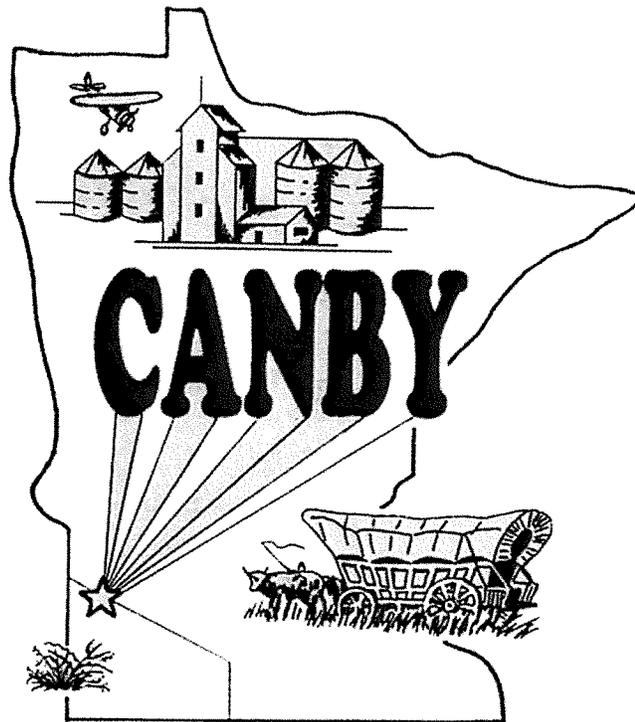
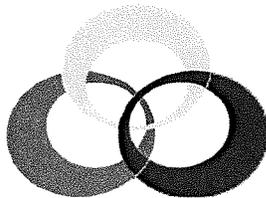


**City of Canby
Audit Report
For the Year Ended
December 31, 2016**



GATEWAY TO THE PRAIRIE



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

City of Canby

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INTRODUCTORY SECTION

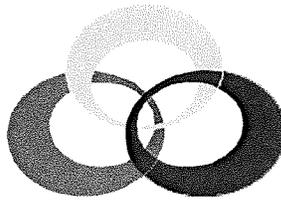
**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

<u>ELECTED OFFICIALS</u>	<u>POSITION</u>
Nancy Bormann	Mayor
Frank Maas	Council Member
Denise Hanson	Council Member
Eugene Bies	Council Member
Ryan Feiock	Council Member

CITY ADMINISTRATOR

Rebecca Schrupp



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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2016, 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 involves 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, 2016, 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 and Schedule of City's Proportionate Share of Net Pension Liability, and Schedule of City's Contributions, as listed in the table of contents, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 16, 2017, 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.

Kinner & Company Ltd
Certified Public Accountants

May 16, 2017

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CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015

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, 2016 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) from 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, 2016 AND 2015

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 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, 2016 AND 2015

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 \$14,987,169 and \$14,994,196 at the close of fiscal years 2016 and 2015.

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.

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 decreased by \$19,589 in 2016 and it increased by \$377,369 in 2015.

Table 1
Net Position

	Governmental Activities		Business-Type Activities	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	4,109,013	4,996,177	5,653,934	5,647,409
Capital assets	<u>6,497,957</u>	<u>5,677,935</u>	<u>21,164,496</u>	<u>20,777,974</u>
Total assets	<u>10,606,970</u>	<u>10,674,112</u>	<u>26,818,430</u>	<u>26,425,383</u>
Deferred Outflows of Resources	<u>603,639</u>	<u>73,059</u>	<u>88,519</u>	<u>19,975</u>
Long-term liabilities outstanding	5,612,041	5,209,681	17,355,508	16,680,837
Other liabilities	<u>258,495</u>	<u>248,957</u>	<u>808,509</u>	<u>242,242</u>
Total liabilities	<u>5,870,536</u>	<u>5,458,638</u>	<u>18,164,017</u>	<u>16,923,079</u>
Deferred Inflows of Resources	<u>133,777</u>	<u>53,110</u>	<u>29,063</u>	<u>11,961</u>
Net assets				
Net investment in capital assets	2,124,681	1,203,531	9,788,525	5,727,137
Net position -Restricted	1,582,842	2,281,855	0	0
Net position -Unrestricted	<u>1,757,268</u>	<u>1,998,994</u>	<u>(266,147)</u>	<u>3,783,181</u>
Total Net Position	<u>5,464,791</u>	<u>5,484,380</u>	<u>9,522,378</u>	<u>9,510,318</u>

At the end of the current fiscal year, the City is able to report positive balances for governmental and business type activities for the city as a whole.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2016
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	126,790	164,284	988,427	899,270	1,115,217
Operating grants and contributions	54,575	20,065			54,575
Capital grants and contributions	282,067	692,656	0	1,895,819	282,067
General Revenues					
Property taxes	588,374	723,764	302,610	150,622	890,984
Special Assessments	7,115	7	264,239	31,175	271,354
Intergovernmental Revenue	735,149	762,812			735,149
Fines and Forfeits	4,688	4,579			4,688
Licenses and Permits					
to specific programs	2,918	3,140			2,918
Unrestricted Investment Earnings	73,440	28,120	105,415	101,337	178,855
Miscellaneous	284,175	136,865	11,263	10,899	295,438
Total Revenues	<u>2,159,291</u>	<u>2,536,292</u>	<u>1,671,954</u>	<u>3,089,122</u>	<u>3,831,245</u>
Expenses					
Governmental activities	2,178,880	2,158,923			2,178,880
Business-type activities			1,659,895	1,243,283	1,659,895
Total expenses	<u>2,178,880</u>	<u>2,158,923</u>	<u>1,659,895</u>	<u>1,243,283</u>	<u>3,838,775</u>
Transfers In (Out)	0	0	0	0	0
Increase in net position	(19,589)	377,369	12,059	1,845,839	(7,530)
Net position, January 1	<u>5,484,380</u>	<u>5,107,011</u>	<u>9,510,318</u>	<u>7,664,479</u>	<u>14,994,698</u>
Net position, December 31	<u><u>5,464,791</u></u>	<u><u>5,484,380</u></u>	<u><u>9,522,377</u></u>	<u><u>9,510,318</u></u>	<u><u>14,987,168</u></u>

The City's total net position decreased by \$7,530 in 2016 and increased by \$2,222,706 in 2015. The small increase was the result of the increased utility rates that were added this year. Also, in 2016, all of the infrastructure that was added in the last couple years is now being depreciated.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015

Business-type activities

Business-type activities increased the City's net position by \$12,059 and increased by \$1,845,839 in 2015, accounting for 100 percent of the city's total increase in 2016 and 83 percent of the increase in 2015. 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 2016 and 2015, the City's governmental funds reported ending balances of \$3,363,329 and \$4,233,916. Thirty two and Twenty two percent of the total amount of \$1,075,568 and \$927,239 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 \$12,059.

The Storm Sewer net position increased by \$199,847 in 2016 and increased \$33,632 in 2015.

Wastewater net position decreased by \$160,987 in 2016 and decreased by \$97,833 in 2015.

Water net position decreased by \$18,175 in 2016 and increased in 2015 by \$1,926,763.

Solid Waste net position decreased by \$8,626 in 2016 and decreased by \$16,723 in 2015.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015 amounts to \$27,662,453 and \$26,455,909 (net of accumulated depreciation). This increase is due to the infrastructure project and swimming pool project. 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 2016, the City issued \$1,161,163 in new debt and retired \$849,128 of debt. At the end of 2016 and 2015, the City had total bonded debt outstanding of \$21,467,276 and \$21,155,242.

2016 General Fund Budget Variances to Actual

Total general fund budgeted revenues for 2016, including the transfer in, is \$1,651,022. The actual revenues for 2016, including transfer in, is \$1,860,924. The revenues were over budget by \$209,902. The majority of the variance is due to the airport maintenance grant and other small grants not being included in the budget number. This amount totaled \$147,353 for 2016 and was not included in the budget.

Total general fund budgeted expenses for 2016, including the transfer out, is \$1,871,009. The actual expenses for 2016 is \$1,698,172. The expenses were under budget by \$172,837. The city over budgeted equipment replacement reserve, airport gas expense and insurance 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 2017 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2016. Overall budget amounts for 2017 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.

