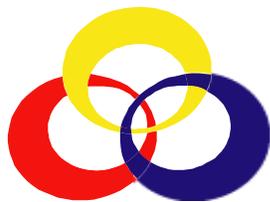


**City of Canby
Audit Report
For the Year Ended
December 31, 2014**



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

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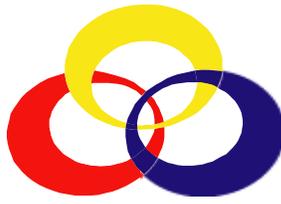
INTRODUCTORY SECTION

**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

<u>ELECTED OFFICIALS</u>	<u>POSITION</u>
Nancy Bormann	Mayor
Frank Maas	Council Member
Denise Hanson	Council Member
Nathan Oellien	Council Member
Vacant	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, 2014, 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.

Opinion

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, 2014, 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 introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2015, 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, 2015

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CITY OF CANBY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2014 AND 2013

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, 2014 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, 2014 AND 2013

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 governmental 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, 2014 AND 2013

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 \$13,141,287 and \$11,413,246 at the close of fiscal years 2014 and 2013.

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	3,154,530	2,447,131	6,876,385	3,649,505
Capital assets	<u>4,613,480</u>	<u>4,664,085</u>	<u>12,964,328</u>	<u>12,804,209</u>
Total assets	<u>7,768,010</u>	<u>7,111,216</u>	<u>19,840,713</u>	<u>16,453,714</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term liabilities outstanding	2,223,973	1,668,003	11,982,186	10,244,000
Other liabilities	<u>228,051</u>	<u>216,067</u>	<u>33,226</u>	<u>23,614</u>
Total liabilities	<u>2,452,024</u>	<u>1,884,070</u>	<u>12,015,412</u>	<u>10,267,614</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets				
Net investment in capital assets	2,389,507	2,994,420	2,612,144	2,560,210
Net position –Restricted	52,398	52,267	0	0
Net position –Unrestricted	<u>2,874,081</u>	<u>2,180,459</u>	<u>5,213,157</u>	<u>3,625,890</u>
Total Net Position	<u>5,315,986</u>	<u>5,227,146</u>	<u>7,825,301</u>	<u>6,186,100</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

The City's governmental activities net position increased by \$88,840 in 2014 and it decreased by \$138,960 in 2013.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2014
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	146,762	165,499	899,668	888,797	1,046,430
Operating grants and contributions	133,387	28,272			12,887
Capital grants and contributions	475,824	511,966			308,804
General Revenues					
Property taxes	708,351	636,460	153,311	152,293	708,351
Special Assessments	12,099	1,306	1,740,909	32,636	1,753,008
Intergovernmental Revenue	727,924	705,430			733,009
Fines and Forfeits	3,724	4,184			3,724
Licenses and Permits to specific programs	3,333	3,680			3,333
Unrestricted Investment Earnings	28,924	34,995	68,921	75,488	97,845
Miscellaneous	654,190	127,319	11,096	12,599	947,721
Total Revenues	<u>2,894,518</u>	<u>2,219,111</u>	<u>2,873,905</u>	<u>1,161,813</u>	<u>5,768,423</u>
Expenses					
Governmental activities	2,805,678	2,358,071			2,805,678
Business-type activities			1,234,704	1,221,640	1,234,704
Total expenses	<u>2,805,678</u>	<u>2,358,071</u>	<u>1,234,704</u>	<u>1,221,640</u>	<u>4,040,382</u>
Transfers In (Out)	0	0	0	0	0
Increase in net position	88,840	(138,960)	1,639,201	(59,827)	1,728,041
Net position, January 1,	<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>
Net position, December 31	<u>5,315,986</u>	<u>5,227,146</u>	<u>7,825,301</u>	<u>6,186,100</u>	<u>13,141,287</u>

The City's total net position increased by \$1,728,041 in 2014 and decreased by \$198,787 in 2013. Most of this increase was the result of the infrastructure projects that accumulated special assessments that were added this year and other added property and equipment in 2014.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

Business-type activities

Business-type activities increased the City's net position by \$1,639,201 and decreased by \$59,827 in 2013, accounting for 94 percent of the increase in 2014 and 30 percent of the decrease in 2013. The increase is due to the infrastructure project and the added special assessments.

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 2014 and 2013, the City's governmental funds reported ending balances of \$2,601,123 and \$1,910,557. Fifty-four percent and fifty-five percent of the total amount of \$1,417,093 and \$1,056,393 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 increased by \$1,639,201.

The Storm Sewer net position decreased \$16,357 in 2014 and increased \$31,780 in 2013.

Wastewater net position increased by \$730,026 in 2014 and decreased by \$124,719 in 2013.

Water net position increased by \$931,358 in 2014 and increased in 2013 by \$36,968.

Solid Waste net position decreased by \$5,826 in 2014 and decreased by \$3,856 in 2013.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013

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, 2014 and 2013 amounts to \$17,577,808 and \$17,468,294 (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

During 2014, the City issued \$2,808,186 in new debt and retired \$514,031 of debt. At the end of 2014 and 2013, the City had total bonded debt outstanding of \$14,206,159 and \$11,912,002.

2014 General Budget Variances to Actual

Total budgeted revenues for 2014, including the transfer in, is \$1,800,018. The actual revenues for 2014, including transfer in, is \$2,759,591. The revenues were over budget by \$959,573. The majority of the variance is due to the reimbursements from the water, wastewater and sewer funds for expenses that came out of the general fund that needs to be reimbursed. This amount totaled \$396,385 for 2014 and was not included in the budget. The city did not include the grant pass-through that totaled \$308,804 for 2014 also. The rest of the variance has to do with the theatre donation and grant revenue that was not included in the budget figures.

Total budgeted expenses for 2014, including the transfer out, is \$2,918,682. The actual revenues for 2014, including transfer out, is \$2,474,073. The expenses were under budget by \$442,609. The city over budgeted transfers out this year to cause this variance.

Economic Factor and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2014. Overall budget amounts for 2015 will be re-evaluated to make sure the revenues and expenses are consistent with the budget and operations.

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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,740,172	\$ 3,218,715	\$ 4,958,887
Investments	21,378	1,518	22,896
Taxes Receivable	23,424	6,457	29,881
Delinquent Taxes Receivable	24,911	6,942	31,853
Special Assessments Receivable	2,833	14,464	17,297
Grant Receivable	163,090		163,090
Accounts Receivable	23,420	75,965	99,385
Notes Receivable Current	43,993	--	43,993
Prepaid and other assets	29,953	8,540	38,493
Inventory	11,104	--	11,104
Total Current Assets	2,084,278	3,332,601	5,416,879
<i>Noncurrent Assets</i>			
Special Assessments - Deferred	128,562	3,543,784	3,672,346
Non-depreciable	697,878	799,510	1,497,388
Depreciable, net	3,915,602	12,164,818	16,080,420
Notes receivable - Non Current	758,303	--	758,303
<i>Internal Balances*</i>	183,387	--	--
Total Assets	7,768,010	19,840,713	27,425,336
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	--	--	--
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	19,446	9,460	28,906
Accrued wages and benefits	28,186	15,226	43,412
LT Debt Due Within One Year	74,681	476,000	550,681
Due to Other Entity	5,572	--	5,572
Total Current Liabilities	127,885	500,686	628,571
<i>Noncurrent Liabilities</i>			
LT Debt Due Beyond One Yr.	2,149,292	11,506,186	13,655,478
<i>Internal Balances*</i>	174,847	8,540	--
Total Liabilities	2,452,024	12,015,412	14,284,049
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	--	--	--
NET POSITION			
Net Investment in Capital Assets	2,389,507	2,612,144	5,001,651
<i>Restricted for:</i>			
John Swenson Trust	52,398	--	52,398
<i>Unrestricted</i>	2,874,081	5,213,157	8,087,238
Total Net Position	\$ 5,315,986	\$ 7,825,301	\$ 13,141,287

* 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, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government and Administration	\$ 677,355	\$ --	\$ --	\$ --	\$ (677,355)	\$ --	\$ (677,355)
Public Safety	392,087	38,651	16,349	--	(337,087)	--	(337,087)
Public Works	331,037	--	--	--	(331,037)	--	(331,037)
Culture and Recreation	280,330	--	1,623	--	(278,707)	--	(278,707)
Economic Development	87,725	26,874	--	--	(60,851)	--	(60,851)
Grant Pass-Through	278,804	--	--	308,804	30,000	--	30,000
Miscellaneous	597,076	81,237	115,415	167,020	(233,404)	--	(233,404)
Capital outlay	70,922	--	--	--	(70,922)	--	(70,922)
Interest and Charges on LT Debt	80,342	--	--	--	(80,342)	--	(80,342)
Bond Discounts	10,000	--	--	--	(10,000)	--	(10,000)
Total Governmental Activities	2,805,678	146,762	133,387	475,824	(2,049,705)	--	(2,049,705)
Business-type Activities:							
Solid Waste	145,787	139,908	--	--	--	(5,879)	(5,879)
Storm Sewer	146,957	125,707	--	--	--	(21,250)	(21,250)
Wastewater	461,341	237,118	--	--	--	(224,223)	(224,223)
Water	480,619	396,935	--	--	--	(83,684)	(83,684)
Total Business-type Activities	1,234,704	899,668	--	--	--	(335,036)	(335,036)
Total Primary Government	\$ 4,040,382	\$ 1,046,430	\$ 12,887	\$ 308,804	\$ (2,337,225)	\$ (335,036)	\$ (2,384,741)

General Purpose Revenues and Transfers:

