, 2013 and 2012 amounts to \$17,468,294 and \$18,116,340 (net of accumulated depreciation). The investment in capital assets includes land, buildings, system improvements, machinery, equipment and park facilities.

More detailed information about the City's capital assets is presented in Note 1 and Note 3.

Long-Term Debt

At the end of 2013 and 2012, the City had total bonded debt outstanding of \$11,912,002 and \$12,585,517.

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 City Administrator, City of Canby, 110 Oscar Avenue North, Canby, Minnesota 56220.

Sincerely,
Nicholas Johnson
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 Position
December 31, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,480,492	\$ 1,537,450	\$ 3,017,942
Investments	21,375	1,518	22,893
Taxes Receivable	20,972	5,660	26,632
Delinquent Taxes Receivable	17,126	4,791	21,917
Special Assessments Receivable	45,105	19,458	64,563
Accounts Receivable	42,244	76,689	118,933
Notes Receivable Current	35,562	--	35,562
Prepaid and other assets	30,243	9,250	39,493
Inventory	27,653	--	27,653
<i>Internal Balances*</i>	--	--	--
Total Current Assets	1,720,772	1,654,816	3,375,588
<i>Noncurrent Assets</i>			
Special Assessments - Deferred	134,399	1,994,689	2,129,088
Non-depreciable	769,743	126,296	896,039
Depreciable, net	3,894,342	12,677,913	16,572,255
Notes receivable - Non Current	413,029	--	413,029
<i>Internal Balances*</i>	178,931	--	--
Total Assets	7,111,216	16,453,714	23,385,999
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	--	--	--
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	13,969	51	14,020
Accrued wages and benefits	32,417	14,313	46,730
LT Debt Due Within One Year	44,139	470,000	514,139
<i>Internal Balances*</i>	--	--	--
Total Current Liabilities	90,525	484,364	574,889
<i>Noncurrent Liabilities</i>			
LT Debt Due Beyond One Yr.	1,623,864	9,774,000	11,397,864
<i>Internal Balances*</i>	169,681	9,250	--
Total Liabilities	1,884,070	10,267,614	11,972,753
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	--	--	--
NET POSITION			
Net Investment in Capital Assets	2,994,420	2,560,210	5,554,630
<i>Restricted for:</i>			
John Swenson Trust	52,267	--	52,267
<i>Unrestricted</i>	2,180,459	3,625,890	5,806,349
Total Net Position	\$ 5,227,146	\$ 6,186,100	\$ 11,413,246

* Amounts have been eliminated in total column

The notes to the financial statements are an integral part of this statement.

City of Canby
Statement of Activities
For the Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government							
Governmental Activities:							
General Government and Administration \$	458,770	\$ --	\$ --	\$ --	\$ (458,770)	\$ --	\$ (458,770)
Public Safety	384,887	40,730	28,272	--	(315,885)	--	(315,885)
Public Works	345,105	--	--	55,975	(289,130)	--	(289,130)
Culture and Recreation	242,855	--	--	--	(242,855)	--	(242,855)
Economic Development	53,947	49,888	--	--	(4,059)	--	(4,059)
Grant Pass-Through	455,991	--	--	455,991	--	--	--
Miscellaneous	324,763	74,881	--	--	(249,882)	--	(249,882)
Interest and Charges on LT Debt	91,753	--	--	--	(91,753)	--	(91,753)
Total Governmental Activities	2,358,071	165,499	28,272	511,966	(1,652,334)	--	(1,652,334)
Business-type Activities:							
Solid Waste	137,794	133,882	--	--	--	(3,912)	(3,912)
Storm Sewer	97,739	124,611	--	--	--	26,872	26,872
Wastewater	499,193	234,766	--	--	--	(264,427)	(264,427)
Water	486,914	395,538	--	--	--	(91,376)	(91,376)
Total Business-type Activities	1,221,640	888,797	--	--	--	(332,843)	(332,843)
Total Primary Government	\$ 3,579,711	\$ 1,054,296	\$ 28,272	\$ 511,966	\$ (1,652,334)	\$ (332,843)	\$ (1,985,177)

General Purpose Revenues and Transfers:

Revenues

Interest revenue	34,995	75,488	110,483
Gain on sale of assets	(878)	12,599	11,721
Miscellaneous	128,197	--	128,197
Property Taxes	636,460	152,293	788,753
Special Assessments	1,306	32,636	33,942
License and Permits	3,680	--	3,680
Intergovernmental Revenues	705,430	--	705,430
Fines and Forfeits	4,184	--	4,184

Transfers

Total General Revenues and Transfers	1,513,374	273,016	1,786,390
Change in Net Position	(138,960)	(59,827)	(198,787)
<i>Net Position at Beginning of Period, Restated</i>	<u>5,366,106</u>	<u>6,245,927</u>	<u>11,612,033</u>
Net Position at End of Period	\$ 5,227,146	\$ 6,186,100	\$ 11,413,246

The notes to the financial statements are an integral part of this statement.

**City of Canby
Balance Sheet
Governmental Funds
December 31, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 971,118	\$ 509,374	\$ 1,480,492
Investments	--	21,375	21,375
Taxes Receivable	17,188	3,784	20,972
Delinquent Taxes Receivable	13,074	4,052	17,126
Special Assessments Receivable	242	44,863	45,105
Accounts Receivable	41,914	330	42,244
Notes Receivable Current	--	35,562	35,562
Prepaid and other assets	30,243	--	30,243
Inventory	27,653	--	27,653
Special Assessments - Deferred	6,381	128,018	134,399
Notes receivable - Non Current	--	413,029	413,029
Advances to other funds	153,975	24,956	178,931
<i>Total Assets</i>	<u>1,261,788</u>	<u>1,185,343</u>	<u>2,447,131</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 1,261,788</u>	<u>\$ 1,185,343</u>	<u>\$ 2,447,131</u>
LIABILITIES			
Accounts payable	\$ 13,969	\$ --	\$ 13,969
Advances from other funds	--	169,681	169,861
<i>Total Liabilities</i>	<u>13,969</u>	<u>169,681</u>	<u>183,650</u>
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	30,044	322,880	352,924
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>44,013</u>	<u>492,561</u>	<u>536,574</u>
FUND BALANCE			
Nonspendable	30,243	--	30,243
Restricted	52,267	--	52,267
Assigned	--	771,654	771,654
Unassigned	1,135,265	(78,872)	1,056,393
<i>Total Fund Balance</i>	<u>1,217,775</u>	<u>692,782</u>	<u>1,910,557</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 1,261,788</u>	<u>\$ 1,185,343</u>	<u>\$ 2,447,131</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2013

Total Fund Balance - Governmental Funds	\$	1,910,557
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Position.		(32,417)
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		4,664,086
Tax revenue deferred in governmental fund statements if not received within sixty days		29,936
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(1,668,003)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements		188,591
Special assessment revenue deferred in governmental fund statements if not received within sixty days		134,398
Total Net Position-Governmental Funds	\$	<u>5,227,146</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Interest revenue	\$ 2,693	\$ 32,302	\$ 34,995
Intergovernmental Revenues	1,245,668	--	1,245,668
Property Taxes	460,660	179,111	639,771
Special Assessments	1,971	52,835	54,806
License and Permits	3,680	--	3,680
Fines and Forfeits	4,184	--	4,184
Charges for Services	115,611	--	115,611
Loan Income	--	44,847	44,847
Gain on sale of assets	32,950	--	32,950
Miscellaneous	127,631	565	128,196
Total Revenues	<u>1,995,048</u>	<u>309,660</u>	<u>2,304,708</u>
Expenditures			
General Government and Administration	451,060	--	451,060
Public Safety	296,135	--	296,135
Public Works	317,078	--	317,078
Culture and Recreation	217,716	--	217,716
Economic Development	--	53,947	53,947
Grant Pass-Through	455,991	--	455,991
Miscellaneous	174,680	20,554	195,234
Capital outlay	120,867	1,663	122,530
Interest and Charges on LT Debt	8,354	108,399	116,753
Debt - principal	12,514	171,000	183,514
Total Expenditures	<u>2,054,395</u>	<u>355,563</u>	<u>2,409,958</u>
Excess of Revenues Over (Under) Expenditures	<u>(59,347)</u>	<u>(45,903)</u>	<u>(105,250)</u>
Other Financing Sources (Uses)			
Transfers from other funds	--	34,941	34,941
Transfers to other funds	--	(34,941)	(34,941)
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	(59,347)	(45,903)	(105,250)
<i>Fund Balance at Beginning of Period</i>	<u>1,277,122</u>	<u>738,685</u>	<u>2,015,807</u>
Fund Balance at End of Period	<u>\$ 1,217,775</u>	<u>\$ 692,782</u>	<u>\$ 1,910,557</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ (105,250)
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(3,310)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	208,514
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	122,530
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(274,610)
Accrued leave is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.	(4,544)
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.	(33,828)
Revenues from development loans in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	5,041
Special assessment revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(53,500)
Changes in Net Position-Governmental Funds	\$ <u>(138,960)</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 248,163	\$ 422,002	\$ 786,679	\$ 80,606	\$ 1,537,450
Investments	--	761	474	283	1,518
Taxes Receivable	--	3,113	2,547	--	5,660
Delinquent Taxes Receivable	--	2,635	2,156	--	4,791
Special Assessments Receivable	890	9,593	8,975	--	19,458
Accounts Receivable	11,753	23,356	29,829	11,751	76,689
Prepaid and other assets	--	4,830	4,420	--	9,250
Total Current Assets	260,806	466,290	835,080	92,640	1,654,816
<i>Noncurrent Assets</i>					
Special Assessments - Deferred	87,721	1,048,272	858,696	--	1,994,689
Non-depreciable	--	79,835	21,345	25,116	126,296
Depreciable, net	1,248,158	6,237,846	5,191,909	--	12,677,913
Total Assets	1,596,685	7,832,243	6,907,030	117,756	16,453,714
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	8	8	27	8	51
Accrued wages and benefits	--	5,344	7,041	1,928	14,313
LT Debt Due Within One Year	50,000	182,000	238,000	--	470,000
Total Current Liabilities	50,008	187,352	245,068	1,936	484,364
<i>Noncurrent Liabilities</i>					
LT Debt Due Beyond One Yr.	1,135,000	4,592,000	4,047,000	--	9,774,000
Advances from other funds	--	4,830	4,420	--	9,250
Total Liabilities	1,185,008	4,784,182	4,296,488	1,936	10,267,614
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--	--
NET POSITION					
Net Investment in Capital Assets	63,158	1,543,681	928,255	25,116	2,560,210
<i>Restricted for:</i>					
Assigned	--	--	873,602	--	873,602
<i>Unrestricted</i>	348,519	1,504,380	808,685	90,704	2,752,288
Total Net Position	\$ 411,677	\$ 3,048,061	\$ 2,610,542	\$ 115,820	\$ 6,186,100

The notes to the financial statements are an integral part of this statement.