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, 2016**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 2,087,430	\$ 1,945,042	\$ 4,032,472
Investments	--	1,518	1,518
Taxes Receivable	15,862	10,806	26,668
Delinquent Taxes Receivable	20,820	5,900	26,720
Grant Receivable	108,562	--	108,562
Special Assessments Receivable	2,550	26,206	28,756
Accounts Receivable	11,609	85,775	97,384
Notes Receivable Current	64,787	--	64,787
Prepaid and other assets	25,240	12,023	37,263
Inventory	19,955	--	19,955
<i>Internal Balances*</i>	--	--	--
Total Current Assets	2,356,815	2,087,270	4,444,085
<i>Noncurrent Assets</i>			
Special Assessments - Deferred	104,646	3,566,664	3,671,310
Non-depreciable	898,031	126,296	1,024,327
Depreciable, net	5,599,926	21,038,200	26,638,126
Notes receivable - Non Current	1,185,372	--	1,185,372
Net Pension Asset	232,477	--	232,477
<i>Internal Balances*</i>	229,703	--	--
Total Assets	10,606,970	26,818,430	37,195,697
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	603,639	88,519	692,158
Total Deferred Outflows of Resources	603,639	88,519	692,158
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	9,743	2,540	12,283
Accrued wages and benefits	71,629	33,969	105,598
LT Debt Due Within One Year	161,833	772,000	933,833
Due to Other Entity	15,290	--	15,290
<i>Internal Balances*</i>	--	--	--
Total Current Liabilities	258,495	808,509	1,067,004
<i>Noncurrent Liabilities</i>			
Net Pension Liability	924,423	212,976	1,137,399
LT Debt Due Beyond One Yr.	4,211,443	16,322,000	20,533,443
<i>Internal Balances*</i>	217,680	12,023	--
Total Liabilities	5,612,041	17,355,508	22,737,846
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	133,777	29,063	162,840
Total Deferred Inflows of Resources	133,777	29,063	162,840
NET POSITION			
Net Investment in Capital Assets	2,124,681	9,788,525	11,913,206
<i>Restricted for:</i>			
Debt Service	1,530,181	--	1,530,181
John Swenson Trust	52,661	--	52,661
<i>Unrestricted</i>	1,757,268	(266,147)	1,491,121
Total Net Position	\$ 5,464,791	\$ 9,522,378	\$ 14,987,169

* 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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government and Administration	\$ 345,537	\$ --	\$ --	\$ --	\$ (345,537)	\$ --	\$ (345,537)
Public Safety	451,997	44,096	35,375	--	(372,526)	--	(372,526)
Public Works	283,726	--	--	--	(283,726)	--	(283,726)
Culture and Recreation	368,832	400	--	--	(368,432)	--	(368,432)
Economic Development	40,958	--	19,200	--	(21,758)	--	(21,758)
Miscellaneous	375,167	82,294	--	282,067	(10,806)	--	(10,806)
Capital outlay	71,895	--	--	--	(71,895)	--	(71,895)
Interest and Other Charges	240,770	--	--	--	(240,770)	--	(240,770)
Total Governmental Activities	2,178,882	126,790	54,575	282,067	(1,715,450)	--	(1,715,450)
Business-type Activities:							
Solid Waste	143,404	134,742	--	--	--	(8,662)	(8,662)
Storm Sewer	206,082	133,332	--	--	--	(72,750)	(72,750)
Wastewater	645,521	281,345	--	--	--	(364,176)	(364,176)
Water	664,888	439,008	--	--	--	(225,880)	(225,880)
Total Business-type Activities	1,659,895	988,427	--	--	--	(671,468)	(671,468)
Total Primary Government	\$ 3,838,777	\$ 1,115,217	\$ 54,575	\$ 282,067	\$ (1,715,450)	\$ (671,468)	\$ (2,386,918)

General Purpose Revenues and Transfers:

Revenues	Transfers	Total
Interest revenue		178,855
Miscellaneous		195,449
Property Taxes		890,984
Special Assessments		271,354
License and Permits		2,918
Intergovernmental Revenues		735,149
Fines and Forfeits		4,686
Refunds and Reimbursements		91,173
Rental Income		8,820
Transfers		--
Total General Revenues and Transfers		2,379,388
Change in Net Position		(7,530)
<i>Net Position at Beginning of Period</i>		<i>14,994,699</i>
Net Position at End of Period		\$ 14,987,169

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

**City of Canby
Balance Sheet
Governmental Funds
December 31, 2016**

	<u>Capital Projects</u>			Total Governmental Funds
	<u>General</u>	<u>Pool</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 933,060	\$ 15,802	\$ 1,138,568	\$ 2,087,430
Taxes Receivable	14,714	--	1,148	15,862
Delinquent Taxes Receivable	17,286	--	3,534	20,820
Grant Receivable	108,562	--	--	108,562
Special Assessments Receivable	150	--	2,400	2,550
Accounts Receivable	11,159	--	450	11,609
Notes Receivable Current	--	--	64,787	64,787
Prepaid and other assets	25,240	--	--	25,240
Inventory	19,955	--	--	19,955
Special Assessments - Deferred	6,501	--	98,145	104,646
Notes receivable - Non Current	--	--	1,185,372	1,185,372
Advances to other funds	149,734	--	79,969	229,703
Total Assets	<u>1,286,361</u>	<u>15,802</u>	<u>2,574,373</u>	<u>3,876,536</u>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 1,286,361</u>	<u>\$ 15,802</u>	<u>\$ 2,574,373</u>	<u>\$ 3,876,536</u>
LIABILITIES				
Accounts payable	\$ 9,743	\$ --	\$ --	\$ 9,743
Due to Other Entity	--	--	15,290	15,290
Advances from other funds	--	--	217,680	217,680
Total Liabilities	<u>9,743</u>	<u>--</u>	<u>232,970</u>	<u>242,713</u>
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	32,356	--	238,138	270,494
Total Liabilities and Deferred Inflows of Resources	<u>42,099</u>	<u>--</u>	<u>471,108</u>	<u>513,207</u>
FUND BALANCE				
Nonspendable	45,195	--	--	45,195
Restricted	52,661	15,802	2,174,103	2,242,566
Unassigned	1,146,406	--	(70,838)	1,075,568
Total Fund Balance	<u>1,244,262</u>	<u>15,802</u>	<u>2,103,265</u>	<u>3,363,329</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,286,361</u>	<u>\$ 15,802</u>	<u>\$ 2,574,373</u>	<u>\$ 3,876,536</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, 2016

Total Fund Balance - Governmental Funds	\$ 3,363,329
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.	(71,629)
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.	6,497,956
Tax revenue deferred in governmental fund statements if not received within sixty days	29,884
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.	(4,373,276)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements	133,647
Special assessment revenue deferred in governmental fund statements if not received within sixty days	106,962
Net pension assets are not available to pay for current period expenditures and therefore are deferred in the funds.	39,317
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.	(731,263)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.	(133,777)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	603,640
Total Net Position-Governmental Funds	\$ <u>5,464,791</u>

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, 2016

	<u>Capital Projects</u>		Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Pool</u>		
Revenues				
Interest revenue	\$ 2,368	\$ --	\$ 73,156	\$ 75,524
Intergovernmental Revenues	917,877	--	--	917,877
Property Taxes	414,143	--	179,037	593,180
Special Assessments	4,131	--	8,162	12,293
License and Permits	2,918	--	--	2,918
Fines and Forfeits	4,686	--	--	4,686
Charges for Services	92,444	--	--	92,444
Refunds and Reimbursements	88,730	--	--	88,730
Miscellaneous	198,913	--	29,119	228,032
Federal Grants	134,714	--	19,200	153,914
Total Revenues	<u>1,860,924</u>	<u>--</u>	<u>308,674</u>	<u>2,169,598</u>
Expenditures				
General Government and Administration	321,339	--	--	321,339
Public Safety	330,987	--	--	330,987
Public Works	220,116	--	--	220,116
Culture and Recreation	222,285	--	--	222,285
Economic Development	--	--	40,958	40,958
Miscellaneous	145,811	--	105,820	251,631
Capital outlay	436,767	802,308	71,895	1,310,970
Debt - principal	14,127	--	87,000	101,127
Interest and Other Charges	6,741	--	234,028	240,769
Total Expenditures	<u>1,698,173</u>	<u>802,308</u>	<u>539,701</u>	<u>3,040,182</u>
Excess of Revenues Over (Under) Expenditures	<u>162,751</u>	<u>(802,308)</u>	<u>(231,027)</u>	<u>(870,584)</u>
Other Financing Sources (Uses)				
Transfers from other funds	--	--	39,589	39,589
Transfers to other funds	--	--	(39,589)	(39,589)
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>162,751</u>	<u>(802,308)</u>	<u>(231,027)</u>	<u>(870,584)</u>
Fund Balance at Beginning of Period	<u>1,081,511</u>	<u>818,110</u>	<u>2,334,292</u>	<u>4,233,913</u>
Fund Balance at End of Period	<u>\$ 1,244,262</u>	<u>\$ 15,802</u>	<u>\$ 2,103,265</u>	<u>\$ 3,363,329</u>