Revenues

Interest revenue	28,924	68,921	97,845
Gain on sale of assets	--	11,096	11,096
Miscellaneous	222,371	--	222,371
Property Taxes	708,351	153,311	861,662
Special Assessments	12,099	1,740,909	1,753,008
License and Permits	3,333	--	3,333
Intergovernmental Revenues	727,924	--	727,924
Fines and Forfeits	3,724	--	3,724
Reimbursements	431,819	--	431,819

Transfers

Total General Revenues and Transfers	2,138,545	1,974,237	4,112,782
Change in Net Position	88,840	1,639,201	1,728,041
<i>Net Position at Beginning of Period</i>	<i>5,227,146</i>	<i>6,186,100</i>	<i>11,413,246</i>
Net Position at End of Period	\$ 5,315,986	\$ 7,825,301	\$ 13,141,287

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

**City of Canby
Balance Sheet
Governmental Funds
December 31, 2014**

	<u>Debt Service</u>			
	<u>General</u>	<u>GOIB 2014C</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 1,126,591	\$ --	\$ 613,581	\$ 1,740,172
Investments	--	--	21,378	21,378
Taxes Receivable	23,424	--	--	23,424
Delinquent Taxes Receivable	20,108	--	4,803	24,911
Special Assessments Receivable	--	--	2,833	2,833
Grant Receivable	163,090	--	--	163,090
Accounts Receivable	22,970	--	450	23,420
Notes Receivable Current	--	--	43,993	43,993
Prepaid and other assets	29,953	--	--	29,953
Inventory	11,104	--	--	11,104
Special Assessments - Deferred	13,568	--	114,994	128,562
Notes receivable - Non Current	--	365,000	393,303	758,303
Advances to other funds	161,411	--	21,976	183,387
<i>Total Assets</i>	<u>1,572,219</u>	<u>365,000</u>	<u>1,217,311</u>	<u>3,154,530</u>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 1,572,219</u>	<u>\$ 365,000</u>	<u>\$ 1,217,311</u>	<u>\$ 3,154,530</u>
LIABILITIES				
Accounts payable	\$ 19,446	\$ --	\$ --	\$ 19,446
Due to Other Entity	--	5,572	--	5,572
Advances from other funds	--	--	174,847	174,847
<i>Total Liabilities</i>	<u>19,446</u>	<u>5,572</u>	<u>174,847</u>	<u>199,865</u>
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	49,483	--	304,059	353,542
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>68,929</u>	<u>5,572</u>	<u>478,906</u>	<u>553,407</u>
FUND BALANCE				
Nonspendable	29,953	--	--	29,953
Restricted	52,398	--	--	52,398
Assigned	--	359,428	848,201	1,207,629
Unassigned	1,420,939	--	(109,796)	1,311,143
<i>Total Fund Balance</i>	<u>1,503,290</u>	<u>359,428</u>	<u>738,405</u>	<u>2,601,123</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 1,572,219</u>	<u>\$ 365,000</u>	<u>\$ 1,217,311</u>	<u>\$ 3,154,530</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, 2014

Total Fund Balance - Governmental Funds	\$	2,601,123
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.		(28,186)
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.		4,613,480
Tax revenue deferred in governmental fund statements if not received within sixty days		39,925
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(2,223,973)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements		185,055
Special assessment revenue deferred in governmental fund statements if not received within sixty days		128,562
Total Net Position-Governmental Funds	\$	<u>5,315,986</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, 2014

	<u>Debt Service</u>		Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>GOIB 2014C</u>		
Revenues				
Interest revenue	\$ 2,126	\$ 511	\$ 26,287	\$ 28,924
Intergovernmental Revenues	1,337,135	--	--	1,337,135
Property Taxes	571,290	--	126,584	697,874
Special Assessments	4,577	--	13,348	17,925
License and Permits	3,333	--	--	3,333
Fines and Forfeits	3,724	--	--	3,724
Charges for Services	86,487	--	--	86,487
Loan Income	--	--	30,410	30,410
Gain on sale of assets	72,365	--	--	72,365
Refunds and Reimbursements	431,819	--	--	431,819
Miscellaneous	241,212	--	14,559	255,771
Total Revenues	<u>2,754,068</u>	<u>511</u>	<u>211,188</u>	<u>2,965,767</u>
Expenditures				
General Government and Administration	667,396	--	--	667,396
Public Safety	309,423	--	--	309,423
Public Works	302,442	--	--	302,442
Culture and Recreation	238,816	--	--	238,816
Economic Development	--	--	87,725	87,725
Grant Pass-Through	278,804	--	--	278,804
Miscellaneous	313,011	--	158,973	471,984
Capital outlay	313,313	--	70,922	384,235
Interest and Charges on LT Debt	7,838	--	72,504	80,342
Debt - principal	13,030	--	31,000	44,030
Total Expenditures	<u>2,444,073</u>	<u>--</u>	<u>421,124</u>	<u>2,865,197</u>
Excess of Revenues Over (Under) Expenditures	<u>309,995</u>	<u>511</u>	<u>(209,936)</u>	<u>100,570</u>
Other Financing Sources (Uses)				
Loan Proceeds	--	365,000	235,000	600,000
Transfers from other funds	5,523	--	44,740	50,263
Bond Discounts	--	(6,083)	(3,917)	(10,000)
Transfers to other funds	(30,000)	--	(20,263)	(50,263)
Net Other Financing Sources (Uses)	<u>(24,477)</u>	<u>358,917</u>	<u>255,560</u>	<u>590,000</u>
Net Change in Fund Balance	285,518	359,428	45,624	690,570
<i>Fund Balance at Beginning of Period</i>	1,217,772	--	692,781	1,910,553
Fund Balance at End of Period	<u>\$ 1,503,290</u>	<u>\$ 359,428</u>	<u>\$ 738,405</u>	<u>\$ 2,601,123</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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ 690,570
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	8,424
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	44,030
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	313,313
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(292,054)
Accrued leave is reported in the government- wide statement of activities and changes in net position, but does not required the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.	4,231
The issuance of long-term debt (i.e. bonds) provides current resources to government funds, while the repayment of the principal of the long- term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(600,000)
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.	(72,364)
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	(3,536)
Special assessment revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(3,774)
Funds	<u>\$ 88,840</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, 2014**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Storm Sewer	Wastewater	Water	NON- Major Solid Waste	
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 1,779,631	\$ 488,637	\$ 869,863	\$ 80,584	\$ 3,218,715
Investments	--	761	474	283	1,518
Taxes Receivable	--	3,551	2,906	--	6,457
Delinquent Taxes Receivable	--	3,818	3,124	--	6,942
Special Assessments Receivable	1,550	6,373	6,541	--	14,464
Accounts Receivable	11,807	23,661	29,711	10,786	75,965
Prepaid and other assets	--	4,445	4,095	--	8,540
Total Current Assets	1,792,988	531,246	916,714	91,653	3,332,601
<i>Noncurrent Assets</i>					
Special Assessments - Deferred	82,442	1,788,729	1,672,613	--	3,543,784
Non-depreciable	91,903	361,376	321,115	25,116	799,510
Depreciable, net	1,193,507	5,981,102	4,990,209	--	12,164,818
Total Assets	3,160,840	8,662,453	7,900,651	116,769	19,840,713
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	519	2,149	1,770	5,022	9,460
Accrued wages and benefits	--	5,738	7,735	1,753	15,226
LT Debt Due Within One Year	50,000	184,000	242,000	--	476,000
Total Current Liabilities	50,519	191,887	251,505	6,775	500,686
<i>Noncurrent Liabilities</i>					
LT Debt Due Beyond One Yr.	2,715,000	4,688,033	4,103,153	--	11,506,186
Advances from other funds	--	4,445	4,095	--	8,540
Total Liabilities	2,765,519	4,884,365	4,358,753	6,775	12,015,412
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--	--
NET POSITION					
Net Investment in Capital Assets	150,410	1,470,446	966,172	25,116	2,612,144
<i>Restricted for:</i>					
Assigned	--	--	873,602	--	873,602
<i>Unrestricted</i>	244,911	2,307,642	1,702,124	84,878	4,339,555
Total Net Position	\$ 395,321	\$ 3,778,088	\$ 3,541,898	\$ 109,994	\$ 7,825,301

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, 2014

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Non-Major Solid Waste	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 125,707	\$ 237,118	\$ 396,935	\$ 139,908	\$ 899,668
Total Operating Revenues	<u>125,707</u>	<u>237,118</u>	<u>396,935</u>	<u>139,908</u>	<u>899,668</u>
Operating Expenses					
Labor	--	72,544	76,410	14,287	163,241
Employee Benefits	--	24,338	26,175	5,362	55,875
Supplies	241	2,894	22,767	2,249	28,151
Repairs	624	10,580	32,800	--	44,004
Utilities	--	2,416	19,236	--	21,652
Fuel	--	956	1,108	--	2,064
Telephone	--	460	1,479	--	1,939
Insurance	--	4,830	4,420	--	9,250
Auditing	--	1,750	1,750	1,630	5,130
Miscellaneous	119	969	1,215	1,806	4,109
Contracted Services	--	4,184	2,788	67,607	74,579
Tipping Expenses	--	--	--	19,216	19,216
Travel	--	1,272	488	--	1,760
Motor Fuel	--	1,634	2,098	--	3,732
Water Purchases	--	301	891	--	1,192
Truck Expense	--	103	331	--	434
Dues and License	--	608	5,930	680	7,218
Construction	--	--	--	5,670	5,670
Legal & Professional	450	--	--	15,863	16,313
Assessment	--	--	--	1,772	1,772
Depreciation	54,651	259,503	225,525	--	539,679
Total Operating Expenses	<u>56,085</u>	<u>389,342</u>	<u>425,411</u>	<u>136,142</u>	<u>1,006,980</u>
Operating Income (Loss)	<u>69,622</u>	<u>(152,224)</u>	<u>(28,476)</u>	<u>3,766</u>	<u>(107,312)</u>
Non-Operating Revenues (Expenses)					
Interest revenue	4,893	34,381	29,594	53	68,921
Property Taxes	--	83,445	69,866	--	153,311
Special Assessments	--	835,636	905,273	--	1,740,909
Gain on sale of assets	--	787	10,309	--	11,096
Interest expense	(41,036)	(71,999)	(50,811)	--	(163,846)
Sales Tax Expense	--	--	(4,397)	(9,645)	(14,042)
Net Non-Operating Revenues (Expenses)	<u>(36,143)</u>	<u>882,250</u>	<u>959,834</u>	<u>(9,592)</u>	<u>1,796,349</u>
Income Before Contributions and Transfers	<u>33,479</u>	<u>730,026</u>	<u>931,358</u>	<u>(5,826)</u>	<u>1,689,037</u>
Transfers from other funds	--	--	--	--	--
Bond Discounts	(19,522)	--	--	--	(19,522)
Bond Issuance Costs	(30,314)	--	--	--	(30,314)
Transfers to other funds	--	--	--	--	--
Change In Net Position	<u>(16,357)</u>	<u>730,026</u>	<u>931,358</u>	<u>(5,826)</u>	<u>1,639,201</u>
<i>Net Position at Beginning of Period</i>	411,678	3,048,062	2,610,540	115,820	6,186,100
Net Position at End of Period	<u>\$ 395,321</u>	<u>\$ 3,778,088</u>	<u>\$ 3,541,898</u>	<u>\$ 109,994</u>	<u>\$ 7,825,301</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, 2014