City of Canby
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 124,611	\$ 234,766	\$ 395,538	\$ 133,882	\$ 888,797
Total Operating Revenues	<u>124,611</u>	<u>234,766</u>	<u>395,538</u>	<u>133,882</u>	<u>888,797</u>
Operating Expenses					
Labor	--	74,483	93,164	14,393	182,040
Employee Benefits	--	24,014	29,524	5,060	58,598
Supplies	123	19,107	22,833	2,737	44,800
Repairs	--	21,115	13,695	--	34,810
Utilities	--	2,375	17,015	--	19,390
Fuel	--	817	1,291	--	2,108
Telephone	--	460	980	--	1,440
Insurance	--	6,707	5,589	--	12,296
Auditing	--	2,980	2,980	1,300	7,260
Miscellaneous	145	907	557	2,377	3,986
Contracted Services	--	7,304	2,729	64,821	74,854
Tipping Expenses	--	--	--	17,803	17,803
Travel	--	289	1,037	--	1,326
Motor Fuel	--	2,488	1,990	--	4,478
Water Purchases	--	329	3,357	--	3,686
Truck Expense	--	527	1,137	--	1,664
Dues and License	--	654	6,066	565	7,285
Construction	--	--	--	4,430	4,430
Legal & Professional	450	--	--	13,404	13,854
Assessment	--	--	--	1,339	1,339
Depreciation	54,485	259,467	223,805	--	537,757
Total Operating Expenses	<u>55,203</u>	<u>424,023</u>	<u>427,749</u>	<u>128,229</u>	<u>1,035,204</u>
Operating Income (Loss)	<u>69,408</u>	<u>(189,257)</u>	<u>(32,211)</u>	<u>5,653</u>	<u>(146,407)</u>
Non-Operating Revenues (Expenses)					
Interest revenue	4,905	38,180	32,347	56	75,488
Property Taxes	--	83,761	68,532	--	152,293
Special Assessments	3	17,100	15,533	--	32,636
Gain on sale of assets	--	667	11,932	--	12,599
Interest expense	(42,536)	(75,170)	(54,162)	--	(171,868)
Sales Tax Expense	--	--	(5,003)	(9,565)	(14,568)
Net Non-Operating Revenues (Expenses)	<u>(37,628)</u>	<u>64,538</u>	<u>69,179</u>	<u>(9,509)</u>	<u>86,580</u>
Income Before Contributions and Transfers	<u>31,780</u>	<u>(124,719)</u>	<u>36,968</u>	<u>(3,856)</u>	<u>(59,827)</u>
Transfers from other funds	--	--	--	--	--
Transfers to other funds	--	--	--	--	--
Change In Net Position	<u>31,780</u>	<u>(124,719)</u>	<u>36,968</u>	<u>(3,856)</u>	<u>(59,827)</u>
<i>Net Position at Beginning of Period</i>	<u>379,897</u>	<u>3,172,780</u>	<u>2,573,574</u>	<u>119,676</u>	<u>6,245,927</u>
Net Position at End of Period	<u>\$ 411,677</u>	<u>\$ 3,048,061</u>	<u>\$ 2,610,542</u>	<u>\$ 115,820</u>	<u>\$ 6,186,100</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CANBY
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2013

	Business-Type Activities				Totals 2013
	Storm Sewer Fund	Wastewater Fund	Water Fund	Non-Major Garbage Fund	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 123,883	\$ 236,830	\$ 396,716	\$ 134,661	\$ 892,090
Cash Paid to Suppliers	(108,435)	(91,011)	(85,415)	(126,241)	(411,102)
Cash Paid to Employees		(74,483)	(124,878)	(14,393)	(213,754)
Net Cash Flows Provided (Used) by Operating Activities	\$ 15,448	\$ 71,336	\$ 186,423	\$ (5,973)	\$ 267,234
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	\$ -	\$ 83,414	\$ 68,249		\$ 151,663
Special Assessments	5,490	42,397	36,073		83,960
Cash Received from (paid on) Due to Other Funds		(177)	(161)		(338)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	\$ 5,490	\$ 125,634	\$ 104,161	\$ -	\$ 235,285
Cash Flows from Capital and Related Financing Activities:					
Cash Received from Bond Proceeds	\$ -	\$ -	\$ -		\$ -
Cash Paid for Principal on Debt	(50,000)	(180,000)	(235,000)		(465,000)
Cash Paid for Interest on Debt	(42,536)	(75,170)	(54,162)		(171,868)
Acquisition of Capital Assets	(8,315)	(6,885)	(60,420)	-	(75,620)
Net Cash Flows from Capital and Related Financing Activities	\$ (100,851)	\$ (262,055)	\$ (349,582)	\$ -	\$ (712,488)
Cash Flows From Investing Activities:					
Interest Earned on Investments	\$ 4,905	\$ 38,180	\$ 32,347	\$ 56	\$ 75,488
Sale of Investments		667	11,932	-	12,599
Purchase of Investments		-	-	-	-
Net Cash Flows from Investing Activities	\$ 4,905	\$ 38,847	\$ 44,279	\$ 56	\$ 88,087
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (75,008)	\$ (26,238)	\$ (14,719)	\$ (5,917)	\$ (121,882)
Cash and Cash Equivalents - Beginning of Year	323,171	448,240	801,398	86,523	1,659,332
Cash and Cash Equivalents - End of Year	\$ 248,163	\$ 422,002	\$ 786,679	\$ 80,606	\$ 1,537,450

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

Operating Income (Loss)	\$ 69,408	\$ (189,257)	\$ (32,211)	\$ 5,653	\$ (146,407)
Other Expense			(5,003)	(9,565)	(14,568)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	54,485	259,467	223,805	-	537,757
Changes in Assets and Liabilities:					
Accounts Receivable	(728)	2,064	1,177	779	3,292
Prepaid Expense		1,877	1,169		3,046
Accrued Expenses					-
Accounts Payable-Operating	(107,717)	(1,447)	(325)	(3,054)	(112,543)
Accrued Vacation		(1,368)	(2,190)	215	(3,343)
Net Cash Provided (Used) by Operating Activities	\$ 15,448	\$ 71,336	\$ 186,422	\$ (5,972)	\$ 267,234

The notes to the financial statements are an integral part of this statement.

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final to Actual</u>
Revenues				
Local and County Revenue				
General Property Taxes	\$ 455,494	\$ 455,494	\$ 460,660	\$ 5,166
Special Assessments	2,200	2,200	1,971	(229)
Total Local and County Revenue	<u>457,694</u>	<u>457,694</u>	<u>462,631</u>	<u>4,937</u>
Licenses and Permits				
Business	1,400	1,400	1,400	--
Liquor	2,100	2,100	2,100	--
Non-Business	175	175	180	5
Pet	50	50	--	(50)
Total License and Permits	<u>3,725</u>	<u>3,725</u>	<u>3,680</u>	<u>(45)</u>
Intergovernmental Revenue				
Local Government Aid	664,915	664,915	664,915	--
Market Value Assistance	--	--	241	241
Mobile Home Aid	--	--	80	80
Local Performance Aid & PERA Aid	2,312	2,312	2,312	--
State Aid - Police	20,000	20,000	22,273	2,273
State Aid - Fire	--	--	1,000	1,000
Public Safety - Canby & Porter	--	--	26,772	26,772
Federal Grant	125,000	125,000	470,600	345,600
Assistance to Firefighter Grant	--	--	1,500	1,500
Airport Improvement Program Grant	158,000	158,000	55,975	(102,025)
Total Intergovernmental Revenue	<u>970,227</u>	<u>970,227</u>	<u>1,245,668</u>	<u>275,441</u>
Charges for Services				
Lot Sales	5,000	5,000	1,800	(3,200)
Perpetual Care	--	--	75	75
Fire Control Income	38,000	38,000	40,730	2,730
Total Charges for Services	<u>43,000</u>	<u>43,000</u>	<u>42,605</u>	<u>(395)</u>
Fines and Forfeitures				
Traffic and Ordinance Fines	6,000	6,000	4,184	(1,816)
Total Fines and Forfeitures	<u>6,000</u>	<u>6,000</u>	<u>4,184</u>	<u>(1,816)</u>
Miscellaneous				
Interest Income	4,400	4,400	2,693	(1,707)
Rents	300	300	560	260
Airport Hanger Rent	8,500	8,500	10,800	2,300
Airport Farm Rent	11,569	11,569	11,568	(1)
Airport Gas, Gravel Sales, and Fly-in	70,000	70,000	57,122	(12,878)
Airport Utility Reimbursement	200	200	242	42
Airport Lot Lease	2,500	2,500	2,514	14
Cable Franchise Fee	5,500	5,500	5,286	(214)
Insurance Refunds & Reimbursements	15,000	15,000	22,912	7,912
Pop Machine	300	300	340	40
Donations	1,500	1,500	24,904	23,404
Vehicle Forfeiture Sales	--	--	204	204
Sale of Assets	--	--	32,950	32,950
Other Miscellaneous Revenue	49,800	49,800	64,185	14,385
Total Miscellaneous	<u>169,569</u>	<u>169,569</u>	<u>236,280</u>	<u>66,711</u>
Total Revenues	<u>1,650,215</u>	<u>1,650,215</u>	<u>1,995,048</u>	<u>344,833</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>1,650,215</u>	<u>1,650,215</u>	<u>1,995,048</u>	<u>344,833</u>