The notes to 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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (870,584)
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(8,723)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	101,127
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	1,239,074
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(419,052)
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.	13,922
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	1,762
Special assessment revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(3,344)
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	(73,771)
Changes in Net Position-Governmental Funds	\$ <u>(19,589)</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, 2016

Business-type Activities - Enterprise Funds

	<u>Storm Sewer</u>	<u>Wastewater</u>	<u>Water</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 418,972	\$ 493,039	\$ 980,134	\$ 52,897	\$ 1,945,042
Investments	--	761	474	283	1,518
Taxes Receivable	--	5,565	5,241	--	10,806
Delinquent Taxes Receivable	--	3,245	2,655	--	5,900
Special Assessments Receivable	897	11,343	13,966	--	26,206
Accounts Receivable	12,665	28,063	33,960	11,087	85,775
Prepaid and other assets	--	6,348	5,675	--	12,023
Total Current Assets	432,534	548,364	1,042,105	64,267	2,087,270
<i>Noncurrent Assets</i>					
Special Assessments - Deferred	316,816	1,678,592	1,571,256	--	3,566,664
Non-depreciable	--	79,835	21,345	25,116	126,296
Depreciable, net	2,484,474	9,582,094	8,971,632	--	21,038,200
Total Assets	3,233,824	11,888,885	11,606,338	89,383	26,818,430
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	34,996	45,289	8,234	88,519
Total Deferred Outflows of Resources	--	34,996	45,289	8,234	88,519
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	24	775	140	1,601	2,540
Accrued wages and benefits	--	12,765	16,144	5,060	33,969
LT Debt Due Within One Year	125,000	317,000	330,000	--	772,000
Total Current Liabilities	125,024	330,540	346,284	6,661	808,509
<i>Noncurrent Liabilities</i>					
Net Pension Liability	--	84,200	108,965	19,811	212,976
LT Debt Due Beyond One Yr.	2,480,000	8,035,000	5,807,000	--	16,322,000
Advances from other funds	--	6,348	5,675	--	12,023
Total Liabilities	2,605,024	8,456,088	6,267,924	26,472	17,355,508
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	11,490	14,869	2,704	29,063
Total Deferred Inflows of Resources	--	11,490	14,869	2,704	29,063
NET POSITION					
Net Investment in Capital Assets	180,254	4,231,818	5,351,337	25,116	9,788,525
<i>Unrestricted</i>	448,546	(775,515)	17,497	43,325	(266,147)
Total Net Position	\$ 628,800	\$ 3,456,303	\$ 5,368,834	\$ 68,441	\$ 9,522,378

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, 2016

Business-type Activities - Enterprise Funds					
	Storm Sewer	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 133,332	\$ 281,345	\$ 439,008	\$ 134,742	\$ 988,427
Total Operating Revenues	133,332	281,345	439,008	134,742	988,427
Operating Expenses					
Labor	--	66,134	71,156	14,489	151,779
Employee Benefits	--	28,533	30,959	6,493	65,985
Supplies	1,548	4,959	28,803	2,617	37,927
Repairs	11,208	4,835	17,926	--	33,969
Utilities	--	2,254	16,558	--	18,812
Fuel	--	547	425	--	972
Telephone	--	460	1,552	--	2,012
Insurance	--	7,639	6,794	--	14,433
Auditing	--	1,750	1,750	1,300	4,800
Miscellaneous	385	1,191	1,505	1,742	4,823
Contracted Services	--	4,844	2,393	69,272	76,509
Tipping Expenses	--	--	--	22,108	22,108
Travel	--	2,210	549	--	2,759
Motor Fuel	--	725	1,397	--	2,122
Water Purchases	--	143	6,737	--	6,880
Truck Expense	--	520	95	--	615
Dues and License	--	716	5,987	250	6,953
Construction	--	--	--	4,515	4,515
Legal & Professional	2,768	--	--	9,606	12,374
Assessment	--	--	--	1,492	1,492
Depreciation	109,834	418,758	402,909	--	931,501
Total Operating Expenses	125,743	546,218	597,495	133,884	1,403,340
Operating Income (Loss)	7,589	(264,873)	(158,487)	858	(414,913)
Non-Operating Revenues (Expenses)					
Interest revenue	15,049	46,759	43,571	36	105,415
Property Taxes	--	155,836	146,774	--	302,610
Special Assessments	257,548	(721)	7,412	--	264,239
Refunds and Reimbursements	--	1,315	1,128	--	2,443
Rental Income	--	--	8,820	--	8,820
Interest expense	(80,339)	(99,303)	(62,718)	--	(242,360)
Sales Tax Expense	--	--	(4,675)	(9,520)	(14,195)
Net Non-Operating Revenues (Expenses)	192,258	103,886	140,312	(9,484)	426,972
Income Before Contributions and Transfers	199,847	(160,987)	(18,175)	(8,626)	12,059
Transfers from other funds	--	--	--	--	--
Transfers to other funds	--	--	--	--	--
Change In Net Position	199,847	(160,987)	(18,175)	(8,626)	12,059
Net Position at Beginning of Period	428,953	3,617,290	5,387,009	77,067	9,510,319
Net Position at End of Period	\$ 628,800	\$ 3,456,303	\$ 5,368,834	\$ 68,441	\$ 9,522,378

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, 2016

	Business-Type Activities				Totals 2016
	Storm Sewer Fund	Wastewater Fund	Water Fund	Non-Major Garbage Fund	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 132,350	\$ 277,623	\$ 433,577	\$ 134,259	\$ 977,809
Cash Paid to Suppliers	(21,227)	(72,189)	(114,603)	(126,650)	(334,669)
Cash Paid to Employees		(66,134)	(98,099)	(14,489)	(178,722)
Net Cash Flows Provided (Used) by Operating Activities	111,123	139,300	220,875	(6,880)	464,418
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	-	153,400	144,092		297,492
Special Assessments	18,289	48,694	47,307		114,290
Cash Received from (paid on) Due to Other Funds		(1,291)	(1,119)		(2,410)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	18,289	200,803	190,280	-	409,372
Cash Flows from Capital and Related Financing Activities:					
Cash Received from Bond Proceeds	-	613,419	547,742		1,161,161
Cash Received from Grant revenues			9,948		9,948
Sale of Capital Assets		-	-		-
Cash Paid for Principal on Debt	(110,000)	(313,000)	(325,000)		(748,000)
Cash Paid for Interest on Debt	(80,339)	(99,303)	(62,718)		(242,360)
Acquisition of Capital Assets	(151,756)	(609,754)	(556,508)	-	(1,318,018)
Net Cash Flows from Capital and Related Financing Activities	(342,095)	(408,638)	(386,537)	-	(1,137,270)
Cash Flows From Investing Activities:					
Interest Earned on Investments	15,049	46,759	43,571	36	105,415
Net Cash Flows from Investing Activities	15,049	46,759	43,571	36	105,415
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (197,634)	\$ (21,776)	\$ 68,189	\$ (6,844)	\$ (158,065)
Cash and Cash Equivalents - Beginning of Year	616,606	514,815	911,945	59,741	2,103,107
Cash and Cash Equivalents - End of Year	\$ 418,972	\$ 493,039	\$ 980,134	\$ 52,897	\$ 1,945,042

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

Operating Income (Loss)	\$ 7,588	\$ (264,873)	\$ (158,484)	\$ 858	\$ (414,911)
Other Expense		1,315	(4,675)	(9,521)	(12,881)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	109,834	418,758	402,909	-	931,501
Change in Pension Expense		5,714	7,394	1,346	14,454
Changes in Assets and Liabilities:					
Accounts Receivable	(982)	(5,037)	(5,434)	(482)	(11,935)
Prepaid Expense		1,291	1,119		2,410
Accrued Expenses					-
Accounts Payable-Operating	(5,317)	(15,499)	(18,576)	1,580	(37,812)
Accrued Vacation		(2,369)	(3,378)	(661)	(6,408)
Net Cash Provided (Used) by Operating Activities	\$ 111,123	\$ 139,300	\$ 220,875	\$ (6,880)	\$ 464,418
Noncash Capital and Related Financing Activities				\$ -	\$ -