	Business-Type Activities				Totals 2014
	Storm Sewer Fund	Wastewater Fund	Water Fund	Non-Major Garbage Fund	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 124,993	\$ 236,813	\$ 397,055	\$ 140,873	\$ 899,734
Cash Paid to Suppliers	(923)	(54,375)	(99,633)	(126,661)	(281,592)
Cash Paid to Employees		(72,544)	(101,891)	(14,287)	(188,722)
Net Cash Flows Provided (Used) by Operating Activities	\$ 124,070	\$ 109,894	\$ 195,531	\$ (75)	\$ 429,420
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	\$ -	\$ 81,824	\$ 68,539		\$ 150,363
Special Assessments	5,279	98,399	93,790		197,468
Cash Received from (paid on) Due to Other Funds		(385)	(325)		(710)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	\$ 5,279	\$ 179,838	\$ 162,004	\$ -	\$ 347,121
Cash Flows from Capital and Related Financing Activities:					
Cash Received from Bond Proceeds	\$ 1,580,164	\$ 280,033	\$ 298,151		\$ 2,158,348
Cash Paid for Principal on Debt	(50,000)	(182,000)	(238,000)		(470,000)
Cash Paid for Interest on Debt	(41,036)	(71,999)	(50,811)		(163,846)
Acquisition of Capital Assets	(91,901)	(284,300)	(323,594)	-	(699,795)
Net Cash Flows from Capital and Related Financing Activities	\$ 1,397,227	\$ (258,266)	\$ (314,254)	\$ -	\$ 824,707
Cash Flows From Investing Activities:					
Interest Earned on Investments	\$ 4,893	\$ 34,381	\$ 29,594	\$ 53	\$ 68,921
Sale of Investments		787	10,309	-	11,096
Purchase of Investments		-	-	-	-
Net Cash Flows from Investing Activities	\$ 4,893	\$ 35,168	\$ 39,903	\$ 53	\$ 80,017
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,531,469	\$ 66,634	\$ 83,184	\$ (22)	\$ 1,681,265
Cash and Cash Equivalents - Beginning of Year	248,162	422,002	786,679	80,606	1,537,449
Cash and Cash Equivalents - End of Year	\$ 1,779,631	\$ 488,637	\$ 869,863	\$ 80,584	\$ 3,218,715

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

Operating Income (Loss)	\$ 69,622	\$ (152,224)	\$ (28,476)	\$ 3,766	\$ (107,312)
Other Expense			(4,397)	(9,646)	(14,043)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	54,651	259,503	225,525	-	539,679
Changes in Assets and Liabilities:					
Accounts Receivable	(714)	(305)	117	966	64
Prepaid Expense		385	325		710
Accrued Expenses					-
Accounts Payable-Operating	511	2,141	1,743	5,014	9,409
Accrued Vacation		394	694	(175)	913
Net Cash Provided (Used) by Operating Activities	\$ 124,070	\$ 109,894	\$ 195,531	\$ (75)	\$ 429,420