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under) Final to Actual
Expenditures				
GENERAL GOVERNMENT				
Mayor and Council				
Salaries	7,200	7,200	7,200	--
Payroll Taxes & Benefits	901	901	897	4
Travel and Conference	1,500	600	576	24
Subscriptions and Memberships	50	50	--	50
Total Mayor and Council	9,651	8,751	8,673	78
General Insurance	97,000	102,500	87,961	14,539
Election	325	325	301	24
City Administration				
Salaries	90,000	91,000	89,449	1,551
Payroll Tax & Benefits	13,500	13,300	12,875	425
Insurance	15,000	15,000	15,040	(40)
Office Supplies	4,700	12,300	5,849	6,451
Maintenance and Repairs	200	200	70	130
Communications	5,000	4,100	4,402	(302)
Travel, Conference and Schools	1,000	950	841	109
Printing and Publishing	3,500	3,500	2,063	1,437
Contractual Services	1,750	1,750	1,584	166
Miscellaneous	2,200	2,300	2,298	2
Equipment and Improvements	8,750	11,550	11,526	24
Total City Administration	145,600	155,950	145,997	9,953
Assessor	15,300	15,300	15,300	--
Accounting and Legal	25,000	25,000	27,216	(2,216)
Planning and Zoning	10,000	135,000	145,432	(10,432)
Municipal Building				
Maintenance and Repair	4,750	3,700	3,485	215
Supplies	1,100	3,400	3,398	2
Utilities	12,500	12,500	11,715	785
Contractual Services	7,000	2,500	2,899	(399)
Miscellaneous	10	10	10	--
Total Municipal Building	25,360	22,110	21,507	603
Public Restroom Service	2,000	2,000	1,873	127
Advertising and Promotion				
Printing and Publishing	2,750	4,750	5,174	(424)
Utilities	2,200	2,350	2,280	70
Total Advertising and Promotion	4,950	7,100	7,454	(354)
Christmas Decorations Utilities	750	1,250	872	378
TOTAL GENERAL GOVERNMENT	335,936	475,286	462,586	12,700
PUBLIC SAFETY				
Police Protection				
Wages	154,000	156,000	155,638	362
Payroll Taxes/PERA	24,900	24,400	24,530	(130)
Insurance	21,350	21,600	21,534	66
Office/General Supplies	6,000	5,000	5,471	(471)
Motor Fuel and Lubes	12,000	11,000	10,023	977
Maintenance and Repair	2,500	7,000	6,523	477
Communications	4,500	3,900	3,663	237
Travel, Conference, and Schools	2,625	1,025	783	242
Subscription and Memberships	325	325	280	45
Vehicle Forfeiture	--	--	31	(31)
Contractual Services	6,000	6,000	5,629	371
Professional Services	25,000	21,000	19,186	1,814
Equipment and Improvements	45,000	16,000	15,553	447
Total Police Protection	304,200	273,250	268,844	4,406

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under) Final to Actual
Fire Protection				
Wages	20,000	15,000	15,005	(5)
Payroll Taxes/PERA	1,550	2,700	1,148	1,552
Interest	8,354	8,354	8,354	-
Principal	12,514	12,514	12,514	-
State Aid to Fire Relief	--	1,000	1,000	--
Supplies	3,500	4,100	4,203	(103)
Motor Fuel and Lubes	2,500	2,500	1,915	585
Maintenance and Repair	5,150	6,150	7,776	(1,626)
Communications	500	500	498	2
Travel, Conference and Schools	4,000	2,500	2,497	3
Utilities	5,000	5,000	4,676	324
Contracted Services	--	2,500	2,421	79
Miscellaneous	450	450	427	23
Total Fire Protection	63,518	63,268	62,434	834
Civil Defense				
Utilities	400	450	446	4
Supplies	300	350	259	91
Total Civil Defense	700	800	705	95
Animal Control				
Contracted Services	1,250	650	573	77
Total Animal Control	1,250	650	573	77
TOTAL PUBLIC SAFETY	369,668	337,968	332,556	5,412
PUBLIC WORKS				
Streets				
Wages	88,000	56,000	88,314	(32,314)
Payroll Taxes/PERA	13,100	8,000	12,693	(4,693)
Insurance	13,030	10,880	16,279	(5,399)
Motor Fuel and Lubes	18,000	13,000	14,365	(1,365)
Maintenance and Repair	65,000	121,500	121,292	208
Travel, Conferences and Schools	300	300	210	90
Utilities	450	450	415	35
Supplies	6,000	6,000	5,324	676
Capital Expenditures	7,000	29,500	28,143	1,357
Contracted Services	3,000	--	--	--
Miscellaneous	200	200	33	167
Total Streets	214,080	245,830	287,068	(41,238)
Snow Removal	2,500	2,500	1,103	1,397
City Garage				
Utilities	5,000	6,000	5,427	573
Maintenance and Repair	3,500	200	131	69
Supplies	500	500	570	(70)
Miscellaneous	10	10	10	--
Dues and Licenses	10	10	10	--
Total City Garage	9,020	6,720	6,148	572
Street Lighting	30,000	28,000	27,546	454
TOTAL PUBLIC WORKS	255,600	283,050	321,865	(38,815)

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under) Final to Actual
CULTURE AND REC				
Library				
Communications	505	505	505	0
Contracted Services	73,573	73,573	73,573	--
Total Library	74,078	74,078	74,078	0
Recreation Council				
Wages	38,600	44,750	44,725	25
Payroll Taxes	3,000	3,450	3,422	28
Utilities	1,600	1,250	1,203	47
Total Recreation Council	43,200	49,450	49,350	100
Parks				
Salaries and Wages	18,500	16,700	18,113	(1,413)
Payroll Taxes/PERA	2,800	2,200	2,287	(87)
Insurance	2,550	2,250	2,515	(265)
Motor Fuels & Lubes	4,000	4,300	4,306	(6)
Maintenance and Repair Building	3,250	3,650	3,588	62
Utilities	1,800	1,800	1,669	131
Supplies	2,000	3,900	4,940	(1,040)
Contracted Services	700	700	301	399
Subscriptions and Memberships	161	211	231	(21)
Equipment Purchase	3,695	17,445	17,366	79
Miscellaneous	50	50	30	20
Total Parks	39,506	53,206	55,346	(2,141)
Swimming Pool				
Communication	200	200	185	15
Utilities	13,000	20,000	19,915	85
Travel	250	950	934	16
Maintenance and Repair Equipment	1,000	9,600	9,593	7
Maintenance and Repair Building	1,000	150	142	8
Supplies	8,500	7,600	7,575	25
Miscellaneous	700	800	598	202
Equipment and Improvements	--	7,250	7,245	5
Total Swimming Pool	24,650	46,550	46,187	363
TOTAL CULTURE AND REC	181,434	223,284	224,961	(1,678)
MISCELLANEOUS				
Airport				
Motor Fuels and Lubes	1,500	1,500	1,415	85
Maintenance and Repairs	3,500	600	189	411
Communications	2,200	2,200	2,131	69
Utilities	5,250	5,250	5,059	191
Supplies	1,300	1,400	1,373	27
Travel	500	--	--	--)
License and Taxes	3,665	4,715	4,669	46
Merchandise for Resale	65,000	52,400	24,708	27,692
Contracted Services	20,000	24,150	25,277	(1,127)
Miscellaneous	2,400	500	359	141
Expansion Project	150,000	50,000	36,220	13,780
Equipment and Improvements	1,945	45	11,756	(11,711)
Total Airport	257,260	142,760	113,156	29,604

The notes to the financial statements are an integral part of this statement.