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
Revenues				
Local and County Revenue				
General Property Taxes	\$ 397,850	\$ 397,850	\$ 414,143	\$ 16,293
Special Assessments	2,200	2,200	4,131	1,931
License and Permits				
Business	1,500	1,500	1,738	238
Liquor	1,250	1,250	1,100	(150)
Non-Business	200	200	80	(120)
Intergovernmental Revenue				
Local Government Aid	708,231	708,231	708,231	--
Market Value Assistance	--	--	240	240
Local Performance Aid & PERA Aid	2,312	2,312	2,312	--
State Aid - Police	22,000	22,000	24,366	2,366
Public Safety - Canby & Porter	--	--	32,000	32,000
Other Grants	--	--	147,353	147,353
Federal Grant	167,000	167,000	138,089	(28,911)
Charges for Services				
Lot Sales	1,000	1,000	2,700	1,700
Fire Control Income	7,500	7,500	9,750	2,250
Fines and Forfeitures				
Traffic and Ordinance Fines	3,000	3,000	4,686	1,686
Miscellaneous				
Interest Income	2,350	2,350	2,368	18
Rents	2,000	2,000	1,920	(80)
Airport Hanger Rent	10,000	10,000	10,761	761
Airport Farm Rent	2,565	2,565	16,081	13,516
Airport Gas, Gravel Sales, and Fly-in	73,764	73,764	52,752	(21,012)
Cable Franchise Fee	38,000	38,000	40,304	2,304
Insurance Refunds & Reimbursements	15,000	15,000	70,508	55,508
Pop Machine	14,300	14,300	833	(13,467)
Donations	1,500	1,500	92,247	90,747
Other Miscellaneous Revenue	52,500	52,500	82,231	29,731
Total Revenues	<u>1,526,022</u>	<u>1,526,022</u>	<u>1,860,924</u>	<u>334,902</u>
Other Financing Sources				
Transfers from other funds	<u>125,000</u>	<u>125,000</u>	<u>--</u>	<u>(125,000)</u>
Total Revenues and Other Financing Sources	<u>1,651,022</u>	<u>1,651,022</u>	<u>1,860,924</u>	<u>209,902</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
Expenditures				
GENERAL GOVERNMENT				
Mayor and Council				
Salaries	7,200	7,200	7,200	--
Payroll Taxes & Benefits	926	936	935	1
Travel and Conference	500	200	170	30
Subscriptions and Memberships	60	60	30	30
General Insurance	95,000	97,400	83,970	13,430
Election	1,550	2,030	1,750	280
City Administration				
Salaries	102,000	100,900	100,877	23
Payroll Tax & Benefits	15,500	13,900	13,827	73
Insurance	13,720	12,720	12,576	144
Office Supplies	4,850	8,050	3,631	4,419
Maintenance and Repairs	200	1,400	1,262	138
Communications	4,500	4,700	4,676	24
Travel, Conference and Schools	3,000	2,200	2,092	108
Printing and Publishing	3,000	3,000	2,084	916
Contractual Services	2,250	2,250	2,204	46
Miscellaneous	3,100	3,100	2,755	345
Assessor	15,600	15,600	15,569	31
Accounting and Legal	30,000	28,000	26,955	1,045
Planning and Zoning	13,000	73,000	67,497	5,503
Municipal Building				
Maintenance and Repair	4,500	5,500	3,129	2,371
Supplies	1,725	4,225	4,256	(31)
Utilities	12,750	11,550	10,898	652
Contractual Services	3,000	4,200	4,049	151
Miscellaneous	10	10	10	--
Miscellaneous				
Public Restroom Service	2,000	1,100	1,097	3
Printing and Publishing	6,500	16,600	16,808	(208)
Utilities	2,500	2,400	2,467	(67)
Christmas Decorations Utilities	500	500	253	247

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
PUBLIC SAFETY				
Police Protection				
Wages	152,000	159,000	160,585	(1,585)
Payroll Taxes/PERA	27,000	28,000	28,287	(287)
Insurance	20,180	20,030	19,940	90
Office/General Supplies	6,500	5,500	5,117	383
Motor Fuel and Lubes	10,000	6,500	6,141	359
Maintenance and Repair	5,000	12,000	12,074	(74)
Communications	4,000	3,700	3,724	(24)
Travel, Conference, and Schools	900	150	120	30
Subscription and Memberships	325	325	190	135
Contractual Services	6,000	6,400	6,394	6
Professional Services	20,000	17,000	14,445	2,555
Fire Protection				
Wages	20,000	13,145	13,145	--
Payroll Taxes/PERA	1,550	1,050	1,006	44
Interest	6,741	6,741	6,741	--
Principal	14,127	14,127	14,127	--
Supplies	2,500	1,500	1,512	(12)
Motor Fuel and Lubes	2,500	1,500	1,173	327
Maintenance and Repair	6,250	23,550	21,805	1,745
Communications	500	500	469	31
Travel, Conference and Schools	3,500	3,500	3,375	125
Utilities	5,500	5,500	5,076	424
Contracted Services	1,000	3,300	3,207	93
Miscellaneous	470	470	335	135
Equipment and Improvements	--	3,480	3,480	--
Civil Defense				
Utilities	500	500	505	(5)
Supplies	220	220	--	220
Animal Control				
Contracted Services	--	50	--	50
Supplies	--	--	7	(7)

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
PUBLIC WORKS				
Streets				
Wages	92,000	96,000	95,803	197
Payroll Taxes/PERA	14,000	13,800	13,681	119
Insurance	15,095	38,045	37,769	276
Motor Fuel and Lubes	15,000	7,000	6,282	718
Maintenance and Repair	40,000	21,000	21,411	(411)
Travel, Conferences and Schools	300	300	140	160
Utilities	450	450	479	(29)
Supplies	6,000	6,750	6,589	161
Capital Expenditures	3,750	27,250	26,915	335
Miscellaneous	150	550	522	28
Snow Removal	2,500	--	--	--
City Garage				
Utilities	6,000	4,400	4,340	60
Maintenance and Repair	3,500	6,600	7,246	(646)
Supplies	500	1,000	975	25
Miscellaneous	10	10	10	--
Equipment	31,000	45,000	44,385	615
Dues and Licenses	10	10	10	--
Street Lighting	--	31,500	31,398	102
CULTURE AND RECREATION				
Library				
Communications	505	505	505	--
Contracted Services	73,573	73,573	73,573	--
Recreation Council				
Wages	45,000	58,000	57,988	12
Payroll Taxes	3,500	4,500	4,436	64
Utilities	1,600	1,600	1,453	147

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
Parks				
Salaries and Wages	19,750	17,950	17,919	31
Payroll Taxes/PERA	2,975	2,345	2,336	9
Insurance	2,300	2,010	1,988	22
Motor Fuels & Lubes	4,250	2,850	2,694	156
Maintenance and Repair Building	5,250	2,450	2,169	281
Utilities	1,750	2,300	2,297	3
Supplies	3,000	6,300	6,264	36
Contracted Services	500	650	652	(2)
Subscriptions and Memberships	200	250	231	19
Equipment Purchase	1,750	47,350	46,816	534
Miscellaneous	50	50	46	4
Swimming Pool				
Communication	250	550	512	38
Utilities	13,000	12,240	12,235	5
Travel	--	900	866	34
Maintenance and Repair Equipment	2,000	2,000	1,908	92
Maintenance and Repair Building	1,000	450	435	15
Supplies	8,500	14,170	14,158	12
Miscellaneous	700	710	645	65
Equipment and Improvements	--	87,000	87,983	(983)
Theater				
Communications	875	1,075	1,057	18
Utilities	9,000	9,000	9,060	(60)
Supplies	--	3,000	2,990	10
Miscellaneous	2,625	2,125	2,065	60
MISCELLANEOUS				
Airport				
Motor Fuels and Lubes	1,150	1,650	1,528	122
Maintenance and Repairs	3,000	2,500	1,693	807
Communications	3,000	3,000	2,772	228
Utilities	5,500	5,500	5,072	428
Supplies	2,000	1,100	1,056	44
License and Taxes	6,775	5,575	5,538	37
Merchandise for Resale	65,000	46,500	36,603	9,897
Contracted Services	25,000	27,880	27,832	48
Miscellaneous	900	500	418	82
Expansion Project	150,000	150,000	142,890	7,110

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Over (Under) Final to Actual
Cemetery				
Wages	12,500	10,800	10,763	37
Payroll Taxes/PERA	1,875	1,385	1,369	16
Utilities	150	150	167	(17)
Maintenance and Repair	100	100	17	83
Supplies	500	500	386	114
Insurance	890	890	886	4
Miscellaneous	10	10	10	--
Other				
Canby Area Business Service	8,420	8,420	8,345	75
Insect and Pest Control	5,500	5,500	5,462	38
Equipment Replacement Reserve	100,505	100,505	--	100,505
Miscellaneous	32,375	34,307	34,797	(490)
Capital Outlay	--	29,000	31,326	(2,326)
Total Expenditures	<u>1,526,022</u>	<u>1,851,809</u>	<u>1,698,173</u>	<u>153,636</u>
Other Financing Uses				
Transfers to other funds	<u>125,000</u>	<u>19,200</u>	<u>--</u>	<u>19,200</u>
Total Expenditures and Other Financing Uses	<u>1,651,022</u>	<u>1,871,009</u>	<u>1,698,173</u>	<u>172,836</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(219,987)</u>	<u>162,751</u>	<u>382,738</u>
Net Change in Fund Balance	<u>--</u>	<u>(219,987)</u>	<u>162,751</u>	<u>382,738</u>
Fund Balance at Beginning of Period	<u>1,081,511</u>	<u>1,081,511</u>	<u>1,081,511</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 1,081,511</u>	<u>\$ 861,524</u>	<u>\$ 1,244,262</u>	<u>\$ 382,738</u>

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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.