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
			<u>Actual</u>	
Revenues				
Local and County Revenue				
General Property Taxes	\$ 565,641	\$ 565,641	\$ 571,290	\$ 5,649
Special Assessments	<u>2,200</u>	<u>2,200</u>	<u>4,577</u>	<u>2,377</u>
Total Local and County Revenue	<u>567,841</u>	<u>567,841</u>	<u>575,867</u>	<u>8,026</u>
License and Permits				
Business	1,400	1,400	1,645	245
Liquor	2,100	2,100	1,488	(612)
Non-Business	<u>175</u>	<u>175</u>	<u>200</u>	<u>25</u>
Total License and Permits	<u>3,675</u>	<u>3,675</u>	<u>3,333</u>	<u>(342)</u>
Intergovernmental Revenue				
Local Government Aid	702,407	702,407	702,407	0
Market Value Assistance	--	--	316	316
Local Performance Aid & PERA Aid	2,312	2,312	2,312	0
State Aid - Police	20,000	20,000	22,889	2,889
Public Safety - Canby & Porter	--	--	12,887	12,887
Other Grants	10,000	10,000	115,415	105,415
Federal Grant	<u>152,000</u>	<u>152,000</u>	<u>480,909</u>	<u>328,909</u>
Total Intergovernmental Revenue	<u>886,719</u>	<u>886,719</u>	<u>1,337,135</u>	<u>450,416</u>
Charges for Services				
Lot Sales	2,000	2,000	--	(2,000)
Perpetual Care	--	--	50	50
Fire Control Income	<u>7,500</u>	<u>7,500</u>	<u>5,250</u>	<u>(2,250)</u>
Total Charges for Services	<u>9,500</u>	<u>9,500</u>	<u>5,300</u>	<u>(4,200)</u>
Fines and Forfeitures				
Traffic and Ordinance Fines	<u>3,500</u>	<u>3,500</u>	<u>3,724</u>	<u>224</u>
Total Fines and Forfeitures	<u>3,500</u>	<u>3,500</u>	<u>3,724</u>	<u>224</u>
Miscellaneous				
Interest Income	4,100	4,100	2,126	(1,974)
Rents	300	300	2,160	1,860
Airport Hanger Rent	10,000	10,000	10,800	800
Airport Farm Rent	6,069	6,069	15,136	9,067
Airport Gas, Gravel Sales, and Fly-in	73,764	73,764	55,251	(18,513)
Cable Franchise Fee	35,000	35,000	39,172	4,172
Insurance Refunds & Reimbursements	15,000	15,000	24,027	9,027
Pop Machine	300	300	374	74
Donations	3,750	3,750	144,868	141,118
Sale of Assets	--	--	72,365	72,365
Other Miscellaneous Revenue	<u>217,500</u>	<u>217,500</u>	<u>462,430</u>	<u>406,930</u>
Total Miscellaneous	<u>365,783</u>	<u>365,783</u>	<u>828,709</u>	<u>624,926</u>
Total Revenues	1,675,018	1,675,018	2,754,068	770,246
Other Financing Sources				
Transfers from other funds	<u>125,000</u>	<u>125,000</u>	<u>5,523</u>	<u>(119,477)</u>
Total Revenues and Other Financing Sources	<u>1,800,018</u>	<u>1,800,018</u>	<u>2,759,591</u>	<u>959,573</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-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
			<u>Actual</u>	<u>Actual</u>
Expenditures				
GENERAL GOVERNMENT				
Mayor and Council				
Salaries	7,200	7,200	6,700	500
Payroll Taxes & Benefits	901	901	872	29
Travel and Conference	250	56	56	--
Subscriptions and Memberships	50	50	60	(10)
Total Mayor and Council	<u>8,401</u>	<u>8,207</u>	<u>7,688</u>	<u>519</u>
General Insurance	<u>96,000</u>	<u>101,000</u>	<u>92,753</u>	<u>8,247</u>
Election	<u>2,500</u>	<u>4,100</u>	<u>3,913</u>	<u>187</u>
City Administration				
Salaries	93,500	99,550	99,501	49
Payroll Tax & Benefits	13,950	14,050	14,009	41
Insurance	15,080	15,080	15,204	(124)
Office Supplies	4,700	8,850	4,500	4,350
Maintenance and Repairs	200	200	29	171
Communications	5,000	4,650	4,602	48
Travel, Conference and Schools	2,000	1,650	1,760	(110)
Printing and Publishing	3,500	3,500	2,906	594
Contractual Services	1,750	2,150	1,865	285
Miscellaneous	3,000	3,000	2,956	44
Equipment and Improvements	<u>17,000</u>	<u>7,200</u>	<u>7,191</u>	<u>9</u>
Total City Administration	<u>159,680</u>	<u>159,880</u>	<u>154,523</u>	<u>5,357</u>
Assessor	<u>15,600</u>	<u>15,600</u>	<u>15,600</u>	<u>--</u>
Accounting and Legal	<u>25,000</u>	<u>35,000</u>	<u>35,111</u>	<u>(111)</u>
Planning and Zoning	<u>13,000</u>	<u>363,000</u>	<u>333,413</u>	<u>29,587</u>
Municipal Building				
Maintenance and Repair	6,500	8,500	8,729	(229)
Supplies	1,725	1,725	1,595	130
Utilities	11,750	12,750	12,740	10
Contractual Services	4,000	5,800	5,699	101
Miscellaneous	<u>10</u>	<u>10</u>	<u>10</u>	<u>--</u>
Total Municipal Building	<u>23,985</u>	<u>28,785</u>	<u>28,773</u>	<u>12</u>
Public Restroom Service	<u>2,000</u>	<u>2,000</u>	<u>1,806</u>	<u>194</u>
Miscellaneous				
Printing and Publishing	6,500	19,500	19,582	(82)
Utilities	2,200	2,600	2,577	23
Christmas Decorations Utilities	<u>10,750</u>	<u>19,435</u>	<u>18,334</u>	<u>1,101</u>
Total Miscellaneous	<u>19,450</u>	<u>41,535</u>	<u>40,493</u>	<u>1,042</u>
TOTAL GENERAL GOVERNMENT	<u>365,616</u>	<u>759,107</u>	<u>714,073</u>	<u>45,034</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-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
			<u>Actual</u>	
PUBLIC SAFETY				
Police Protection				
Wages	154,000	174,000	172,597	1,403
Payroll Taxes/PERA	24,900	28,000	28,310	(310)
Insurance	21,530	24,530	24,706	(176)
Office/General Supplies	7,000	6,500	6,601	(101)
Motor Fuel and Lubes	12,000	8,500	8,096	404
Maintenance and Repair	5,000	2,500	2,474	26
Communications	4,500	3,750	3,712	38
Travel, Conference, and Schools	900	1,100	1,202	(102)
Subscription and Memberships	325	325	280	45
Contractual Services	6,000	6,000	5,834	166
Professional Services	20,000	16,000	13,678	2,322
Equipment and Improvements	--	1,000	779	221
Total Police Protection	<u>256,155</u>	<u>272,205</u>	<u>268,269</u>	<u>3,936</u>
Fire Protection				
Wages	20,000	13,625	13,625	--
Payroll Taxes/PERA	1,550	1,050	1,042	8
Interest	7,838	7,838	7,838	0
Principal	13,030	13,030	13,030	0
Supplies	2,500	2,500	2,132	368
Motor Fuel and Lubes	2,500	3,100	2,878	222
Maintenance and Repair	4,750	12,250	10,263	1,987
Communications	600	600	499	101
Travel, Conference and Schools	4,000	4,000	3,241	759
Utilities	5,000	5,700	5,483	217
Contracted Services	250	1,100	1,085	15
Miscellaneous	450	450	420	30
Equipment and Improvements	--	30,000	34,460	(4,460)
Total Fire Protection	<u>62,468</u>	<u>95,243</u>	<u>95,996</u>	<u>(753)</u>
Civil Defense				
Utilities	500	500	465	35
Supplies	220	220	175	45
Total Civil Defense	<u>720</u>	<u>720</u>	<u>640</u>	<u>80</u>
Animal Control				
Contracted Services	1,250	625	625	--
Total Animal Control	<u>1,250</u>	<u>625</u>	<u>625</u>	<u>--</u>
TOTAL PUBLIC SAFETY	<u>320,593</u>	<u>368,793</u>	<u>365,530</u>	<u>3,263</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-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
			<u>Actual</u>	<u>Actual</u>
PUBLIC WORKS				
Streets				
Wages	88,000	90,000	89,955	45
Payroll Taxes/PERA	13,100	13,000	12,937	63
Insurance	16,570	16,420	16,671	(251)
Motor Fuel and Lubes	16,000	14,500	13,473	1,027
Maintenance and Repair	106,500	123,250	124,358	(1,108)
Travel, Conferences and Schools	300	300	213	87
Utilities	450	450	435	15
Supplies	6,000	6,000	4,011	1,989
Capital Expenditures	30,000	10,000	13,178	(3,178)
Miscellaneous	150	150	152	(2)
Total Streets	<u>277,070</u>	<u>274,070</u>	<u>275,383</u>	<u>(1,313)</u>
Snow Removal	<u>2,500</u>	<u>2,500</u>	<u>413</u>	<u>2,087</u>
City Garage				
Utilities	5,000	6,300	6,236	64
Maintenance and Repair	3,500	4,500	4,139	361
Supplies	500	500	808	(308)
Miscellaneous	10	10	10	--
Equipment	5,000	--	--	--
Dues and Licenses	10	10	10	--
Total City Garage	<u>14,020</u>	<u>11,320</u>	<u>11,203</u>	<u>117</u>
Street Lighting	<u>30,000</u>	<u>28,800</u>	<u>28,621</u>	<u>179</u>
TOTAL PUBLIC WORKS	<u>323,590</u>	<u>316,690</u>	<u>315,620</u>	<u>1,070</u>
CULTURE AND REC				
Library				
Communications	600	600	505	95
Contracted Services	<u>73,573</u>	<u>73,573</u>	<u>73,573</u>	<u>--</u>
Total Library	<u>74,173</u>	<u>74,173</u>	<u>74,078</u>	<u>95</u>
Recreation Council				
Wages	45,000	45,900	45,880	20
Payroll Taxes	3,500	3,500	3,510	(10)
Utilities	<u>1,600</u>	<u>1,600</u>	<u>1,566</u>	<u>34</u>
Total Recreation Council	<u>50,100</u>	<u>51,000</u>	<u>50,956</u>	<u>44</u>
Parks				
Salaries and Wages	18,500	18,400	18,380	20
Payroll Taxes/PERA	2,800	2,375	2,371	4
Insurance	2,645	2,525	2,519	6
Motor Fuels & Lubes	4,250	3,850	3,845	5
Maintenance and Repair Building	12,000	10,500	10,537	(37)
Utilities	1,500	1,500	1,382	118
Supplies	3,000	2,500	2,430	70
Contracted Services	500	500	283	217
Subscriptions and Memberships	200	250	231	19
Equipment Purchase	83,250	71,272	72,332	(1,060)
Miscellaneous	<u>50</u>	<u>50</u>	<u>30</u>	<u>20</u>
Total Parks	<u>128,695</u>	<u>113,722</u>	<u>114,340</u>	<u>(618)</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-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over
				<u>Actual</u>
Swimming Pool				
Communication	250	250	243	7
Utilities	13,000	17,500	17,413	87
Maintenance and Repair Equipment	2,000	7,200	7,418	(218)
Maintenance and Repair Building	1,000	250	219	31
Supplies	8,500	9,900	9,845	55
Miscellaneous	700	7,220	7,130	90
Equipment and Improvements	18,500	3,500	3,482	18
Total Swimming Pool	<u>43,950</u>	<u>45,820</u>	<u>45,750</u>	<u>70</u>
Theater				
Communications	--	400	379	21
Utilities	--	4,000	3,626	374
Supplies	--	3,000	--	3,000
Contracted Services	--	3,100	3,031	69
Maintenance and Repairs	--	4,500	--	4,500
Miscellaneous	--	1,202	1,178	24
Total Theater	<u>--</u>	<u>16,202</u>	<u>8,214</u>	<u>7,988</u>
TOTAL CULTURE AND REC	<u>296,918</u>	<u>300,917</u>	<u>293,338</u>	<u>7,579</u>
MISCELLANEOUS				
Airport				
Motor Fuels and Lubes	1,650	1,650	537	1,113
Maintenance and Repairs	2,000	5,500	5,400	100
Communications	2,200	2,850	2,805	45
Utilities	5,000	5,000	5,205	(205)
Supplies	1,300	2,600	2,542	58
License and Taxes	5,025	6,625	6,549	76
Merchandise for Resale	65,000	29,000	45,132	(16,132)
Contracted Services	25,000	20,000	20,612	(612)
Miscellaneous	900	1,000	942	58
Expansion Project	150,000	150,000	148,290	1,710
Total Airport	<u>258,075</u>	<u>224,225</u>	<u>238,014</u>	<u>(13,789)</u>
Cemetery				
Wages	12,000	11,500	11,484	16
Payroll Taxes/PERA	1,800	1,430	1,425	5
Utilities	150	150	133	17
Maintenance and Repair	100	100	--	100
Supplies	200	450	432	18
Insurance	975	975	1,005	(30)
Miscellaneous	10	10	10	--
Total Cemetery	<u>15,235</u>	<u>14,615</u>	<u>14,489</u>	<u>126</u>
Other				
Canby Area Business Service	8,382	8,382	8,572	(190)
Insect and Pest Control	700	750	798	(48)
Equipment Replacement Reserve	24,403	24,403	--	24,403
Miscellaneous	61,506	50,606	49,332	1,274
Grant Passthrough Expense	--	--	278,804	(278,804)
Capital Outlay	--	145,194	165,503	(20,309)
Total Other	<u>94,991</u>	<u>229,335</u>	<u>503,009</u>	<u>(273,674)</u>
TOTAL MISCELLANEOUS	<u>368,301</u>	<u>468,175</u>	<u>755,512</u>	<u>(287,337)</u>
Total Expenditures	1,675,018	2,213,682	2,444,073	(230,391)
Other Financing Uses				
Transfers to other funds	<u>125,000</u>	<u>705,000</u>	<u>30,000</u>	<u>675,000</u>
Total Expenditures and Other Financing Uses	1,800,018	2,918,682	2,474,073	444,609
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	--	(1,118,664)	285,518	1,404,182
Net Change in Fund Balance	--	(1,118,664)	285,518	1,404,182
<i>Fund Balance at Beginning of Period</i>	<i>1,217,772</i>	<i>1,217,772</i>	<i>1,217,772</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,217,772	\$ 99,108	\$ 1,503,290	\$ 1,404,182

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 one blended component unit, the Economic Development Authority.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

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, 2014

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 *GOIB 2014C* is a debt service fund that accounts for the 2014C GO TIF Bond bond proceeds

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, 2014

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 inter-fund 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 non-operating 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 non-operating 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, 2014

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 inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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, 2014

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.