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under) Final to Actual
Cemetery				
Wages	12,000	13,400	11,380	2,020
Payroll Taxes/PERA	1,800	1,750	1,382	368
Utilities	200	200	130	70
Maintenance and Repair	100	100	99	1
Supplies	200	300	273	27
Insurance	970	970	968	2
Miscellaneous	10	10	10	--
Total Cemetery	<u>15,280</u>	<u>16,730</u>	<u>14,242</u>	<u>2,488</u>
Other				
Canby Area Business Service	12,038	12,038	10,585	1,453
Insect and Pest Control	700	--	--	--)
Grant Pass-through Expense	125,000	425,000	455,991	(30,991)
Equipment Replacement Reserve	44,204	44,204	--	44,204
Miscellaneous	53,096	48,896	48,453	443
Capital Outlay	--	--	70,000	(70,000)
Total Other	<u>235,038</u>	<u>530,138</u>	<u>585,029</u>	<u>-54,891</u>
TOTAL MISCELLANEOUS	<u>507,578</u>	<u>689,628</u>	<u>712,427</u>	<u>-22,799</u>
Total Expenditures	<u>1,650,215</u>	<u>2,009,215</u>	<u>2,054,395</u>	<u>(45,180)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses	<u>1,650,215</u>	<u>2,009,215</u>	<u>2,054,394</u>	<u>(45,180)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	(359,000)	(59,347)	299,653
Net Change in Fund Balance	--	(359,000)	(59,347)	299,653
<i>Fund Balance at Beginning of Period</i>	1,277,122	1,277,122	1,277,122	--
Fund Balance at End of Period	<u>\$ 1,277,122</u>	<u>\$ 918,122</u>	<u>\$ 1,217,775</u>	<u>\$ 299,653</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting 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 have no component units. The City follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* 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. Currently, the City has no blended component units.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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 position 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is 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, 2013

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 financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The city maintains the economic development special revenue fund.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Ad valorem taxes are used for the payment of principal and interest on the City's judgment. The city maintains multiple debt service funds.

Capital Projects Funds - Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments). The City maintains capital project fund TIF 1-25.

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, wastewater, storm sewer and solid waste enterprise funds.

Fiduciary Funds:

Private Purpose Trust Fund - A Private Purpose Trust Fund is used to report trust arrangements, other than pension and investment trust, under which principal and income benefit, individuals, private organizations, or other governments. The Canby HRA qualifies as a Fiduciary Fund, and is presented as such.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for financial resources not accounted for and reported in another fund.

The City reports the following major proprietary funds:

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

The *Wastewater Fund* accounts for the operations of the City's wastewater system.

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 and 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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE

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 is 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, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (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 15 for non-agricultural property and November 15 for agricultural property. Personal property taxes may be paid on May 15 and October 15. 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.

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at 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 as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net position.

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 Position. 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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (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 position.

Bond premium and discounts, as well as issuance costs, are recognized as an outflow of resources and expensed in the period they are incurred. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and expensed in the period they are incurred.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (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 Balance Classifications

Beginning with the year ending December 31, 2011, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City Council removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Fund Balance Classifications (Continued)

- Assigned fund balance – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- Unassigned fund balance – consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2013, the unassigned fund balance of the General Fund was 67% of the subsequent year's budgeted expenditures.

Net Position Classifications

In the government-wide financial statements, net position represent the difference between assets and liabilities. Net position is displayed in three components:

- Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- Unrestricted net position - Net position that does not meet the definition of "restricted" or "net investment in capital assets".

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)

Deferred Outflows/Inflows of Resources

The City of Canby implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City of Canby currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The items that qualify for reporting in this category are unearned property taxes, unearned special assessments and unearned notes receivable. The City of Canby currently does not have any items that qualify for reporting in this category.

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/PRIOR PERIOD ADJUSTMENT

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. Prior year Government-wide financial statements and proprietary fund financial statements had improperly treated deferred special assessments and deferred taxes as deferred inflows of resources. The City's beginning net position required restatement as a result. Below are the effects of the change on the statement of net position and statement of activities:

	Governmental	Enterprise	Total
Fund Balance December 31, 2012	5,168,019	4,190,769	9,358,788
Adjustment for Taxes	7,119	7,051	14,170
Adjustment for Special Assessments	<u>190,968</u>	<u>2,048,110</u>	<u>2,239,078</u>
Restated Fund Balance December 31, 2012	<u>5,366,106</u>	<u>6,245,930</u>	<u>11,612,036</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. COMPARATIVE DATA/PRIOR PERIOD ADJUSTMENT (Continued)

<u>Statement of Activities</u>	<u>2012 Before Restatement</u>	<u>Effect of</u>	<u>2012</u>	<u>2012 Before Restatement</u>	<u>Effect of</u>	<u>2012</u>	<u>Total</u>
	<u>Governmental</u>	<u>Restatement</u>	<u>Restated</u>	<u>Enterprise</u>	<u>Restatement</u>	<u>Restated</u>	
Revenues							
Charges for Services	184,074		184,074	885,604		885,604	1,069,678
Operating Grants	33,100		33,100			0	33,100
Capital Grants	239,987		239,987			0	239,987
Property Taxes	606,532	4,198	610,730	150,349	2,536	152,885	763,615
Interest Income	21,922		21,922	76,686		76,686	98,608
License and Permits	3,871		3,871			0	3,871
Intergovernmental Rev	701,946		701,946			0	701,946
Fines and Forfeitures	3,524		3,524			0	3,524
Special Assessments	22,849	(26,135)	(3,286)	75,965	(74,851)	1,114	(2,172)
Miscellaneous	158,500		158,500	9,934		9,934	168,434
	<u>1,976,305</u>	<u>(21,937)</u>	<u>1,954,368</u>	<u>1,198,538</u>	<u>(72,315)</u>	<u>1,126,223</u>	<u>3,080,591</u>
Expenses:							
	<u>1,879,418</u>		<u>1,879,418</u>	<u>970,660</u>		<u>970,660</u>	<u>2,850,078</u>
	<u>1,879,418</u>	<u>0</u>	<u>1,879,418</u>	<u>970,660</u>	<u>0</u>	<u>970,660</u>	<u>2,850,078</u>
Change in Net Position	96,887	(21,937)	74,950	227,878	(72,315)	155,563	230,513
Net Position-Beginning	5,071,132	220,023	5,291,155	3,962,891	2,127,476	6,090,367	11,381,522
Net Position - Ending 2012	<u>5,168,019</u>	<u>198,087</u>	<u>5,366,106</u>	<u>4,190,769</u>	<u>2,055,161</u>	<u>6,245,930</u>	<u>11,612,035</u>

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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

A. BUDGETARY INFORMATION (Continued)

Budgets(Continued)

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, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. FUND BALANCE CLASSIFICATION

At December 31, 2013, a summary of the governmental fund balance classifications are as follows:

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepaid Expenses	30,243		30,243
Restricted for:			
John Swenson Trust	52,267		52,267
Assigned to:			
Debt Service		771,654	771,654
Unassigned:	<u>1,135,265</u>	<u>(78,872)</u>	<u>1,056,393</u>
Total Fund Balances	<u>1,217,775</u>	<u>692,782</u>	<u>1,910,557</u>

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following fund had excess expenditures over appropriations:

General Fund	\$45,180
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D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2013:

Debt Service Funds:	
TIF 1-6	5,383
TIF 1-10	20,336
TIF 1-11	1,495
TIF 1-18	4,308
GO Tax Increment Bonds - 1997	21,669
GO Improvement Bonds – 2000	3,488
GO Tax Increment Bonds - 2004	65,919
Capital Projects Funds:	
TIF 1-25	8,962

E. 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

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, and cash equivalents had a bank balance of \$3,209,393 at December 31, 2013, which 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, 2013 was \$3,040,835.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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.
- 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 choice

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2013, the City had the following investments:

<u>2013 Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$22,893	*

*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.

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, 2013, 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, 2013, 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 Position as of 12/31/13:

Deposits	\$3,017,942
Investments	<u>22,893</u>
Total	<u>\$3,040,835</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

B. ACCOUNTS RECEIVABLE

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

Accounts receivable of the governmental activities consists almost entirely of delinquent taxes and special assessments. Delinquent taxes and special assessments have been offset by deferred inflows of resources for delinquent taxes and special assessments not received within 60 days after year-end in the governmental fund financial statements. The deferred inflow amount as of December 31, 2013 is \$29,936 for taxes and \$134,398 for special assessments.

C. 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 have been completely offset by deferred inflows of resources. 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 Notes Receivable from the Canby HRA is for its share of the debt of the City's GOIB 2012B. As payments are due on the bond, the HRA will remit its share to the City and the City will issue one check to the bonding company.

The following is a summary of notes receivable transactions for the year ended December 31, 2013:

	Balance <u>1-1-13</u>	Amount <u>Advanced</u>	Payments <u>Received</u>	<u>Adjustments</u>	Balance <u>12-31-13</u>
EDA Loans	\$183,550	\$49,888	\$44,847	\$0	\$188,591
Canby HRA Loan	<u>260,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>260,000</u>
	<u>443,550</u>	<u>49,888</u>	<u>44,847</u>	<u>0</u>	<u>448,591</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance <u>1/1/2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2013</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	319,031	482,000	32,950	768,081
Construction in Progress	486,307	1,662	486,307	1,662
Total Capital Assets Not Being Depreciated	<u>805,338</u>	<u>483,662</u>	<u>519,257</u>	<u>769,743</u>
Capital Assets Being Depreciated:				
Buildings	2,758,570	70,000		2,828,570
Improvements Other Than Buildings	3,248,680	11,552		3,260,232
Infrastructure	218,955			218,955
Machinery & Equipment	1,983,644	43,622	27,068	2,000,198
Total Capital Assets Being Depreciated	<u>8,209,850</u>	<u>125,174</u>	<u>27,068</u>	<u>8,307,956</u>
Less Accumulated Depreciation for:				
Buildings	2,171,253	34,194		2,205,447
Improvements Other Than Buildings	729,626	126,890		856,516
Infrastructure	30,514	15,917		46,431
Machinery & Equipment	1,233,801	97,609	26,190	1,305,220
Total Accumulated Depreciation	<u>4,165,194</u>	<u>274,610</u>	<u>26,190</u>	<u>4,413,614</u>
Total Capital Assets Being Depreciated, Net	<u>4,044,656</u>	<u>(149,436)</u>	<u>878</u>	<u>3,894,342</u>
Total Capital Assets	<u>4,849,994</u>	<u>334,226</u>	<u>520,135</u>	<u>4,664,085</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	126,295			126,295
Total Capital Assets Not Being Depreciated	<u>126,295</u>	<u>0</u>	<u>0</u>	<u>126,295</u>
Capital Assets Being Depreciated:				
Projects	10,128,400	55,773		10,184,173
Buildings	2,078,915			2,078,915
Improvements other than Buildings	1,208,271			1,208,271
Equipment	2,895,972	19,847		2,915,819
Total Capital Assets Being Depreciated	<u>16,311,558</u>	<u>75,620</u>	<u>0</u>	<u>16,387,178</u>
Less Accumulated Depreciation for:				
Projects	202,568	406,251		608,819
Buildings	875,462	48,064		923,526
Improvements other than Buildings	782,913	24,036		806,949
Equipment	1,310,566	59,404		1,369,970
Total Accumulated Depreciation	<u>3,171,509</u>	<u>537,755</u>	<u>0</u>	<u>3,709,264</u>
Total Capital Assets Being Depreciated, Net	<u>13,140,049</u>	<u>(462,135)</u>	<u>0</u>	<u>12,677,914</u>
Business-Type Activity Capital Assets, Net	<u>13,266,344</u>	<u>(462,135)</u>	<u>0</u>	<u>12,804,209</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS (Continued)