Related Organization

A related organization is included in the financial reporting entity in accordance with GASB Statement No. 68. The City's accountability does not extend beyond the Mayor, Clerk-Treasurer and Fire Chief being ex officio members of the board. The related organization is as follows:

Canby Fire Relief Association – The Association is organized as a non-profit organization by its members to provide pension and other benefits to members in accordance with Minnesota statutes. The Association's Board of Directors consists of seven members elected by the membership of the Association and three ex officio members, the Mayor, Clerk-Treasurer and Fire Chief. All funding is obtained in accordance with Minnesota statutes whereby state aids and tax levies, which are determined by the Association, flow through the City to the Association. The Association pays benefits directly to its members.

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, 2016

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, 2016

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 *Pool Capital Projects* fund is a capital projects fund that accounts for the activity for the Pool.

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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Proprietary funds distinguish operating revenues and expense from 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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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, 2016

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 liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and the proprietary fund types. In the governmental funds of the fund financial statements, vacation and sick pay are recorded as expenditures and accrued as a current liability only if they have matured, for example, as a result of employee's resignations and retirements.

IBEW (International Brotherhood of Electrical Workers) Local 949 Union Contracts

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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An employee may accrue up to a maximum of 20 days of vacation into the next year.

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

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

Severance pay, which is received upon termination of employment, consists of unused sick 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>Payment-% 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. Any comp time above the 120 maximum will be dealt with by one of two ways. First, the employee may choose to have their accrued comp time over 120 hours paid out down to the maximum or two, the employee may choose to keep their accrued comp time and use it as time off until the amount reaches 120 hours.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

MAPE (Minnesota Association of Professional Employees) Union Contract

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.

An employee may accrue up to a maximum of 20 days of vacation into the next year.

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

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Severance pay, which is received upon termination of employment, consists of unused sick 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>Payment-% 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. Any comp time above the 120 maximum will be dealt with by one of two ways. First, the employee may choose to have their accrued comp time over 120 hours paid out down to the maximum or two, the employee may choose to keep their accrued comp time and use it as time off until the amount reaches 120 hours.

Law Enforcement Labor Services, Inc. Union Contract

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 12 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 18 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 24 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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

An employee may accrue up to a five days beyond annual accrued unused vacation days may be bank and carried over from year to year. When an employee terminates employment with the City in good standing he or she shall receive the value of 100% of vacation time earned but unused as severance.

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 24 days to be transferred by employees. This is charged to expense in the year paid.

Severance pay, which is received upon termination of employment, consists of unused sick 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>Payment-% 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. Any comp time above the 120 maximum will be dealt with by one of two ways. First, the employee may choose to have their accrued comp time over 120 hours paid out down to the maximum or two, the employee may choose to keep their accrued comp time and use it as time off until the amount reaches 120 hours.

There is also an administrative contract.

Fund Balance Classifications

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, 2016

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, 2016, the unassigned fund balance of the General Fund was 56% of the subsequent year's budgeted expenditures.

Net Position Classifications

In the government-wide financial statements, net position represents 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, 2016

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, 2013. 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 recognizes deferred outflows relating to pensions for reporting in this category. The length of the expense recognition period for deferred amounts related is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

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 City of Canby has two types of items that qualify for reporting in this category; unearned property taxes and deferred inflows relating to pensions. These amounts are deferred and recognized as inflows of resources in the period that the amount is earned. Deferred amounts relating to pensions represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

As of December 31, 2016, the City has deferred outflows/inflows as follows:

	Deferred Outflow	Deferred Inflow
Unearned Property Taxes	\$ 0	\$ 21,004
Amounts relating to Pensions	692,157	142,571

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET POSITION or FUND BALANCE (Continued)
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, 2016, grant receivable totaled \$123,254. 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.

F. PENSIONS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Amounts are allocated in accordance with the employees wages, Administrative 25%, Street, 25%, Park 4%, Cemetery 3%, Water 22%, Sewer 17% and Garbage 4%.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. BUDGETARY INFORMATION (CONTINUED)

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.

B. FUND BALANCE CLASSIFICATION

At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>Pool</u>	<u>Other Govt Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	25,240			25,240
Inventory	19,955			19,955
Restricted for:				
John Swenson Trust	52,661			52,661
Debt Service			2,174,103	2,174,103
Capital Projects		15,802		15,802
Unassigned:	<u>1,146,406</u>	<u>0</u>	<u>(70,838)</u>	<u>1,075,568</u>
Total Fund Balances	<u>1,244,262</u>	<u>15,802</u>	<u>2,103,265</u>	<u>3,363,329</u>

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2016:

Debt Service Funds:	
TIF 1-10	20,336
TIF 1-18	1,865
TIF 1-6	4,875
TIF 1-27	11,478
TIF 1-28	2,696
GO Tax Increment Bonds - 1997	31,089
GO Tax Increment Bonds - 2004	65,919

E. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

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

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

Deposits

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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

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

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, and cash equivalents had a bank balance of \$4,215,640 at December 31, 2016, 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, 2016 was \$4,033,989.

Investment Policy

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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

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

As of December 31, 2016, the City had the following investments:

<u>2016 Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$1,518	*

*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, 2016, 100% of the City’s investments are in the 4M Fund.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

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, 2016, 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 12/31/16:

Checking	\$1,441,240
Savings and Money Market	2,538,572
Certificates of Deposit	52,660
Investments	<u>1,518</u>
 Total	 <u>\$4,033,990</u>
 Deposits	 \$4,032,472
Investments	<u>1,518</u>
 Total	 <u>\$4,033,990</u>

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, 2016 is \$104,491 for taxes and 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

C. NOTES RECEIVABLE(Continued)

The Notes Receivable from the Canby HRA is for its share of the debt of the City's GOIB 2012B, 2014C and 2015A. 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, 2016:

	Balance <u>1-1-16</u>	Amount <u>Advanced</u>	Payments <u>Received</u>	<u>Adjustments</u>	Balance <u>12-31-16</u>
EDA Loans	\$131,259	\$28,056	\$25,668	\$0	\$133,647
Canby HRA Note	365,000	0	15,208	0	349,792
Canby HRA Note	530,000	0	0	0	530,000
Canby HRA Note	<u>244,480</u>	<u>0</u>	<u>7,760</u>	<u>0</u>	<u>236,720</u>
	<u>1,270,739</u>	<u>\$28,056</u>	<u>48,636</u>	<u>0</u>	<u>1,250,159</u>

The Economic Development Authority of Canby has established the Economic Development Fund to provide low interest loans to assist business with economic development. Payments are made to the city from the various businesses. The loans have been collateralized. Payment terms range from \$45.00 to \$300.00 per month. Interest Rates range from 5-6%.

The Canby HRA Note Receivables are setup to pay off the bond reimbursement. Since the City holds the debt, the HRA pays the city after the payment has been sent in. These include the GOIB Bonds of 2012B, 2014C and 2015A.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities:	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
Capital Assets Not Being Depreciated				
Land	696,216			696,216
Construction in Progress	565,052	200,152	563,390	201,814
Total Capital Assets Not Being Depreciated	<u>1,261,268</u>	<u>200,152</u>	<u>563,390</u>	<u>898,030</u>
Capital Assets Being Depreciated:				
Buildings	3,028,532	44,385		3,072,917
Improvements Other Than Buildings	3,004,166	1,467,126		4,471,292
Infrastructure	960,207	22,748		982,955
Machinery & Equipment	2,165,885	68,053		2,233,938
Total Capital Assets Being Depreciated	<u>9,158,791</u>	<u>1,602,312</u>	<u>0</u>	<u>10,761,103</u>
Less Accumulated Depreciation for:				
Buildings	2,294,602	25,595		2,320,197
Improvements Other Than Buildings	845,355	244,104		1,089,459
Infrastructure	93,090	46,563		139,653
Machinery & Equipment	1,509,078	102,790		1,611,868
Total Accumulated Depreciation	<u>4,742,125</u>	<u>419,052</u>	<u>0</u>	<u>5,161,177</u>
Total Capital Assets Being Depreciated, Net	<u>4,416,666</u>	<u>1,183,260</u>	<u>0</u>	<u>5,599,926</u>
Total Capital Assets	<u>5,677,934</u>	<u>1,383,412</u>	<u>563,390</u>	<u>6,497,956</u>
	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	126,295			126,295
Construction in Progress	9,005,769		9,005,769	0
Total Capital Assets Not Being Depreciated	<u>9,132,064</u>	<u>0</u>	<u>0</u>	<u>126,295</u>
Capital Assets Being Depreciated:				
Projects	10,184,173	10,285,406		20,469,579
Buildings	2,078,915	9,279		2,088,194
Improvements other than Buildings	1,210,771			1,210,771
Equipment	2,964,365	29,107		2,993,472
Total Capital Assets Being Depreciated	<u>16,438,224</u>	<u>10,323,792</u>	<u>0</u>	<u>26,762,016</u>
Less Accumulated Depreciation for:				
Projects	1,423,553	793,190		2,216,743
Buildings	1,019,654	309		1,019,963
Improvements other than Buildings	852,016	69,818		921,834
Equipment	1,497,095	68,183		1,565,278
Total Accumulated Depreciation	<u>4,792,318</u>	<u>931,500</u>	<u>0</u>	<u>5,723,818</u>
Total Capital Assets Being Depreciated, Net	<u>11,645,906</u>	<u>9,392,292</u>	<u>0</u>	<u>21,038,198</u>
Business-Type Activity Capital Assets, Net	<u>20,777,970</u>	<u>9,392,292</u>	<u>0</u>	<u>21,164,493</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$17,725
Public Safety	71,800
Public Works	61,932
Culture & Recreation	144,059
Miscellaneous	<u>123,536</u>
Total Depreciation Expense- Governmental Activities	<u>\$419,052</u>