Inventories

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

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 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, 2014

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, 2014

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 is 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, 2014

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. Sick leave is not included in compensated absences.

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%

Compensatory Time – Time over 40 hours per week and having received approval will be considered overtime at the rate of time and one-half which may be taken as pay or compensatory time at the employee’s discretion. An employee may not exceed 120 hours of compensatory time.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classifications (Continued)

- 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.
- 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, 2014, the unassigned fund balance of the General Fund was 77% 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, 2014

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.

Grant Receivable

Grant revenues from the federal and state government are recognized as awarded and received. Expenditures are recognized when incurred in accordance with the provisions of the grants and contracts. As of December 31, 2014, grant receivable totaled \$163,090. This amount includes federal and state dollars.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.
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, 2014

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

B. FUND BALANCE CLASSIFICATION

At December 31, 2014, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>GOIB 2014C</u>	<u>Other Govt Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	29,953			29,953
Restricted for:				
John Swenson Trust	52,398			52,398
Assigned to:				
Debt Service		359,428	848,201	1,207,629
Unassigned:	<u>1,420,939</u>	<u>-</u>	<u>(109,796)</u>	<u>1,311,143</u>
Total Fund Balances	<u>1,503,290</u>	<u>359,428</u>	<u>738,405</u>	<u>2,601,123</u>

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no major governmental funds with excess expenditures over appropriations.

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2014:

Debt Service Funds:	
TIF 1-10	20,336
TIF 1-18	3,316
TIF 1-6	5,434
GO Tax Increment Bonds - 1997	24,790
GO Improvement Bonds – 2000	1,091
GO Tax Increment Bonds - 2004	65,919
Capital Projects Funds:	
TIF 1-25	19,494

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, 2014

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 \$5,117,230 at December 31, 2014, 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, 2014 was \$4,981,783.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2014, the City had the following investments:

<u>2014 Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$22,896	*

*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, 2014, 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, 2014, 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 12/31/14:

Checking	\$3,131,178
Savings and Money Market	1,775,311
Certificates of Deposit	52,398
Investments	<u>22,896</u>
 Total	 <u>\$4,981,783</u>
 Deposits	 \$4,958,887
Investments	<u>22,896</u>
 Total	 <u>\$4,981,783</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014 is \$39,923 for taxes and \$128,562 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 and 2014C. 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, 2014:

	Balance <u>1-1-13</u>	Amount <u>Advanced</u>	Payments <u>Received</u>	<u>Adjustments</u>	Balance <u>12-31-14</u>
EDA Loans	\$188,591	\$30,000	\$33,536	\$0	\$185,055
Canby HRA Loan	0	365,000	0	0	365,000
Canby HRA Loan	<u>260,000</u>	<u>0</u>	<u>7,760</u>	<u>0</u>	<u>252,240</u>
	<u>448,591</u>	<u>395,000</u>	<u>41,296</u>	<u>0</u>	<u>802,295</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities:	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</u>
Capital Assets Not Being Depreciated				
Land	768,081		71,865	696,216
Construction in Progress	1,662			1,662
Total Capital Assets Not Being Depreciated	<u>769,743</u>	<u>0</u>	<u>71,865</u>	<u>697,878</u>
Capital Assets Being Depreciated:				
Buildings	2,828,570	199,962		3,028,532
Improvements Other Than Buildings	3,260,232	8,671		3,268,903
Infrastructure	218,955			218,955
Machinery & Equipment	2,000,199	104,681		2,104,880
Total Capital Assets Being Depreciated	<u>8,307,956</u>	<u>313,314</u>	<u>0</u>	<u>8,621,270</u>
Less Accumulated Depreciation for:				
Buildings	2,205,447	40,109		2,245,556
Improvements Other Than Buildings	856,516	128,956		985,472
Infrastructure	46,431	15,917		62,348
Machinery & Equipment	1,305,220	107,072		1,412,292
Total Accumulated Depreciation	<u>4,413,614</u>	<u>292,054</u>	<u>0</u>	<u>4,705,668</u>
Total Capital Assets Being Depreciated, Net	<u>3,894,342</u>	<u>21,260</u>	<u>0</u>	<u>3,915,602</u>
Total Capital Assets	<u>4,664,085</u>	<u>21,260</u>	<u>71,865</u>	<u>4,613,481</u>
	<u>Balance</u> <u>1/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	126,295			126,295
Construction in Progress	0	673,215		673,215
Total Capital Assets Not Being Depreciated	<u>126,295</u>	<u>673,215</u>	<u>0</u>	<u>799,510</u>
Capital Assets Being Depreciated:				
Projects	10,184,173			10,184,173
Buildings	2,078,915			2,078,915
Improvements other than Buildings	1,208,271	2,500		1,210,771
Equipment	2,915,819	24,085		2,939,904
Total Capital Assets Being Depreciated	<u>16,387,178</u>	<u>26,585</u>	<u>0</u>	<u>16,413,763</u>
Less Accumulated Depreciation for:				
Projects	608,819	407,367		1,016,186
Buildings	923,526	48,064		971,590
Improvements other than Buildings	806,949	22,640		829,589
Equipment	1,369,970	61,610		1,431,580
Total Accumulated Depreciation	<u>3,709,264</u>	<u>539,681</u>	<u>0</u>	<u>4,248,945</u>
Total Capital Assets Being Depreciated, Net	<u>12,677,914</u>	<u>(513,096)</u>	<u>0</u>	<u>12,164,818</u>
Business-Type Activity Capital Assets, Net	<u>12,804,209</u>	<u>160,119</u>	<u>0</u>	<u>12,964,328</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	\$11,288
Public Safety	85,950
Public Works	28,212
Culture & Recreation	41,514
Miscellaneous	<u>125,090</u>
Total Depreciation Expense- Governmental Activities	<u>\$292,054</u>

Business-Type Activities:

Water	\$225,527
Wastewater	259,503
Storm Sewer	<u>54,651</u>
Total Depreciation Expense- Business-Type Activities	<u>\$539,681</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, 2014:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

<u>2014 Issuance</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-13</u>	<u>Retired</u>	<u>Issued</u>	<u>Balance 12-31-14</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>								
Bonds Payable:								
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	100,000	10,000		90,000	10,000
TIF Note, Series 2001-A-HRA Canby	35,000	08/2018	9.00%	28,000	1,000		27,000	1,000
2008 GO Fire Truck- USDA Rural Development	100,000	09/2017	4.125%	73,179	6,054		67,125	6,306
2011 GO Fire Truck- USDA Rural Development	130,000	07/2026	4.125%	116,823	6,976		109,847	7,375
2011 GO Parking Lot Bond	265,000	07/2023	3.00%	265,000	10,000		255,000	10,000
GO TIF Bond 2014C	600,000	11/2035	3.25% 3.00%			600,000	600,000	0
2012A GO Tax Increment Bond	750,000	09/2034	5.00%	750,000			750,000	30,000
2012B GO Tax Increment Bond	335,000	12/2038	5.750%	<u>335,000</u>	<u>10,000</u>		<u>325,000</u>	<u>10,000</u>
Total Bonds Payable				<u>1,668,002</u>	<u>44,030</u>	<u>600,000</u>	<u>2,223,972</u>	<u>74,681</u>
Total Long-Term Liabilities Governmental Activities				<u>1,668,002</u>			<u>2,223,972</u>	<u>74,681</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%	597,000	115,000		482,000	117,000
2010 Drinking Water Revolving MN PFA	3,012,055	08/2039	1.088%	3,688,000	123,000		3,565,000	125,000
2014 MNPFA Drinking Water Revolving	298,153	08/2044	1.00%			298,153	298,153	0
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	245,000	35,000		210,000	35,000
2010 Clean Water Revolving MN PFA	2,843,424	08/2039	1.349%	4,529,000	147,000		4,382,000	149,000
2014 MNPFA Clean Water Revolving	280,033	08/2044	1.00%			280,033	280,033	0
<u>Storm Sewer Fund</u>								
General Obligation Bond, Series 2014D	1,630,000	02/2035	3.30%			1,630,000	1,630,000	0
2010 GO Revenue Bond- Bond Trust Services	1,280,000	02/2031	3.00%	<u>1,185,000</u>	<u>50,000</u>	<u>0</u>	<u>1,135,000</u>	<u>50,000</u>
Total Long-Term Liabilities Business-Type Activities				<u>10,244,000</u>	470,000	2,208,186	<u>11,982,186</u>	<u>476,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2012 and 2014 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, 2014 was \$67,125 and \$109,848.

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, 2014, 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>
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	10,000	9,113	52,000	78,803
2020-2024	70,000	38,213	430,000	206,020
2025-2029	75,000	21,938	428,000	138,275
2030-2034	60,000	4,050	480,000	65,850
2035-2039	0	0	195,000	8,625
Totals	<u>\$255,000</u>	<u>\$115,958</u>	<u>\$1,792,000</u>	<u>\$836,563</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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>
2015	13,681	7,187	476,000	138,242
2016	14,245	6,623	542,000	129,411
2017	14,833	6,035	563,000	120,410
2018	15,445	5,423	567,000	113,453
2019	16,082	4,786	447,000	120,410
2020-2024	81,895	17,020	2,211,000	685,953
2025-2029	20,792	1,931	2,393,000	474,743
2030-2034	0	0	2,316,000	237,525
2035-2039	0	0	2,467,186	68,499
Totals	<u>176,973</u>	<u>49,005</u>	<u>11,982,186</u>	<u>2,088,646</u>

G. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2014 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	\$5,523	\$0
Non-Major Gov't Funds	<u>0</u>	<u>44,740</u>	<u>50,263</u>
Total	<u>\$0</u>	<u>\$50,263</u>	<u>\$50,263</u>

All transfers between funds were for bond payments.