Depreciation Expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$7,258
Public Safety	88,275
Public Works	24,412
Culture & Recreation	25,139
Miscellaneous	<u>129,526</u>
Total Depreciation Expense- Governmental Activities	<u>\$274,610</u>

Business-Type Activities:

Water	\$223,805
Wastewater	259,465
Storm Sewer	<u>54,485</u>
Total Depreciation Expense- Business-Type Activities	<u>\$537,755</u>

E. ACCOUNTS PAYABLE:

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

F. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2013:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

<u>2013 Issuance</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-12</u>	<u>Retired</u>	<u>Issued</u>	<u>Balance 12-31-13</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>								
Bonds Payable:								
1986 Fire Hall Bonds-GMAC	165,000	01/2016	6.00%	25,000	25,000	0	0	0
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	110,000	10,000	0	100,000	10,000
2001 Improvement Bonds-USBANK	150,000	12/2016	5.30%	60,000	60,000	0	0	0
TIF Note, Series 2001-A-HRA Canby	35,000	08/2018	9.00%	29,000	1,000	0	28,000	1,000
2008 GO Fire Truck- USDA Rural Development	100,000	09/2017	4.125%	78,993	5,815	0	73,179	6,056
2011 GO Fire Truck- USDA Rural Development	130,000	07/2026	4.125%	123,523	6,700	0	116,823	7,083
2011 GO Parking Lot Bond	265,000	07/2023	3.00%	265,000	0	0	265,000	10,000
2009 GO Refunding Bond-USBANK	375,000	03/2014	4.125% 3.00%	100,000	100,000	0	0	0
2012A GO Tax Increment Bond	750,000	09/2034	5.00%	750,000	0	0	750,000	0
2012B GO Tax Increment Bond	75,000	12/2038	5.750%	<u>335,000</u>	<u>0</u>	<u>0</u>	<u>335,000</u>	<u>10,000</u>
Total Bonds Payable				<u>1,876,516</u>	<u>208,514</u>	<u>0</u>	<u>1,668,002</u>	<u>44,139</u>
Total Long-Term Liabilities Governmental Activities				<u>1,876,516</u>			<u>1,668,002</u>	<u>44,139</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%	710,000	113,000	0	597,000	115,000
2010 Drinking Water Revolving MN PFA	3,012,055	08/2039	1.088%	3,810,000	122,000	0	3,688,000	123,000
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	280,000	35,000	0	245,000	35,000
2010 Clean Water Revolving MN PFA	2,843,424	08/2039	1.349%	4,674,000	145,000	0	4,529,000	147,000
<u>Storm Sewer Fund</u>								
2010 GO Revenue Bond- Bond Trust Services	1,280,000	02/2031	3.00%	<u>1,235,000</u>	<u>50,000</u>	<u>0</u>	<u>1,185,000</u>	<u>50,000</u>
Total Long-Term Liabilities Business-Type Activities				<u>10,709,000</u>			<u>10,244,000</u>	<u>470,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

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.

General Tax Increment Bonds

In 1997, 2001, 2004 and 2012 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 and 2011 the City entered into promissory notes with USDA Rural Development for the acquisition of fire trucks. The notes provide for annual payments of \$9,073 and \$11,795 each at 4.125% for 15 years. Payments are made out of the General Fund. The balance at December 31, 2013 was \$73,179 and 116,823.

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, 2013, excluding compensated absences over the life of the debt, are summarized as follows:

Governmental-Type Activities	<u>GO Bonds</u>		<u>GO Tax Increment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	10,000	12,600	21,000	59,648
2015	10,000	11,845	51,000	88,258
2016	10,000	11,069	52,000	85,963
2017	10,000	10,283	52,000	83,578
2018	10,000	9,450	52,000	81,193
2019-2023	65,000	40,913	285,000	384,360
2024-2028	75,000	25,313	275,000	341,688
2029-2033	75,000	7,088	300,000	306,088
2034-2038	<u>0</u>	<u>0</u>	<u>125,000</u>	<u>65,438</u>
Totals	<u>\$265,000</u>	<u>\$128,558</u>	<u>\$1,213,000</u>	<u>\$1,496,210</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

	Governmental Activities		Business-Type Activities	
	<u>Notes Payable</u>		<u>GO Water Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	13,139	7,729	470,000	146,988
2015	13,681	7,187	476,000	138,242
2016	14,245	6,623	487,000	129,411
2017	14,833	6,035	493,000	120,410
2018	15,445	5,423	497,000	113,453
2019-2023	87,366	17,020	1,847,000	535,552
2024-2028	31,294	1,931	1,930,000	378,387
2029-2033	0	0	1,911,000	208,672
2034-2038	0	0	1,766,000	88,528
2039	<u>0</u>	<u>0</u>	<u>367,000</u>	<u>4,528</u>
Totals	<u>190,003</u>	<u>51,948</u>	<u>10,244,000</u>	<u>1,864,171</u>

G. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2013 were as follows:

<u>Transfers To:</u>	<u>Transfer From:</u>		
	<u>General</u>	<u>Non-Major Gov't</u>	<u>Total</u>
Major Funds:			
General Fund	\$0	\$0	\$0
Non-Major Gov't Funds	<u>0</u>	<u>34,941</u>	<u>34,941</u>
Total	<u>\$0</u>	<u>\$34,941</u>	<u>\$34,941</u>

All transfers between funds were for bond payments.

Reconciliation to Fund Financial Statements:	Transfers <u>In</u>	Transfers <u>Out</u>	
Governmental Funds	34,941	(34,941)	
Enterprise Funds	<u>0</u>	<u>(0)</u>	
Total Transfers	<u>34,941</u>	<u>(34,941)</u>	
Reconciliation to Statement of Activities:	Transfers <u>In</u>	Transfers <u>Out</u>	Net Transfers/ <u>Internal Activity</u>
Net Transfers for Governmental Activities			
Governmental Funds	34,941	(34,941)	(0)
Net Transfers for Business-Type Activities	0	0	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

Interfund Balances

At December 31, 2013, the following interfund balances were owed between funds and not expected to be fully repaid within one year:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$4,420	To cover operating
Wastewater Fund	General Fund	4,830	To cover operating
TIF 1-4	Tax Inc Bond	3,031	To reimburse TIF expense
TIF 1-6	General Fund	5,259	To reimburse TIF expense
TIF 1-10	General Fund	21,000	To reimburse TIF expense
TIF 1-11	General Fund	6,804	To reimburse TIF expense
TIF 1-18	General Fund	7,991	To reimburse TIF expense
GO Tax Inc 1997	General Fund	28,790	To cover debt service
GOIB 2000	GOIB 2011	8,896	To cover debt service
GOIB 2004	General Fund	65,919	To cover debt service
TIF 1-6	Tax Inc Bond	124	Bond payment
GOIB 2012B	TIF 1-4	12,905	Bond payment
General	TIF 1-25	<u>8,962</u>	To reimburse TIF expenses
		<u>\$178,931</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 Intergovernmental 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.

As of December 31, 2013, 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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4. OTHER INFORMATION (Continued)

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.mnpera.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. 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, 2013

NOTE 4. OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

1. Plan Description (continued)

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 General Employees Retirement Fund (GERF), 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.

GERF 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, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a 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.

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 GERF 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4. OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

2. Defined Benefit Pension Plans – Statewide

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.