Business-Type Activities:

Water	\$402,909
Wastewater	418,758
Storm Sewer	<u>109,834</u>
Total Depreciation Expense- Business-Type Activities	<u>\$931,501</u>

E. ACCOUNTS PAYABLE

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2016:

	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-15</u>	<u>Retired</u>	<u>Issued</u>	<u>Balance 12-31-16</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>								
Bonds Payable:								
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	80,000	10,000		70,000	10,000
TIF Note, Series 2001-A-HRA Canby	35,000	08/2018	9.00%	26,000	2,000		24,000	2,000
2008 GO Fire Truck- USDA Rural Development	100,000	09/2017	4.125%	60,821	6,565		54,256	6,837
2011 GO Fire Truck- USDA Rural Development	130,000	07/2026	4.125%	102,583	7,563		95,020	7,996
2011 GO Parking Lot Bond	265,000	07/2023	3.00%	245,000	10,000		235,000	10,000
GO TIF Bond 2014C	600,000	11/2035	3.25%	600,000	25,000		575,000	25,000
			3.00%					
			-					
2012A GO Tax Increment Bond	750,000	09/2034	5.00%	720,000	30,000		690,000	30,000
2012B GO Tax Increment Bond	335,000	12/2038	5.750%	315,000	10,000		305,000	10,000
2015B Tax Abatement Bond	695,000	02/2036	2.100%	695,000			695,000	0
2015A GO Tax Increment Bond	1,630,000	12/2036	2.500%	<u>1,630,000</u>			<u>1,630,000</u>	<u>60,000</u>
Total Bonds Payable				<u>4,474,404</u>	<u>101,128</u>	<u>0</u>	<u>4,373,276</u>	<u>161,833</u>
Total Long-Term Liabilities Governmental Activities				<u>4,474,404</u>	<u>101,128</u>	<u>0</u>	<u>4,373,276</u>	<u>161,833</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%	365,000	120,000		245,000	122,000
2010 Drinking Water Revolving MN PFA	3,012,055	08/2039	1.088%	3,440,000	126,000		3,314,000	128,000
2014 MNPFA Drinking Water Revolving	298,153	08/2044	1.00%	2,109,256	79,000	547,744	2,578,000	80,000
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	175,000	35,000		140,000	35,000
2010 Clean Water Revolving MN PFA	2,843,424	08/2039	1.349%	4,233,000	151,000		4,082,000	153,000
2014 MNPFA Clean Water Revolving	280,033	08/2044	1.00%	3,643,581	127,000	613,419	4,130,000	129,000
<u>Storm Sewer Fund</u>								
General Obligation Bond, Series 2014D	1,630,000	02/2035	3.30%	1,630,000	55,000		1,575,000	70,000
2010 GO Revenue Bond- Bond Trust Services	1,280,000	02/2031	3.00%	<u>1,085,000</u>	<u>55,000</u>	<u>0</u>	<u>1,030,000</u>	<u>55,000</u>
Total Long-Term Liabilities Business-Type Activities				<u>16,680,837</u>	<u>748,000</u>	<u>1,161,163</u>	<u>17,094,000</u>	<u>772,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2014 and 2015 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 balances at December 31, 2016 were \$54,256 and \$95,020.

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.

Minnesota Public Facilities Authority Loans

The loans are secured by the City's general obligation and revenue pledges

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

Annual Debt Service Requirements

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2016, 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>
2017	10,000	32,900	137,000	149,365
2018	10,000	32,600	137,000	144,668
2019	30,000	32,053	137,000	139,965
2020	40,000	31,153	137,000	135,263
2021	45,000	30,054	157,000	130,560
2022-2026	250,000	128,751	805,000	556,245
2027-2031	285,000	82,763	879,000	319,215
2032-2036	260,000	25,050	875,000	135,213
2037-2041			30,000	2,588
Totals	<u>\$930,000</u>	<u>\$395,324</u>	<u>\$3,294,000</u>	<u>\$1,713,081</u>

	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>
2017	14,833	6,035	772,000	247,137
2018	15,445	5,423	778,000	235,586
2019	16,082	4,786	660,000	223,600
2020	16,745	4,123	671,000	213,393
2021	17,436	3,432	641,000	202,994
2022-2026	68,735	6,610	3,382,000	866,902
2027-2031	0	0	3,652,000	580,355
2032-2036	0	0	3,340,000	301,356
2037-2041	0	0	2,386,000	106,779
2042-2046			812,000	16,290
Totals	<u>149,276</u>	<u>30,409</u>	<u>17,094,000</u>	<u>2,994,393</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2016 were as follows:

<u>Transfers To:</u>	<u>Transfer From:</u>	
	Non-Major Gov't Funds	Total
Non-Major Gov't Funds	39,589	39,589
Total	<u>\$39,589</u>	<u>\$39,589</u>

All transfers between funds were for bond payments.

Reconciliation to Fund Financial Statements:	Transfers <u>In</u>	Transfers <u>Out</u>
Governmental Funds	39,589	(39,589)
Enterprise Funds	<u>0</u>	<u>(0)</u>
Total Transfers	<u>39,589</u>	<u>(39,589)</u>

Reconciliation to Statement of Activities:	Transfers <u>In</u>	Transfers <u>Out</u>	Net Transfers/ <u>Internal Activity</u>
Net Transfers for Governmental Activities			
Governmental Funds	39,589	(39,589)	(0)
Net Transfers for Business-Type Activities	0	0	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

Interfund Balances

At December 31, 2016, the following interfund balances were owed between funds and not expected to be fully repaid within one year:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$5,675	To cover operating
Wastewater Fund	General Fund	6,348	To cover operating
TIF 1-6	General Fund	5,259	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 2004	General Fund	65,919	To cover debt service
TIF 1-27	General Fund	6,056	Bond payment
TIF 1-25	General Fund	5,422	Bond payment
TIF 1-4	GO Tax Inc 1997	4,474	To reimburse TIF expense
GOIB 2012B	TIF 1-4	12,905	Bond payment
GOIB 2015A	General Fund	57,168	To cover debt service
TIF 1-28	General Fund	<u>2,696</u>	To covert TIF expense

Total Interfund Balances \$229,703

Due to Canby HRA-Fiduciary fund

The City has amounts due to the Canby HRA for amount owed for debt proceeds and other related transfer items to the TIF's in the HRA. These are expected to be fully repaid within one year:

	<u>Amount</u>	<u>Purpose</u>
Due to TIF 1-1	\$4,580	To cover amount owed for debt proceeds and related items
Due to TIF 1-4	9,718	To cover amount owed for debt proceeds and related items
Due to TIF 1-5	<u>992</u>	To cover amount owed for dept proceeds and related items
Total Due to HRA	<u>\$15,290</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, the City did not have any claims which were probable 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, 2016

NOTE 4. OTHER INFORMATION (Continued)

C. LEASE AGREEMENT

The City of Canby entered into a lease agreement with Tenant, Michael Tesch. The Tenant operates the Canby Theatre's including concessions. This agreement will continue on a year to year basis unless terminated in writing. There is no rental revenue from this lease or will be in the future. The City has no operational revenue from the theatre.