	<u>Transfers In</u>	<u>Transfers Out</u>
Reconciliation to Fund Financial Statements:		
Governmental Funds	50,263	(50,263)
Enterprise Funds	<u>0</u>	<u>(0)</u>
Total Transfers	<u>50,263</u>	<u>(50,263)</u>

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers/ Internal Activity</u>
Reconciliation to Statement of Activities:			
Net Transfers for Governmental Activities			
Governmental Funds	50,263	(50,263)	(0)
Net Transfers for Business-Type Activities	0	0	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

Inter-fund Balances

At December 31, 2014, the following inter-fund 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	\$4,095	To cover operating
Wastewater Fund	General Fund	4,445	To cover operating
TIF 1-6	General Fund	5,434	To reimburse TIF expense
TIF 1-10	General Fund	21,000	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 1-26	Tax Inc Bond	4,418	Bond payment
TIF 1-25	Tax Inc Bond	19,494	Bond payment
GOIB 2012B	TIF 1-4	<u>12,905</u>	Bond payment
Total Inter-fund Balances		<u>\$183,387</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014, 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, 2014

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, 2014

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, 2014

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 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. PECF members are required to contribute 5.83% of their annual covered salary. In 2014, 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, 15.3% 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, 2014, 2013, and 2012 were \$26,994, \$26,652 and \$27,318. The City's contributions to the Public Employees Police and Fire Fund or the Public Employees Correctional Fund for the years ending December 31, 2014, 2013 and 2012 were \$24,869, \$21,924, and \$20,658. 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 more than \$500,000 of federal financial assistance and is required to do a Single Audit under the Single Audit Act.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. OTHER INFORMATION (Continued)

E. SUBSEQUENT EVENTS

As of May 19, 2015, the date the financial statements were available to be issued, it was noted that the City will be demolishing the swimming pool and a new swimming pool will be built in its place. The estimated project cost inclusive of construction and Legal Engineering Administration Finance (LEAF) is about \$1.4 million. Construction is anticipated to begin in July 2015. The swimming pool will be financed by general obligation bond issue and grants.

F. 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 2014, the City of Canby received \$142,408 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.

<u>Tax Increment Financing District No. 1-12 County (TIF 1-4)</u>	
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 –	11,245
Current tax capacity –	48,012
Captured tax capacity –	36,767
Retained by authority –	36,767
Shared with other authorities –	-0-
Total bonds issued -	146,587
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4. OTHER INFORMATION (Continued)

F. TAX INCREMENT FINANCING DISTRICTS (Continued)

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 –	1,459
Captured tax capacity –	1,431
Retained by authority –	1,431
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 –	1,404
Captured tax capacity –	1,265
Retained by authority –	1,265
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 OTHER INFORMATION (Continued)

F. 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 –	1,338
Captured tax capacity –	1,189
Retained by authority –	1,189
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 –	1,565
Captured tax capacity –	1,532
Retained by authority –	1,532
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 –	0
Current tax capacity –	1,451
Captured tax capacity –	1,451
Retained by authority –	1,451
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	20,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 OTHER INFORMATION (Continued)

F. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

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 –	25
Current tax capacity –	1,359
Captured tax capacity –	1,334
Retained by authority –	1,334
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/Janiszkeski	
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 –	1,132
Captured tax capacity –	1,098
Retained by authority –	1,098
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 –	3,205
Captured tax capacity –	2,944
Retained by authority –	2,944
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 OTHER INFORMATION (Continued)

F. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

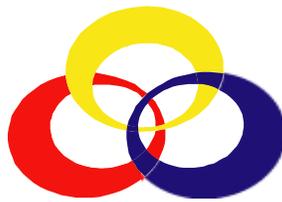
Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2003	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	72
Current tax capacity –	1,618
Captured tax capacity –	1,546
Retained by authority –	1,546
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-34 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 –	401
Current tax capacity –	28,248
Captured tax capacity –	27,847
Retained by authority –	27,847
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, 2014, 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, 2015.

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 findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2014-1 to be a material weakness.

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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

City of Canby's Response to Findings

City of Canby's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Canby's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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 2014-2. 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

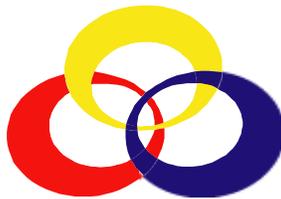
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of 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, 2015

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Canby, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Canby, Minnesota's major federal programs for the year ended December 31, 2014. The City of Canby, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Canby, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about City of Canby, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Canby, Minnesota's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Canby, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

Management of the City of Canby, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Canby, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Canby, Minnesota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We identified the deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item, 2014-1, and we consider it to be a material weakness.

City of Canby's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Canby's response will not be subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kinner & Company, Ltd
Certified Public Accountants

May 19, 2015

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CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiencies identified that are not considered to be material weaknesses? None
Reported

Type of auditor's report issued on compliance for major program: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of
Circular A-133? No

Major Programs:

66.468 Drinking Water State Revolving Fund

66.458 Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

The City of Canby does not qualify as a low-risk auditee.

**CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

FINDINGS – FINANCIAL STATEMENT AUDIT

2014-1: 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 and Council Response:

The following segregation of duties are presently in place:

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

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

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014

FINDINGS – FINANCIAL STATEMENT AUDIT

2014-2: According to the Minnesota Legal Compliance Manual, the city is not compliant with Minnesota Statute 469.178, subd. 7. The city did not authorize by resolution before money was transferred within the TIF districts and the general fund. The city does not have terms and conditions for repayment setup for these inter-fund loans.

Condition: There is a lack of knowledge in the accounting department with the Minnesota Legal Compliance Guide.

Criteria: The accounting department will review the Minnesota Legal Compliance Guide each year.

Cause: The City has a limited number of accounting personnel that are familiar with the TIF districts and the Minnesota Legal Compliance guide.

Effect: The City of Canby was not compliant with the Minnesota Legal Compliance guide and should review this guide for assistance each year.

Recommendation: We recommend the City setup resolutions and payment terms to comply with the Minnesota Legal Compliance Guide.

Corrective Action Plan and Council Response: The council will setup a resolution for each inter-fund loan and payment terms at the next council meeting so the city is compliant with the Minnesota Legal Compliance Guide.

PRIOR YEAR FINANCIAL FINDINGS

2013-1: The City does not maintain an adequate segregation of duties among its accounting personnel- This finding continues to exist and has been restated as finding 2014-1

2013-2: The City did not follow MN Statutes for miscellaneous provisions- This finding has been resolved in 2014.

2013-3: The City is required to report accurate financial information. We proposed material adjustments including a restatement- This finding has been resolved in 2014

CITY OF CANBY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass Through Grantor and Program Title	Grant Contract Period	Federal CFDA Number	Grant Number	Federal Expenditures
U.S Department of Agriculture-Rural Development RBEG	06/24/13-12/31/14	10.769	GLS 486019895	\$ 30,000
Total U.S. Department of Agriculture				<u>30,000</u>
U.S. Department of Urban Development Community Development Block Grant	06/2012-12/31/14	14.228	CDAP-11-0041-0-FY12	<u>278,804</u>
Total U.S Department of Urban Development				<u>278,804</u>
U.S. Department of Transportation: Airport Improvement Program	10/01/06-10/31/2017	20.106	3-27-0144-11-14	141,617
Airport Improvement Program	10/01/06-10/31/2017	20.106	3-27-0144-09-14	<u>25,940</u>
Total U.S Department of Transportation				<u>167,557</u>
U.S. Environmental Protection Agency: * Clean Water State Revolving Fund	01/01/14-12/31/14	66.458	MPFA-14-0014-R-FY15	281,541
* Drinking Water State Revolving Fund	01/01/14-12/31/14	66.468	MPFA-14-0032-R-FY15	<u>299,770</u>
Total U.S. Environmental Protection Agency				<u>581,311</u>
Grand Total				<u>\$ 1,057,672</u>

* donates Major Program

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.

**Canby HRA
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014**

	Special Revenue			Debt Service			Other Governmental Funds	Total Governmental Funds
	General	Duplex	Apartment Projects	TIF 1-1	TIF 1-4	TIF 1-5		
ASSETS								
Cash	\$ 1,736	\$ 115,497	\$ 115,284	\$ 227,595	\$ --	\$ 11,570	\$ 91,676	\$ 563,358
Notes Receivable - Due within one year	9,297	--	--	--	--	--	--	9,297
Prepaid Insurance	142	28	1,638	--	--	--	1,181	2,989
Taxes Receivable	--	--	--	12	--	--	--	12
Due from Other Entity	--	--	--	4,580	--	992	--	5,572
Notes Receivable - Due after one year	55,534	--	--	--	--	--	--	55,534
Advance to other funds	170,072	--	254,226	--	--	--	76,563	500,861
<i>Total Assets</i>	<u>236,781</u>	<u>115,525</u>	<u>371,148</u>	<u>232,187</u>	<u>--</u>	<u>12,562</u>	<u>169,420</u>	<u>1,137,623</u>
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 236,781</u>	<u>\$ 115,525</u>	<u>\$ 371,148</u>	<u>\$ 232,187</u>	<u>\$ --</u>	<u>\$ 12,562</u>	<u>\$ 169,420</u>	<u>\$ 1,137,623</u>
LIABILITIES								
Accounts Payable	\$ --	\$ --	\$ 602	\$ --	\$ --	\$ --	\$ 184	\$ 786
Security Deposit Payable	--	482	3,188	--	--	--	2,182	5,852
Unearned Revenue	64,831	--	--	--	--	--	--	64,831
Advance from Other Funds	330,789	--	--	68,531	98,545	--	2,996	500,861
<i>Total Liabilities</i>	<u>395,620</u>	<u>482</u>	<u>3,790</u>	<u>68,531</u>	<u>98,545</u>	<u>--</u>	<u>5,362</u>	<u>572,330</u>
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	--	--	12	--	--	--	12
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>395,620</u>	<u>482</u>	<u>3,790</u>	<u>68,543</u>	<u>98,545</u>	<u>--</u>	<u>5,362</u>	<u>572,342</u>
FUND BALANCE								
Nonspendable	142	28	1,638	--	--	--	1,181	2,989
Assigned	--	115,015	365,720	163,644	--	12,562	171,456	828,397
Unassigned	(158,981)	--	--	--	(98,545)	--	(8,579)	(266,105)
<i>Total Fund Balance</i>	<u>(158,839)</u>	<u>115,043</u>	<u>367,358</u>	<u>163,644</u>	<u>(98,545)</u>	<u>12,562</u>	<u>164,058</u>	<u>565,281</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 236,781</u>	<u>\$ 115,525</u>	<u>\$ 371,148</u>	<u>\$ 232,187</u>	<u>\$ (14,467)</u>	<u>\$ 12,562</u>	<u>\$ 169,420</u>	<u>\$ 1,137,623</u>