3. 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25% of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. PECF members are required to contribute 5.83% of their annual covered salary. In 2013, the City of Canby was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, 14.4% for PEPFF members, and 8.75% for PECF members.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$26,652, \$27,318 and \$26,676. The City's contributions to the Public Employees Police and Fire Fund or the Public Employees Correctional Fund for the years ending December 31, 2013, 2012 and 2011 were \$21,924, \$20,658, and \$20,078. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4. OTHER INFORMATION (Continued)

E. 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 2013, the City of Canby received \$76,706 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. 1-12 County (TIF 1-4)

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-2024

Original tax capacity –	11,232
Current tax capacity –	45,255
Captured tax capacity –	34,023
Retained by authority –	34,023
Shared with other authorities –	-0-
Total bonds issued -	146,587
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4. OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-13 County (TIF 1-7)

Type of district – Redevelopment/Farmers Ag Center	
Authorizing law – Minnesota Statute #469	
Year established – 2001	
Duration – not to exceed eleven (11) years with nine (9) years of increments-2025	
Original tax capacity –	825
Current tax capacity –	3,465
Captured tax capacity –	2,640
Retained by authority –	2,640
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	19,000

Tax Increment Financing District No. 1-14 County (TIF 1-8)

Type of district – Redevelopment/Borderline	
Authorizing law – Minnesota Statute #469	
Year established – 2001	
Duration – not to exceed twenty-five (25) years of increment-2026	
Original tax capacity –	28
Current tax capacity –	1,103
Captured tax capacity –	1,075
Retained by authority –	1,075
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	19,000

Tax Increment Financing District No. 1-15 County (TIF 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 –	139
Current tax capacity –	1,406
Captured tax capacity –	1,267
Retained by authority –	1,267
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-17 County (TIF 1-11)

Type of district – Redevelopment/John Lair Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	149
Current tax capacity –	1,342
Captured tax capacity –	1,193
Retained by authority –	1,193
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	24,500

Tax Increment Financing District No. 1-19 County (TIF 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-2024	
Original tax capacity –	33
Current tax capacity –	1,493
Captured tax capacity –	1,460
Retained by authority –	1,460
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	29,326

Tax Increment Financing District No. 1-20 County (TIF1-12)

Type of district – Redevelopment/Janiszkeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	106
Current tax capacity –	1,415
Captured tax capacity –	1,309
Retained by authority –	1,309
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	20,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-22 County (TIF 1-14)

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	49
Current tax capacity –	1,364
Captured tax capacity –	1,315
Retained by authority –	1,315
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-23 County (TIF 1-15)

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	34
Current tax capacity –	1,139
Captured tax capacity –	1,105
Retained by authority –	1,105
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-26 County (TIF 1-18)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2004	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	261
Current tax capacity –	3,210
Captured tax capacity –	2,949
Retained by authority –	2,949
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-27 County (TIF 1-19)

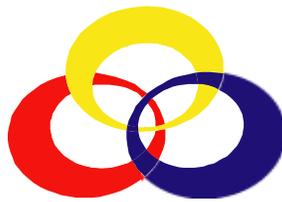
Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2003	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	72
Current tax capacity –	1,597
Captured tax capacity –	1,525
Retained by authority –	1,525
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-24 County (TIF 1-24)

Type of district – Soils Condition	
Authorizing law – Minnesota Statute #469	
Year established – 2012	
Duration – twenty (20) years from receipt of the first tax increment	
Original tax capacity –	656
Current tax capacity –	656
Captured tax capacity –	-0-
Retained by authority –	-0-
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-25 County (TIF 1-25)

Type of district – Economic Development	
Authorizing law – Minnesota Statute #469	
Year established – 2013	
Duration – eight (8) years from first receipt of tax increment	
Original tax capacity –	-0-
Current tax capacity –	-0-
Captured tax capacity –	-0-
Retained by authority –	-0-
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-



Kinner & Company Ltd
Certified Public Accountants

**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
Canby, Minnesota 56220

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Canby, Minnesota's basic financial statements and have issued our report thereon dated May 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Canby, Minnesota's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financials statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Canby, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Canby, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Prior and Current Findings and Responses, we identified certain deficiencies (a deficiency) in internal control over financial reporting that we consider to be material weaknesses (a material weakness) and significant deficiencies.

A deficiency in internal control over financial reporting 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 material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Prior and Current Findings and Responses, as items 2013-1 and 2013-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit, we did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canby, Minnesota's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Prior and Current Findings and Responses as item 2013-2.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, 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 audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Canby, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Prior and Current Findings and Responses as items 2013-2. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Canby's noncompliance with the above referenced provisions.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Kinner & Company Ltd
Certified Public Accountants

May 19, 2014

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CITY OF CANBY
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
DECEMBER 31, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1: The City does not maintain an adequate segregation of duties among its accounting personnel.

Condition: A lack of segregation of duties over revenues and expenditures exists which could result in errors not being found in a timely manner.

Criteria: Internal controls can help the City of Canby achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Cause: The City has a limited number of accounting personnel to perform financial reporting duties.

Effect: The City of Canby has a limited number of employees who prepare all records for revenue and expenditures. This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation: We recommend the City Council take a more active role in their oversight over revenue and expenditures.

Corrective Action Plan:

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 PRIOR AND CURRENT FINDINGS AND RESPONSES
DECEMBER 31, 2013

2013-2: The City did not follow MN Statutes for miscellaneous provisions.

Criteria: City management is responsible for the compliance with the provisions of law listed in the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. The City is to refrain from donating to people, nonprofit organizations, and charities as listed under the miscellaneous provisions category.

Condition: As part of the audit, we performed test of compliance with miscellaneous provisions. The City donated to the Canby Golf Course which created an instance of noncompliance.

Cause: The City has a limited number of accounting personnel to perform financial reporting duties.

Effect: Donating to people, nonprofit organizations, and charities is a violation of Minnesota Statutes for miscellaneous provisions.

Recommendation: We recommend the City management and financial personnel review the provisions of law listed in the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and comply with all categories.

Corrective Action Plan: The City of Canby will review the compliance guide and continue to work on this deficiency.

2013-3 Finding: Financial Statement Adjustments

Criteria: The City is required to report accurate financial information.

Condition: As part of the City's audit, we proposed material audit adjustments including an adjustment to restate beginning net position figures for the current year. The adjustments are needed to correct a material misstatement in the City's prior year financial statements and present current year information properly. These adjustments were not otherwise identified by City management but, they are reviewed by management, and management takes ultimate responsibility for them.

Cause: The City has a limited number of accounting personnel to perform financial reporting duties.

Effect: The ability of the City may not to provide accurate financials would have been limited without the identification of material financial statement adjustments and the prior period adjustment.

Recommendation: While the City may not have adequate controls in place to eliminate this finding, City management should continue to increase its awareness and knowledge of procedures and processes involved with City's financials, and managements review of adjustments

Corrective Action Plan: The City of Canby is continuing its work on correcting this deficiency.

CITY OF CANBY
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
DECEMBER 31, 2013

2012-1: The City does not maintain an adequate segregation of duties among its accounting personnel.

Condition: A lack of segregation of duties over revenues and expenditures exists which could result in errors not being found in a timely manner.

Recommendation: We recommend the City Council take a more active role in their oversight over revenue and expenditures.

Current Status: The finding continues to exist and has been restated as Finding 2013-1.

2012-2 Finding: Year end closing procedures

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.

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.

Current Status: This finding continues to exist and has been restated as Finding 2013-3.

2012-3 Finding: Financial Statement Preparation

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.

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.

Current Status: The finding has been resolved in 2013.

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
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Special Revenue					Other Fiduciary Funds	Total Fiduciary Funds
	HRA General	Duplex	Apartment Projects	TIF 1-1	TIF 1-4		
ASSETS							
Cash	\$ 580	\$ 122,117	\$ 125,830	\$ --	\$ --	\$ 85,104	\$ 333,631
Grant Receivable	10,638	--	--	--	--	--	10,638
Prepaid Insurance	142	28	1,638	--	--	1,181	2,989
Notes Receivable - Due after one year	45,655	--	--	--	--	--	45,655
Advance to other funds	197,502	--	254,226	--	--	76,563	528,291
<i>Total Assets</i>	<u>254,517</u>	<u>122,145</u>	<u>381,694</u>	<u>--</u>	<u>--</u>	<u>162,848</u>	<u>921,204</u>
DEFERRED OUTFLOWS OF RESOURCES							
Aggregated deferred outflows	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 254,517</u>	<u>\$ 122,145</u>	<u>\$ 381,694</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 162,848</u>	<u>\$ 921,204</u>
LIABILITIES							
Accounts Payable	\$ 10,638	\$ --	\$ --	\$ --	\$ --	\$ 1,791	\$ 12,429
Security Deposit Payable	--	482	2,973	--	--	2,191	5,646
Unearned Revenue	45,654	--	8,948	--	--	--	54,602
Advance from Other Funds	330,789	--	--	81,199	84,078	32,225	528,291
<i>Total Liabilities</i>	<u>387,081</u>	<u>482</u>	<u>11,921</u>	<u>81,199</u>	<u>84,078</u>	<u>36,207</u>	<u>600,968</u>
DEFERRED INFLOWS OF RESOURCES							
Aggregated deferred inflows	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>387,081</u>	<u>482</u>	<u>11,921</u>	<u>81,199</u>	<u>84,078</u>	<u>36,207</u>	<u>600,968</u>
FUND BALANCE							
Nonspendable	68,673	28	11,586	--	--	1,181	81,468
Restricted	10,637	--	--	--	--	--	10,637
Assigned	--	121,635	358,187	--	--	159,146	638,968
Unassigned	(211,874)	--	--	(81,199)	(84,078)	(33,686)	(410,837)
<i>Total Fund Balance</i>	<u>(132,564)</u>	<u>121,663</u>	<u>369,773</u>	<u>(81,199)</u>	<u>(84,078)</u>	<u>126,641</u>	<u>320,236</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 254,517</u>	<u>\$ 122,145</u>	<u>\$ 381,694</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 162,848</u>	<u>\$ 921,204</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiduciary Funds
For the Year Ended December 31, 2013