The City of Canby entered into a lease agreement with Tenant, Sherry Kern dba Deputy Registrar. The agreement will continue on a year to year basis unless terminated in writing. This agreement states that the lessor will pay monthly rent of \$150 for the use of some office space at 107 St. Olaf Avenue N. The city received \$1,800 of rent in 2016.

D. TAX ABATEMENTS

The City approved a property tax abatement on December 7, 2010, starting payable 2013 through 2022. The abatement terms shall be for a maximum of 10 years. This property tax abatement agreement is between the Canby Inn & Suites, LLC and the City. This abatement shall be for 100% of the City's share of the increased ad valorem property taxes generated by the property as a result of the proposed development of the property. The City's expense for 2016 is \$21,632.

The City approved a property tax abatement on May 3, 2011, starting payable 2013 and ending 2022. The abatement terms shall be for a maximum of 10 years. This property tax abatement agreement is between Farmers Cooperative Association and the City. This abatement shall be fore 100% of the City's share of the increased ad valorem property taxes generated by the property as a result of the proposed development of the property. The City's expense for 2016 is \$7,350.

E. FEDERAL AIDS – SINGLE AUDIT ACT

The City expended more than \$750,000 of federal financial assistance and is required to do a Single Audit under Uniform Guidance.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan

All full time and certain part time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

1. General Employees Plan Benefits

General Employees Plan 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for the Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age of 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

2. Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employee fund for the years ended December 31, 2016, 2015 and 2014 were \$27,376, \$28,906 and \$26,994, respectively. The City's contributions were equal to the required contributions as set by the state statute.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE(CONTINUED)

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for Police and Fire members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, 2015 and 2014 were \$26,015, \$24,523 and \$24,869. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$495,290 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of the special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$495,290. The net pension was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0066% which was a decrease of 0.0061% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2016, the City recognized pension expense of \$35,545 for its proportionate share of General Employee's pension expense.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2016, the City reported its proportionate share of General Employee’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$0	\$41,106
Changes in actuarial assumptions	\$96,978	0
Net Difference between projected and actual investment earnings	95,848	0
Changes in proportion and differences between contributions made and District’s proportionate share of contributions	0	26,480
Contributions subsequent to the measurement date	13,031	0
Total	\$205,857	\$67,586

\$205,857 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2016	\$32,693
2017	32,693
2018	41,964
2019	17,891
2020	0

Police and Fire Pension Costs

At December 31, 2016, the City reported a liability of \$642,108 for its proportionate share of the Police and Fire fund’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2016, the City’s proportion was .017% which was equal to its proportion measured as of June 30, 2015.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

For the year ended December 31, 2016, the City recognized pension expense of \$85,633 for its proportionate share of the Police and Fire’s pension expense. The City also recognized \$1,440 for the year ended December 31, 2016, as revenue for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of the Police and Fire Fund’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$0	\$75,136
Changes in actuarial assumptions	353,380	0
Net Difference between projected and actual investment earnings	99,475	0
Changes in proportion	0	9,469
Contributions paid to PERA subsequent to the measurement date	13,202	0
Total	\$466,058	\$84,605

\$466,058 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	\$79,474
2018	79,474
2019	79,474
2020	71,061
2021	58,767
Thereafter	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employee's was for the period July 1, 2004 through June 30, 2009, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increase, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in Minnesota Statutes. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund., when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20- year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Pension Liability Sensitivity

The following presents the City’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City’s proportionate share of the General Employee Fund net pension liability:	\$703,458	\$342,046	\$323,816
City’s proportionate share of the Police and Fire Fund net pension liability:	\$898,866	\$193,160	\$432,317

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

**G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
FIREFIGHTERS FUND (Continued)**

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year is June 30. For this purpose, plan contributions are recognized when due according to state statute and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Pension Plan

Plan Description

The Canby Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2015, the plan covered 24 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

Benefits Provided

The SVF provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City of Canby. Members are eligible for a lump-sum retirement benefit at 50 years of age with 5 years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND

Plan Description

The Canby Fire Relief participates in the Statewide Volunteer Firefighter Retirement Plan (Volunteer Firefighter Plan accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum defined benefit pension plan administered by the PERA. The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2016 the plan covered 20 active firefighters and 7 vested terminated firefighters whose pension benefits are deferred. The plan is established and administered in accordance with the *Minnesota Statutes*, Chapter 353G.

Benefits Provided

The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the City. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan Provisions included pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. The State of Minnesota contributed \$26,888 in fire state aid to the plan for the year ended December 31, 2016. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2016 were \$26,984. The City's contributions were equal to the required contributions as set by state statute, if applicable.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

**G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
FIREFIGHTERS FUND**

Pension Costs

At December 31, 2016, the City of Canby reported a net pension asset of \$232,477 for the VFF plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
	(a)	(b)	(a-b)
Beginning Balance 12/31/15	\$216,661	\$436,525	(\$219,864)
Changes for the Year			
Service Cost	8,834		8,834
Interest on Pension Liability	13,221		13,221
Projected Investment Earnings		26,192	(26,192)
Actuarial Experience (Gains)/Losses	(7,747)		(7,747)
Changes in Benefit Level	0		0
Contributions (ER/State)		26,888	(26,888)
Asset Gain/Loss		(25,304)	25,304
Benefit Payouts	(10,311)	(10,311)	0
PERA Administrative Fee		(855)	855
Net Changes	\$3,997	\$16,610	(\$12,613)
Balance End of Year 12/31/16	\$220,658	\$453,135	(\$232,477)

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

**G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
FIREFIGHTERS FUND (Continued)**

There were no provision changes during the measurement period.

For the year ended December 31, 2016, the City of Canby recognized pension expense of \$1,482. At December 31, 2016, the City of Canby reported deferred inflows of resources if contributions were made after the measurement date and for state contributions received by PERA after the measurement date which can be found at: <http://bit.ly/1M40s8c> related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial Experience Gains/Losses	\$20,243	\$9,166
Difference between projected and actual investment earnings		
Contributions (both required and voluntary) paid to PERA subsequent to the measurement date		1,482
Total	\$20,243	\$10,648

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2017	\$5,061
2018	\$5,061
2019	\$5,061
2020	\$5,061
2021	0
Thereafter	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

**G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
FIREFIGHTERS FUND (Continued)**

Actuarial Assumptions

The total pension liability at December 31, 2016, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0%
- Inflation rate of 3.0%

There were no changes in actuarial assumptions in 2016. The increase in pension expense arising from the recognition of the difference between actuarial Assumptions and actual Experience is \$7,747.

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Asset Sensitivity

The following presents the City of Canby’s net pension asset for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of Canby net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Asset	(\$211,079)	(\$219,864)	(\$228,077)

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

**G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
 FIREFIGHTERS FUND (Continued)**

Plan Investments

Investment Policy:

The Minnesota State Board of Investment(SBI) established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investment policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Retirement Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.50%
International Stocks	15%	6.00%
Bonds	45%	1.45%
Cash	5%	0.50%

The 6% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

**G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
 FIREFIGHTERS FUND (Continued)**

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during 2016 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position

Detailed information about the VFF’s fiduciary net position as of June 30, 2016, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

H. SUBSEQUENT EVENTS

Subsequent events were evaluated through May 16, 2017, which is the date the financial statements were available to be issued. No significant, unusual or infrequent events or transactions have occurred after the financial statement date but before the issuance of the financial statements.

I 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 2016, the City of Canby received \$97,031 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 –	8,749
Current tax capacity –	59,488
Captured tax capacity –	50,739
Retained by authority –	50,739
Shared with other authorities –	-0-
Total bonds issued -	224,600
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4. OTHER INFORMATION (Continued)

I. 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 –	1,784
Captured tax capacity –	1,756
Retained by authority –	1,756
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 –	1,731
Captured tax capacity –	1,592
Retained by authority –	1,592
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

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 –	1,405
Captured tax capacity –	1,256
Retained by authority –	1,256
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 –	1,868
Captured tax capacity –	1,835
Retained by authority –	1,835
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	29,326

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	0
Current tax capacity –	1,714
Captured tax capacity –	1,714
Retained by authority –	1,714
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	20,000

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

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	25
Current tax capacity –	1,452
Captured tax capacity –	1,427
Retained by authority –	1,427
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 –	3,360
Captured tax capacity –	3,099
Retained by authority –	3,099
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 –	29,436
Captured tax capacity –	29,035
Retained by authority –	29,035
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-37 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 –	660
Current tax capacity –	10,386
Captured tax capacity –	9,726
Retained by authority –	9,726
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-41 County (TIF 1-26)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2015	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2040	
Original tax capacity –	3,104
Current tax capacity –	870
Captured tax capacity –	-0-
Retained by authority –	-0-
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-43 County (TIF 1-27)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2015	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2042	
Original tax capacity –	3,467
Current tax capacity –	3,467
Captured tax capacity –	-0-
Retained by authority –	-0-
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

Required supplementary information includes budgetary comparison schedules and notes to the required supplementary information, these are required by GASB.