Canby HRA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	<u>Special Revenue</u>			<u>Debt Service</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Duplex</u>	<u>Apartment Projects</u>	<u>TIF 1-1</u>	<u>TIF 1-4</u>	<u>TIF 1-5</u>		
Revenues								
Grant Loan Income	\$ 6,622	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 6,622
Program Income	7,678	--	--	--	--	--	--	7,678
Revenue Note Reimbursement	2,520	--	9,948	--	--	--	--	12,468
Rent Income	--	9,600	52,127	--	--	--	27,168	88,895
Laundry Income	--	--	1,108	--	--	--	--	1,108
Property Tax	--	--	--	307	--	--	7,569	7,876
Miscellaneous Income	--	--	168	--	--	--	--	168
Interest Income	1,062	184	795	--	--	--	139	2,180
Total Revenues	<u>17,882</u>	<u>9,784</u>	<u>64,146</u>	<u>307</u>	<u>--</u>	<u>--</u>	<u>34,876</u>	<u>126,995</u>
Expenditures								
General and Administrative	248	9,889	11,544	1,675	1,804	1,812	5,029	32,001
Insurance	17	334	4,824	--	--	--	3,342	8,517
Professional Fees	16,569	1,204	4,854	11,101	1,939	2,538	3,344	41,549
Utilities	--	--	15,034	--	--	--	571	15,605
Housing Initiatives	6,557	--	--	--	--	--	--	6,557
Demolition/Acquisition	2,565	--	--	890	2,161	8,212	637	14,465
Redevelopment	--	--	--	41,798	8,563	451	143	50,955
Small Cities Grant Program Expenses	14,975	--	--	--	--	--	--	14,975
Supplies	81	81	533	--	--	--	158	853
Repairs and Maintenance	5,647	4,417	19,004	--	--	--	7,076	36,144
Capital Outlay	--	--	16,820	--	--	8,790	--	25,610
Taxes	--	480	2,896	--	--	--	1,358	4,734
Principal	--	--	--	--	--	--	7,760	7,760
Interest	--	--	--	--	--	--	15,485	15,485
Total Expenditures	<u>46,659</u>	<u>16,405</u>	<u>75,509</u>	<u>55,464</u>	<u>14,467</u>	<u>21,803</u>	<u>44,903</u>	<u>275,210</u>
Excess of Revenues Over (Under) Expenditures	<u>(28,777)</u>	<u>(6,621)</u>	<u>(11,363)</u>	<u>(55,157)</u>	<u>(14,467)</u>	<u>(21,803)</u>	<u>(10,027)</u>	<u>(148,215)</u>
Other Financing Sources (Uses)								
Loan Proceeds	--	--	--	300,000	--	65,000	--	365,000
Gain (Loss) on Sale of Assets	2,502	--	--	--	--	--	25,757	28,259
Transfers from other funds	--	--	--	--	--	--	--	--
Loan Repayment	--	--	8,948	--	--	--	(8,948)	--
Transfers to other funds	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>2,502</u>	<u>--</u>	<u>8,948</u>	<u>300,000</u>	<u>--</u>	<u>65,000</u>	<u>16,809</u>	<u>393,259</u>
Net Change in Fund Balance	<u>(26,275)</u>	<u>(6,621)</u>	<u>(2,415)</u>	<u>244,843</u>	<u>(14,467)</u>	<u>43,197</u>	<u>6,782</u>	<u>245,044</u>
Fund Balance at Beginning of Period	<u>(132,564)</u>	<u>121,664</u>	<u>369,773</u>	<u>(81,199)</u>	<u>(84,078)</u>	<u>(30,635)</u>	<u>157,276</u>	<u>320,237</u>
Fund Balance at End of Period	<u>\$ (158,839)</u>	<u>\$ 115,043</u>	<u>\$ 367,358</u>	<u>\$ 163,644</u>	<u>\$ (98,545)</u>	<u>\$ 12,562</u>	<u>\$ 164,058</u>	<u>\$ 565,281</u>

City of Canby
Combining Balance Sheet
Nonmajor Governmental Special Revenue Funds
December 31, 2014

	EDA	Total Nonmajor Governmental Special Revenue Funds
ASSETS		
Cash and cash equivalents	\$ 30,583	\$ 30,583
Investments	--	--
Delinquent Taxes Receivable	--	--
Special Assessments Receivable	--	--
Accounts Receivable	--	--
Notes Receivable Current	36,233	36,233
Special Assessments - Deferred	--	--
Notes receivable - Non Current	148,823	148,823
Advances to other funds	--	--
<i>Total Assets</i>	215,639	215,639
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 215,639	\$ 215,639
LIABILITIES		
Due to Other Entity	\$ --	\$ --
Advances from other funds	--	--
<i>Total Liabilities</i>	--	--
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	185,055	185,055
<i>Total Liabilities and Deferred Inflows of Resources</i>	185,055	185,055
FUND BALANCE		
Assigned	--	--
Unassigned	30,584	30,584
<i>Total Fund Balance</i>	30,584	30,584
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 215,639	\$ 215,639

City of Canby
Combining Balance Sheet
Nonmajor Governmental Debt Service Funds
December 31, 2014

	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 1-8
ASSETS												
Cash and cash equivalents	\$ --	\$ 15,401	\$ 7,263	\$ 188,816	\$ 9,102	\$ 232	\$ 95,999	\$ 3,825	\$ 86,136	\$ --	\$ --	\$ 5,475
Investments	--	--	--	--	--	21,378	--	--	--	--	--	--
Delinquent Taxes Receivable	--	872	9	--	--	4	--	--	356	--	--	--
Special Assessments Receivable	--	483	542	--	--	--	312	--	--	--	--	--
Accounts Receivable	--	--	--	--	450	--	--	--	--	--	--	--
Notes Receivable Current	--	--	--	--	7,760	--	--	--	--	--	--	--
Special Assessments - Deferred	--	4,419	4,076	--	--	--	106,499	--	--	--	--	--
Notes receivable - Non Current	--	--	--	--	244,480	--	--	--	--	--	--	--
Advances to other funds	--	--	--	--	--	--	8,896	175	12,905	--	--	--
<i>Total Assets</i>	--	21,175	11,890	188,816	261,792	21,614	211,706	4,000	99,397	--	--	5,475
DEFERRED OUTFLOWS OF RESOURCES												
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ --	\$ 21,175	\$ 11,890	\$ 188,816	\$ 261,792	\$ 21,614	\$ 211,706	\$ 4,000	\$ 99,397	\$ --	\$ --	\$ 5,475
LIABILITIES												
Due to Other Entity	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Advances from other funds	--	--	8,896	--	12,905	--	--	28,790	--	--	5,434	--
<i>Total Liabilities</i>	--	--	8,896	--	12,905	--	--	28,790	--	--	5,434	--
DEFERRED INFLOWS OF RESOURCES												
Aggregated deferred inflows	--	5,109	4,085	--	--	2	106,499	--	356	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	5,109	12,981	--	12,905	2	106,499	28,790	356	--	5,434	--
FUND BALANCE												
Assigned	--	16,066	--	188,816	248,887	21,612	105,207	--	99,041	--	--	5,475
Unassigned	--	--	(1,091)	--	--	--	--	(24,790)	--	--	(5,434)	--
<i>Total Fund Balance</i>	--	16,066	(1,091)	188,816	248,887	21,612	105,207	(24,790)	99,041	--	(5,434)	5,475
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ --	\$ 21,175	\$ 11,890	\$ 188,816	\$ 261,792	\$ 21,614	\$ 211,706	\$ 4,000	\$ 99,397	\$ --	\$ --	\$ 5,475

City of Canby
Combining Balance Sheet
Nonmajor Governmental Debt Service Funds- Continued
December 31, 2014