	<u>Special Revenue</u>					Other Fiduciary Funds	Total Fiduciary Funds
	<u>HRA General</u>	<u>Duplex</u>	<u>Apartment Projects</u>	<u>TIF 1-1</u>	<u>TIF 1-4</u>		
Revenues							
Grant Loan Income	\$ 488,313	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 488,313
Program Income	8,950	--	--	--	--	--	8,950
Revenue Note Reimbursement	2,610	--	9,442	--	--	--	12,052
Rent Income	--	9,600	57,910	--	--	27,168	94,678
Laundry Income	--	--	1,468	--	--	--	1,468
Property Tax	--	--	--	66	--	64	130
Miscellaneous Income	369	--	20	--	--	--	389
Interest Income	605	163	1,361	--	--	133	2,262
Total Revenues	<u>500,847</u>	<u>9,763</u>	<u>70,201</u>	<u>66</u>	<u>--</u>	<u>27,365</u>	<u>608,242</u>
Expenditures							
General and Administrative	108	--	459	561	3,768	19,699	24,595
Insurance	600	335	4,931	--	--	3,342	9,208
Professional Fees	20,658	1,171	1,281	154	154	2,147	25,565
Utilities	--	--	14,136	--	--	614	14,750
Housing Initiatives	2,610	--	--	--	--	--	2,610
Demolition/Acquisition	1,704	--	--	--	--	7,491	9,195
Redevelopment	--	--	--	995	16,596	1,021	18,612
Small Cities Grant Program Expenses	460,689	--	--	--	--	--	460,689
Supplies	58	66	303	--	--	64	491
Repairs and Maintenance	6,065	2,431	14,923	--	--	5,812	29,231
Capital Outlay	4,250	542	--	--	59,034	37,848	101,674
Taxes	--	480	2,715	--	--	1,301	4,496
Interest	--	--	--	--	--	15,993	15,993
Total Expenditures	<u>496,742</u>	<u>5,025</u>	<u>38,748</u>	<u>1,710</u>	<u>79,552</u>	<u>95,332</u>	<u>717,109</u>
Excess of Revenues Over (Under) Expenditures	<u>4,105</u>	<u>4,738</u>	<u>31,453</u>	<u>(1,644)</u>	<u>(79,552)</u>	<u>(67,967)</u>	<u>(108,867)</u>
Other Financing Sources (Uses)							
Sale of Assets	18,800	--	--	--	--	--	18,800
Transfers from other funds	--	--	--	--	--	--	--
Loan Repayment	--	--	8,442	--	--	(8,442)	--
Transfers to other funds	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>18,800</u>	<u>--</u>	<u>8,442</u>	<u>--</u>	<u>--</u>	<u>(8,442)</u>	<u>18,800</u>
Net Change in Fund Balance	22,905	4,738	39,895	(1,644)	(79,552)	(76,409)	(90,067)
Fund Balance at Beginning of Period	<u>(155,469)</u>	<u>116,925</u>	<u>329,878</u>	<u>(79,555)</u>	<u>(4,526)</u>	<u>203,050</u>	<u>410,303</u>
Fund Balance at End of Period	\$ (132,564)	\$ 121,663	\$ 369,773	\$ (81,199)	\$ (84,078)	\$ 126,641	\$ 320,236

The notes to the financial statements are an integral part of this statement.

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	Special Revenue					Debt Service							
	EDA	Fire Hall Bond	GOIB of 2001	GOIB of 2000	TIF 1-24 GOIB of 2012A	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Incr Bond 1997	TIF 1-4	TIF 1-5	TIF 1-6	TIF 1-7
ASSETS													
Cash and cash equivalents	\$ 52,688	\$ 5,340	\$ 11,973	\$ 5,401	\$ 175,747	\$ 9,122	\$ 230	\$ 63,368	\$ 3,966	\$ 122,881	\$ 272	\$ --	\$ --
Investments	--	--	--	--	--	--	21,375	--	--	--	--	--	--
Taxes Receivable	--	357	725	--	--	--	--	--	--	--	--	--	--
Delinquent Taxes Receivable	--	326	608	22	--	--	4	--	--	440	--	--	--
Special Assessments Receivable	--	--	552	--	--	--	--	42,268	--	--	--	--	--
Accounts Receivable	--	--	--	--	--	330	--	--	--	--	--	--	--
Notes Receivable Current	35,562	--	--	--	--	--	--	--	--	--	--	--	--
Special Assessments - Deferred	--	--	6,632	6,135	--	--	--	112,305	--	--	--	--	--
Notes receivable - Non Current	153,029	--	--	--	--	260,000	--	--	--	--	--	--	--
Advances to other funds	--	--	--	--	--	--	--	8,896	3,155	12,905	--	--	--
<i>Total Assets</i>	<u>241,279</u>	<u>6,023</u>	<u>20,490</u>	<u>11,558</u>	<u>175,747</u>	<u>269,452</u>	<u>21,609</u>	<u>226,837</u>	<u>7,121</u>	<u>136,226</u>	<u>272</u>	<u>--</u>	<u>--</u>
DEFERRED OUTFLOWS OF RESOURCES													
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 241,279</u>	<u>\$ 6,023</u>	<u>\$ 20,490</u>	<u>\$ 11,558</u>	<u>\$ 175,747</u>	<u>\$ 269,452</u>	<u>\$ 21,609</u>	<u>\$ 226,837</u>	<u>\$ 7,121</u>	<u>\$ 136,226</u>	<u>\$ 272</u>	<u>\$ --</u>	<u>\$ --</u>
LIABILITIES													
Advances from other funds	\$ --	\$ --	\$ --	\$ 8,896	\$ --	\$ 12,905	\$ --	\$ --	\$ 28,790	\$ 3,031	\$ --	\$ 5,383	\$ --
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8,896</u>	<u>--</u>	<u>12,905</u>	<u>--</u>	<u>--</u>	<u>28,790</u>	<u>3,031</u>	<u>--</u>	<u>5,383</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES													
Aggregated deferred inflows	188,591	539	7,676	6,150	--	--	2	112,305	--	440	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>188,591</u>	<u>539</u>	<u>7,676</u>	<u>15,046</u>	<u>--</u>	<u>12,905</u>	<u>2</u>	<u>112,305</u>	<u>28,790</u>	<u>3,471</u>	<u>--</u>	<u>5,383</u>	<u>--</u>
FUND BALANCE													
Assigned	--	5,484	12,814	--	175,747	256,547	21,607	114,532	--	132,755	272	--	--
Unassigned	52,688	--	--	(3,488)	--	--	--	--	(21,669)	--	--	(5,383)	--
<i>Total Fund Balance</i>	<u>52,688</u>	<u>5,484</u>	<u>12,814</u>	<u>(3,488)</u>	<u>175,747</u>	<u>256,547</u>	<u>21,607</u>	<u>114,532</u>	<u>(21,669)</u>	<u>132,755</u>	<u>272</u>	<u>(5,383)</u>	<u>--</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 241,279</u>	<u>\$ 6,023</u>	<u>\$ 20,490</u>	<u>\$ 11,558</u>	<u>\$ 175,747</u>	<u>\$ 269,452</u>	<u>\$ 21,609</u>	<u>\$ 226,837</u>	<u>\$ 7,121</u>	<u>\$ 136,226</u>	<u>\$ 272</u>	<u>\$ --</u>	<u>\$ --</u>

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
December 31, 2013

	Debt Service									Capital Projects		Total Nonmajor Governmental Funds	
	TIF 1-8	TIF 1-9	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-18	TIF 1-19	GOIB of 2004	2009 Impr Bond		TIF 1-25
ASSETS													
Cash and cash equivalents	\$ 3,363	\$ 3,893	\$ 664	\$ 5,309	\$ 4,034	\$ 4,136	\$ 3,457	\$ 3,683	\$ 4,376	\$ --	\$ 25,471	\$ --	\$ 509,374
Investments	--	--	--	--	--	--	--	--	--	--	--	--	21,375
Taxes Receivable	--	--	--	--	--	--	--	--	--	--	2,702	--	3,784
Delinquent Taxes Receivable	--	--	--	--	42	--	--	--	--	--	2,610	--	4,052
Special Assessments Receivable	--	--	--	--	--	--	--	--	--	--	2,043	--	44,863
Accounts Receivable	--	--	--	--	--	--	--	--	--	--	--	--	330
Notes Receivable Current	--	--	--	--	--	--	--	--	--	--	--	--	35,562
Special Assessments - Deferred	--	--	--	--	--	--	--	--	--	--	2,946	--	128,018
Notes receivable - Non Current	--	--	--	--	--	--	--	--	--	--	--	--	413,029
Advances to other funds	--	--	--	--	--	--	--	--	--	--	--	--	24,956
<i>Total Assets</i>	<u>3,363</u>	<u>3,893</u>	<u>664</u>	<u>5,309</u>	<u>4,076</u>	<u>4,136</u>	<u>3,457</u>	<u>3,683</u>	<u>4,376</u>	<u>--</u>	<u>35,772</u>	<u>--</u>	<u>1,185,343</u>
DEFERRED OUTFLOWS OF RESOURCES													
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 3,363</u>	<u>\$ 3,893</u>	<u>\$ 664</u>	<u>\$ 5,309</u>	<u>\$ 4,076</u>	<u>\$ 4,136</u>	<u>\$ 3,457</u>	<u>\$ 3,683</u>	<u>\$ 4,376</u>	<u>\$ --</u>	<u>\$ 35,772</u>	<u>\$ --</u>	<u>\$ 1,185,343</u>
LIABILITIES													
Advances from other funds	\$ --	\$ --	\$ 21,000	\$ 6,804	\$ --	\$ --	\$ --	\$ 7,991	\$ --	\$ 65,919	\$ --	\$ 8,962	\$ 169,681
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>21,000</u>	<u>6,804</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>7,991</u>	<u>--</u>	<u>65,919</u>	<u>--</u>	<u>8,962</u>	<u>169,681</u>
DEFERRED INFLOWS OF RESOURCES													
Aggregated deferred inflows	--	--	--	--	42	--	--	--	--	--	7,135	--	322,880
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>--</u>	<u>--</u>	<u>21,000</u>	<u>6,804</u>	<u>42</u>	<u>--</u>	<u>--</u>	<u>7,991</u>	<u>--</u>	<u>65,919</u>	<u>7,135</u>	<u>8,962</u>	<u>492,561</u>
FUND BALANCE													
Assigned	3,363	3,893	--	--	4,034	4,136	3,457	--	4,376	--	28,637	--	771,654
Unassigned	--	--	(20,336)	(1,495)	--	--	--	(4,308)	--	(65,919)	--	(8,962)	(78,872)
<i>Total Fund Balance</i>	<u>3,363</u>	<u>3,893</u>	<u>(20,336)</u>	<u>(1,495)</u>	<u>4,034</u>	<u>4,136</u>	<u>3,457</u>	<u>(4,308)</u>	<u>4,376</u>	<u>(65,919)</u>	<u>28,637</u>	<u>(8,962)</u>	<u>692,782</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 3,363</u>	<u>\$ 3,893</u>	<u>\$ 664</u>	<u>\$ 5,309</u>	<u>\$ 4,076</u>	<u>\$ 4,136</u>	<u>\$ 3,457</u>	<u>\$ 3,683</u>	<u>\$ 4,376</u>	<u>\$ --</u>	<u>\$ 35,772</u>	<u>\$ --</u>	<u>\$ 1,185,343</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue				Debt Service								
	EDA	Fire Hall Bond	GOIB of 2001	GOIB of 2000	TIF 1-24 GOIB of 2012A	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Incr Bond 1997	TIF 1-4	TIF 1-5	TIF 1-6	TIF 1-7
Revenues													
Interest revenue	\$ 4,366	\$ 3	\$ 778	\$ 2,398	\$ 102	\$ 14,997	\$ 4	\$ 9,031	\$ --	\$ 24	\$ 1	\$ --	\$ --
Property Taxes	--	9,614	19,505	106	--	--	49	--	--	51,250	--	2,366	2,256
Special Assessments	--	--	2,061	--	--	--	--	47,301	--	--	--	--	--
Loan Income	44,847	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	34	12	--	462	--	29	--	--	--	--	--
Total Revenues	49,213	9,617	22,378	2,516	102	15,459	53	56,361	--	51,274	1	2,366	2,256
Expenditures													
Economic Development	53,947	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	3,991	--	166	7,765
Capital outlay	--	--	--	--	--	--	--	--	--	--	--	--	--
Interest and Charges on LT Debt	--	26,680	3,157	12	31,135	15,412	--	11,247	8,515	4,351	--	--	--
Debt - principal	--	--	60,000	--	--	--	--	--	10,000	--	--	--	--
Total Expenditures	53,947	26,680	63,157	12	31,135	15,412	--	11,247	18,515	8,342	--	166	7,765
Excess of Revenues Over (Under) Expenditures	(4,734)	(17,063)	(40,779)	2,504	(31,033)	47	53	45,114	(18,515)	42,932	1	2,200	(5,509)
Other Financing Sources (Uses)													
Transfers from other funds	--	--	17,353	--	--	--	--	--	17,588	--	--	--	--
Transfers to other funds	--	--	--	--	--	--	--	--	--	(12,589)	(2,592)	(2,407)	--
Net Other Financing Sources (Uses)	--	--	17,353	--	--	--	--	--	17,588	(12,589)	(2,592)	(2,407)	--
Net Change in Fund Balance	(4,734)	(17,063)	(23,426)	2,504	(31,033)	47	53	45,114	(927)	30,343	(2,591)	(207)	(5,509)
<i>Fund Balance at Beginning of Period</i>	<i>57,422</i>	<i>22,547</i>	<i>36,240</i>	<i>(5,992)</i>	<i>206,780</i>	<i>256,500</i>	<i>21,554</i>	<i>69,418</i>	<i>(20,742)</i>	<i>102,412</i>	<i>2,863</i>	<i>(5,176)</i>	<i>5,509</i>
Fund Balance at End of Period	\$ 52,688	\$ 5,484	\$ 12,814	\$ (3,488)	\$ 175,747	\$ 256,547	\$ 21,607	\$ 114,532	\$ (21,669)	\$ 132,755	\$ 272	\$ (5,383)	\$ --

The notes to the financial statements are an integral part of this statement.

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2013

	Debt Service										Capital Projects		Total Nonmajor Governmental Funds
	TIF 1-8	TIF 1-9	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-18	TIF 1-19	GOIB of 2004	2009 Impr Bond	TIF 1-25	
Revenues													
Interest revenue	\$ 1	\$ 1	\$ --	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ --	\$ 590	\$ --	\$ 32,302
Property Taxes	1,816	2,140	--	2,015	3,218	2,221	1,867	4,981	2,576	--	73,131	--	179,111
Special Assessments	--	--	--	--	--	--	--	--	--	--	3,473	--	52,835
Loan Income	--	--	--	--	--	--	--	--	--	--	--	--	44,847
Miscellaneous	--	--	--	--	--	--	--	--	--	--	28	--	565
Total Revenues	1,817	2,141	--	2,016	3,219	2,222	1,868	4,982	2,577	--	77,222	--	309,660
Expenditures													
Economic Development	--	--	--	--	--	--	--	--	--	--	--	--	53,947
Miscellaneous	167	167	--	167	166	166	167	166	167	--	--	7,299	20,554
Capital outlay	--	--	--	--	--	--	--	--	--	--	--	--	1,663
Interest and Charges on LT Debt	--	--	--	--	--	--	--	2,610	--	--	5,280	--	108,399
Debt - principal	--	--	--	--	--	--	--	1,000	--	--	100,000	--	171,000
Total Expenditures	167	167	--	167	166	166	167	3,776	167	--	105,280	8,962	355,563
Excess of Revenues Over (Under) Expenditures	1,650	1,974	--	1,849	3,053	2,056	1,701	1,206	2,410	--	(28,058)	(8,962)	(45,903)
Other Financing Sources (Uses)													
Transfers from other funds	--	--	--	--	--	--	--	--	--	--	--	--	34,941
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	(17,353)	--	(34,941)
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--	--	(17,353)	--	--
Net Change in Fund Balance	1,650	1,974	--	1,849	3,053	2,056	1,701	1,206	2,410	--	(45,411)	(8,962)	(45,903)
<i>Fund Balance at Beginning of Period</i>	1,713	1,919	(20,336)	(3,344)	981	2,080	1,756	(5,514)	1,966	(65,919)	74,048	--	738,685
Fund Balance at End of Period	\$ 3,363	\$ 3,893	\$ (20,336)	\$ (1,495)	\$ 4,034	\$ 4,136	\$ 3,457	\$ (4,308)	\$ 4,376	\$ (65,919)	\$ 28,637	\$ (8,962)	\$ 692,782

The notes to the financial statements are an integral part of this statement.

City of Canby
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2013

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 80,606	\$ 80,606
Investments	283	283
Accounts Receivable	11,751	11,751
Total Current Assets	<u>92,640</u>	<u>92,640</u>
<i>Noncurrent Assets</i>		
Non-depreciable	25,116	25,116
Total Assets	<u>117,756</u>	<u>117,756</u>
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Deferred Outflows of Resources	<u>--</u>	<u>--</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	8	8
Accrued wages and benefits	1,928	1,928
Total Current Liabilities	1,936	1,936
<i>Noncurrent Liabilities</i>		
Total Liabilities	<u>1,936</u>	<u>1,936</u>
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Deferred Inflows of Resources	<u>--</u>	<u>--</u>
NET POSITION		
Net Investment in Capital Assets	25,116	25,116
<i>Unrestricted</i>	90,704	90,704
Total Net Position	<u>\$ 115,820</u>	<u>\$ 115,820</u>

The notes to the financial statements are an integral part of this statement.

City of Canby
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
Operating Revenues		
Charges for Services	\$ 133,882	\$ 133,882
<i>Total Operating Revenues</i>	<u>133,882</u>	<u>133,882</u>
Operating Expenses		
Labor	14,393	14,393
Employee Benefits	5,060	5,060
Supplies	2,737	2,737
Auditing	1,300	1,300
Miscellaneous	2,377	2,377
Contracted Services	64,821	64,821
Tipping Expenses	17,803	17,803
Dues and License	565	565
Construction	4,430	4,430
Legal & Professional	13,404	13,404
Assessment	1,339	1,339
<i>Total Operating Expenses</i>	<u>128,229</u>	<u>128,229</u>
<i>Operating Income (Loss)</i>	<u>5,653</u>	<u>5,653</u>
Non-Operating Revenues (Expenses)		
Interest revenue	56	56
Sales Tax Expense	(9,565)	(9,565)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(9,509)</u>	<u>(9,509)</u>
<i>Income Before Contributions and Transfers</i>	<u>(3,856)</u>	<u>(3,856)</u>
Transfers from other funds	--	--
Transfers to other funds	--	--
<i>Change In Net Position</i>	<u>(3,856)</u>	<u>(3,856)</u>
<i>Net Position at Beginning of Period</i>	<u>119,676</u>	<u>119,676</u>
<i>Net Position at End of Period</i>	<u>\$ 115,820</u>	<u>\$ 115,820</u>

The notes to the financial statements are an integral part of this statement.