	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	TIF 1-26	2009 Impr Bond	Total Nonmajor Governmental Debt Service Funds
ASSETS												
Cash and cash equivalents	\$ 5,741	\$ 664	\$ 231	\$ 6,177	\$ 6,093	\$ 5,040	\$ 4,675	\$ --	\$ --	\$ 110,368	\$ 31,760	\$ 582,998
Investments	--	--	--	--	--	--	--	--	--	--	--	21,378
Delinquent Taxes Receivable	--	--	--	42	--	--	--	--	--	--	3,520	4,803
Special Assessments Receivable	--	--	--	--	--	--	--	--	--	--	1,496	2,833
Accounts Receivable	--	--	--	--	--	--	--	--	--	--	--	450
Notes Receivable Current	--	--	--	--	--	--	--	--	--	--	--	7,760
Special Assessments - Deferred	--	--	--	--	--	--	--	--	--	--	--	114,994
Notes receivable - Non Current	--	--	--	--	--	--	--	--	--	--	--	244,480
Advances to other funds	--	--	--	--	--	--	--	--	--	--	--	21,976
<i>Total Assets</i>	5,741	664	231	6,219	6,093	5,040	4,675	--	--	110,368	36,776	1,001,672
DEFERRED OUTFLOWS OF RESOURCES												
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 5,741	\$ 664	\$ 231	\$ 6,219	\$ 6,093	\$ 5,040	\$ 4,675	\$ --	\$ --	\$ 110,368	\$ 36,776	\$ 1,001,672
LIABILITIES												
Due to Other Entity	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Advances from other funds	--	21,000	--	--	--	--	7,991	--	65,919	4,418	--	155,353
<i>Total Liabilities</i>	--	21,000	--	--	--	--	7,991	--	65,919	4,418	--	155,353
DEFERRED INFLOWS OF RESOURCES												
Aggregated deferred inflows	--	--	--	42	--	--	--	--	--	--	2,911	119,004
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	21,000	--	42	--	--	7,991	--	65,919	4,418	2,911	274,357
FUND BALANCE												
Assigned	5,741	--	231	6,177	6,093	5,040	--	--	--	105,950	33,865	848,201
Unassigned	--	(20,336)	--	--	--	--	(3,316)	--	(65,919)	--	--	(120,886)
<i>Total Fund Balance</i>	5,741	(20,336)	231	6,177	6,093	5,040	(3,316)	--	(65,919)	105,950	33,865	727,315
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 5,741	\$ 664	\$ 231	\$ 6,219	\$ 6,093	\$ 5,040	\$ 4,675	\$ --	\$ --	\$ 110,368	\$ 36,776	\$ 1,001,672

City of Canby
Combining Balance Sheet
Nonmajor Governmental Capital Projects Funds
December 31, 2014

	TIF 1-25	Total Nonmajor Governmental Capital Projects Funds
ASSETS		
Cash and cash equivalents	\$ --	\$ --
Investments	--	--
Delinquent Taxes Receivable	--	--
Special Assessments Receivable	--	--
Accounts Receivable	--	--
Notes Receivable Current	--	--
Special Assessments - Deferred	--	--
Notes receivable - Non Current	--	--
Advances to other funds	--	--
<i>Total Assets</i>	--	--
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ --	\$ --
LIABILITIES		
Due to Other Entity	\$ --	\$ --
Advances from other funds	19,494	19,494
<i>Total Liabilities</i>	19,494	19,494
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	19,494	19,494
FUND BALANCE		
Assigned	--	--
Unassigned	(19,494)	(19,494)
<i>Total Fund Balance</i>	(19,494)	(19,494)
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ --	\$ --

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Special Revenue Funds
For the Year Ended December 31, 2014

	EDA	Total Nonmajor Governmental Special Revenue Funds
Revenues		
Interest revenue	\$ 3,584	\$ 3,584
Property Taxes	--	--
Special Assessments	--	--
Loan Income	30,410	30,410
Miscellaneous	1,626	1,626
<i>Total Revenues</i>	35,620	35,620
Expenditures		
Economic Development	87,725	87,725
Miscellaneous	--	--
Capital outlay	--	--
Interest and Charges on LT Debt	--	--
Debt - principal	--	--
<i>Total Expenditures</i>	87,725	87,725
<i>Excess of Revenues Over (Under) Expenditures</i>	(52,105)	(52,105)
Other Financing Sources (Uses)		
Loan Proceeds	--	--
Transfers from other funds	30,000	30,000
Bond Discounts	--	--
Transfers to other funds	--	--
<i>Net Other Financing Sources (Uses)</i>	30,000	30,000
<i>Net Change in Fund Balance</i>	(22,105)	(22,105)
<i>Fund Balance at Beginning of Period</i>	52,689	52,689
<i>Fund Balance at End of Period</i>	\$ 30,584	\$ 30,584

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Debt Service Funds
For the Year Ended December 31, 2014

	Fire Hall Bond	GOIB of 2001	GOIB of 2000	TIF 1-24 GOIB of 2012A	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Iner Bond 1997	TIF 1-4	TIF 1-5	TIF 1-6	TIF 1-8
Revenues												
Interest revenue	\$ --	\$ 597	\$ 341	\$ 85	\$ 14,953	\$ 3	\$ 5,971	\$ --	\$ 12	\$ --	\$ --	\$ 1
Property Taxes	40	443	--	44,205	--	2	--	--	58,443	--	2,432	2,272
Special Assessments	--	2,213	2,059	--	--	--	5,806	--	--	--	--	--
Loan Income	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	32	9	--	545	--	22	--	--	--	--	--
Total Revenues	40	3,285	2,409	44,290	15,498	5	11,799	--	58,455	--	2,432	2,273
Expenditures												
Economic Development	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	3,468	--	160	161
Capital outlay	--	--	--	--	--	--	--	--	70,000	--	--	--
Interest and Charges on LT Debt	1	32	12	31,220	15,398	--	11,124	7,862	4,315	--	--	--
Debt - principal	--	--	--	--	7,760	--	10,000	10,000	2,240	--	--	--
Total Expenditures	1	32	12	31,220	23,158	--	21,124	17,862	80,023	--	160	161
Excess of Revenues Over (Under) Expenditures	39	3,253	2,397	13,070	(7,660)	5	(9,325)	(17,862)	(21,568)	--	2,272	2,112
Other Financing Sources (Uses)												
Loan Proceeds	--	--	--	--	--	--	--	--	--	--	--	--
Transfers from other funds	--	--	--	--	--	--	--	14,740	--	--	--	--
Bond Discounts	--	--	--	--	--	--	--	--	--	--	--	--
Transfers to other funds	(5,523)	--	--	--	--	--	--	--	(12,146)	(272)	(2,322)	--
Net Other Financing Sources (Uses)	(5,523)	--	--	--	--	--	--	14,740	(12,146)	(272)	(2,322)	--
Net Change in Fund Balance	(5,484)	3,253	2,397	13,070	(7,660)	5	(9,325)	(3,122)	(33,714)	(272)	(50)	2,112
<i>Fund Balance at Beginning of Period</i>	5,484	12,813	(3,488)	175,746	256,547	21,607	114,532	(21,668)	132,755	272	(5,384)	3,363
Fund Balance at End of Period	\$ --	\$ 16,066	\$ (1,091)	\$ 188,816	\$ 248,887	\$ 21,612	\$ 105,207	\$ (24,790)	\$ 99,041	\$ --	\$ (5,434)	\$ 5,475

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Debt Service Funds- Continued
For the Year Ended December 31, 2014

	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	TIF 1-26	2009 Impr Bond	Total Nonmajor Governmental Debt Service Funds
Revenues												
Interest revenue	\$ 1	\$ --	\$ --	\$ 1	\$ 1	\$ 1	\$ 1	\$ --	\$ --	\$ 341	\$ 394	\$ 22,703
Property Taxes	2,008	--	1,887	2,303	2,118	1,743	4,673	2,454	--	--	1,561	126,584
Special Assessments	--	--	--	--	--	--	--	--	--	--	3,270	13,348
Loan Income	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	12,302	23	12,933
Total Revenues	2,009	--	1,887	2,304	2,119	1,744	4,674	2,454	--	12,643	5,248	178,568
Expenditures												
Economic Development	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	161	--	161	161	162	161	162	6,830	--	137,776	--	149,363
Capital outlay	--	--	--	--	--	--	--	--	--	--	--	70,000
Interest and Charges on LT Debt	--	--	--	--	--	--	2,520	--	--	--	20	72,504
Debt - principal	--	--	--	--	--	--	1,000	--	--	--	--	31,000
Total Expenditures	161	--	161	161	162	161	3,682	6,830	--	137,776	20	322,867
Excess of Revenues Over (Under) Expenditures	1,848	--	1,726	2,143	1,957	1,583	992	(4,376)	--	(125,133)	5,228	(147,299)
Other Financing Sources (Uses)												
Loan Proceeds	--	--	--	--	--	--	--	--	--	235,000	--	235,000
Transfers from other funds	--	--	--	--	--	--	--	--	--	--	--	14,740
Bond Discounts	--	--	--	--	--	--	--	--	--	(3,917)	--	(3,917)
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--	(20,263)
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--	231,083	--	225,560
Net Change in Fund Balance	1,848	--	1,726	2,143	1,957	1,583	992	(4,376)	--	105,950	5,228	78,261
<i>Fund Balance at Beginning of Period</i>	3,893	(20,336)	(1,495)	4,034	4,136	3,457	(4,308)	4,376	(65,919)	--	28,637	649,054
Fund Balance at End of Period	\$ 5,741	\$ (20,336)	\$ 231	\$ 6,177	\$ 6,093	\$ 5,040	\$ (3,316)	\$ --	\$ (65,919)	\$ 105,950	\$ 33,865	\$ 727,315

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Capital Projects Funds
For the Year Ended December 31, 2014

	TIF 1-25	Total Nonmajor Governmental Capital Projects Funds
Revenues		
Interest revenue	\$ --	\$ --
Property Taxes	--	--
Special Assessments	--	--
Loan Income	--	--
Miscellaneous	--	--
Total Revenues	--	--
Expenditures		
Economic Development	--	--
Miscellaneous	9,610	9,610
Capital outlay	922	922
Interest and Charges on LT Debt	--	--
Debt - principal	--	--
Total Expenditures	10,532	10,532
Excess of Revenues Over (Under) Expenditures	(10,532)	(10,532)
Other Financing Sources (Uses)		
Loan Proceeds	--	--
Transfers from other funds	--	--
Bond Discounts	--	--
Transfers to other funds	--	--
Net Other Financing Sources (Uses)	--	--
Net Change in Fund Balance	(10,532)	(10,532)
<i>Fund Balance at Beginning of Period</i>	(8,962)	(8,962)
Fund Balance at End of Period	\$ (19,494)	\$ (19,494)