CITY OF CANBY
 SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	June 30, 2015	0.0066%	\$342,046	\$385,415	88.75%
June 30, 2016	0.0061%	\$495,290	\$365,010	135.69%	68.90%

* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.
 **For purposes of this schedule, covered employee payroll is defined as "pensionable wages".

CITY OF CANBY
 SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
 PUBLIC EMPLOYEES POLICE AND FIRE EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
	June 30, 2015	0.0170%	\$193,160	\$151,377	127.60%
June 30, 2016	0.0160%	\$642,108	\$160,585	399.86%	63.90%

* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.
 **For purposes of this schedule, covered employee payroll is defined as "pensionable wages".

CITY OF CANBY
SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
December 31, 2015	\$28,491	\$28,718	(227)	\$385,415	7.45%
December 31, 2016	\$27,376	\$27,376	-	\$365,010	7.50%

* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

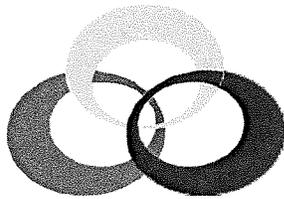
**For purposes of this schedule, covered employee payroll is defined as "pensionable wages".

CITY OF CANBY
SCHEDULE OF CITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE EMPLOYEES RETIREMENT FUND

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
December 31, 2015	\$24,885	\$24,534	351	\$151,377	16.21%
December 31, 2016	\$26,015	\$26,015	-	\$160,585	16.20%

* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**For purposes of this schedule, covered employee payroll is defined as "pensionable wages".



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, 2016, 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 16, 2017.

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.

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. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses, 2016-1.

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 Standards*.

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 2016-2. 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

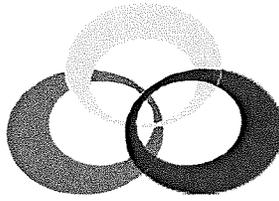
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of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

Kinner & Company Ltd
Certified Public Accountants

May 16, 2017

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Kinner & Company Ltd

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*(Uniform Guidance). Those standards and Uniform Guidance 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2016-1. Our opinion on each major federal program is not modified with respect to these matters. City of Canby, Minnesota's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Canby, Minnesota's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, 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, 2016-1, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Canby, Minnesota's basic financial statements. We issued our report thereon dated May 16, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kinner + Company Ltd.

Kinner & Company, Ltd
Certified Public Accountants

May 16, 2017

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CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016

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 Uniform
Guidance? Yes

Major Program:

66.458 Clean Water State Revolving Fund

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

The City of Canby does qualify as a low-risk auditee.

**CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2016**

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-1: 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 compensating controls 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, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-2: 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 interfund 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 interfund loan and payment terms so the city is compliant with the Minnesota Legal Compliance Guide.

PRIOR YEAR FINANCIAL FINDINGS

2015-1: 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 2016-1

2015-2: The City did not follow MN Statutes for transferring money between TIF districts and the general fund.- This finding continues to exist and has been restated as finding 2016-2

CITY OF CANBY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass Through Grantor and Program Title	Grant Contract Period	Federal CFDA Number	Loan/Grant Number	Federal Expenditures
U.S. Environmental Protection Agency:				
Passthrough Agency: Minnesota Public Facilities Authority				
* Clean Water State Revolving Fund	07/11/14-12/31/15	66.458	MPFA-14-0014-R-FY15	\$ 613,419
* Drinking Water State Revolving Fund	07/11/14-12/31/15	66.468	MPFA-14-0032-R-FY15	547,744
Total U.S. Environmental Protection Agency				<u>1,161,163</u>
U.S. Department of Agriculture:				
Rural Business Enterprise Grants	2016	10.769	12-1902-0-1-452	<u>19,200</u>
Total U.S. Department of Agriculture				<u>19,200</u>
Grand Total				<u><u>\$ 1,180,363</u></u>

* donates Major Program

Loan Numbers	01/01/2016	Principal Payments	Loans Disbursed	12/31/2016
MPFA-14-0014-R-FY15	\$ 3,643,581.11	\$ 127,000.00	\$ 613,418.89	\$ 4,130,000.00
MPFA-14-0032-R-FY15	2,109,256.38	79,000.00	547,743.62	2,578,000.00
MPFA-09-0096-R-FY10	4,233,000.00	151,000.00		4,082,000.00
MPFA-09-0083-R-FY10	3,440,000.00	126,000.00		3,314,000.00
MPFA-97-0012-R-FY99	365,000.00	120,000.00		245,000.00
Totals	<u>13,790,837.49</u>	<u>603,000.00</u>	<u>1,161,162.51</u>	<u>14,349,000.00</u>

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
December 31, 2016

	Special Revenue			Debt Service					Other Governmental Funds	Total Governmental Funds
	General	Duplex	Apartment Projects	Townhomes	TIF 1-1	TIF 1-4	TIF 1-8	TIF 1-9		
ASSETS										
Cash	\$ 19,328	\$ 42,694	\$ 107,856	\$ 47,298	\$ 36,086	\$ 251,162	\$ 14	\$ 860	\$ 76,787	\$ 582,085
Notes Receivable - Due within one year	9,959	--	--	--	--	--	--	--	--	9,959
Prepaid Insurance	142	28	1,638	1,181	--	--	--	--	--	2,989
Taxes Receivable	--	--	--	--	--	--	--	--	542	542
Due from Other Entity	--	--	--	--	4,580	9,718	--	--	992	15,290
Notes Receivable - Due after one year	42,421	--	--	--	--	--	--	--	--	42,421
Advance to other funds	71,527	75,000	200,000	26,500	50,000	--	--	--	--	423,027
<i>Total Assets</i>	<u>143,377</u>	<u>117,722</u>	<u>309,494</u>	<u>74,979</u>	<u>90,666</u>	<u>260,880</u>	<u>14</u>	<u>860</u>	<u>78,321</u>	<u>1,076,313</u>
DEFERRED OUTFLOWS OF RESOURCES										
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 143,377</u>	<u>\$ 117,722</u>	<u>\$ 309,494</u>	<u>\$ 74,979</u>	<u>\$ 90,666</u>	<u>\$ 260,880</u>	<u>\$ 14</u>	<u>\$ 860</u>	<u>\$ 78,321</u>	<u>\$ 1,076,313</u>
LIABILITIES										
Accounts Payable	\$ --	\$ --	\$ 115	\$ --	\$ --	\$ 172	\$ --	\$ 1,467	\$ --	\$ 1,754
Security Deposit Payable	--	392	2,481	2,124	--	--	--	--	--	4,997
Unearned Revenue	52,379	--	--	--	--	--	--	--	--	52,379
Advance from Other Funds	200,000	--	--	--	68,531	--	50,000	80,000	24,496	423,027
<i>Total Liabilities</i>	<u>252,379</u>	<u>392</u>	<u>2,596</u>	<u>2,124</u>	<u>68,531</u>	<u>172</u>	<u>50,000</u>	<u>81,467</u>	<u>24,496</u>	<u>482,157</u>
DEFERRED INFLOWS OF RESOURCES										
Aggregated deferred inflows	--	--	--	--	--	--	--	--	89	89
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>252,379</u>	<u>392</u>	<u>2,596</u>	<u>2,124</u>	<u>68,531</u>	<u>172</u>	<u>50,000</u>	<u>81,467</u>	<u>24,585</u>	<u>482,246</u>
FUND BALANCE										
Nonspendable	142	28	1,638	1,181	--	--	--	--	--	2,989
Restricted	--	--	--	--	22,135	260,708	--	--	70,322	353,165
Assigned	--	117,302	305,260	71,674	--	--	--	--	--	494,236
Unassigned	(109,144)	--	--	--	--	--	(49,986)	(80,607)	(16,586)	(256,323)
<i>Total Fund Balance</i>	<u>(109,002)</u>	<u>117,330</u>	<u>306,898</u>	<u>72,855</u>	<u>22,135</u>	<u>260,708</u>	<u>(49,986)</u>	<u>(80,607)</u>	<u>53,736</u>	<u>594,067</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 143,377</u>	<u>\$ 117,722</u>	<u>\$ 309,494</u>	<u>\$ 74,979</u>	<u>\$ 90,666</u>	<u>\$ 260,880</u>	<u>\$ 14</u>	<u>\$ 860</u>	<u>\$ 78,321</u>	<u>\$ 1,076,313</u>

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

Canby HRA
Statement of Changes in Fiduciary Net Position
Governmental Funds
For the Year Ended December 31, 2016

	Special Revenue						Debt Service				Total Governmental Funds
	General	Duplex	Apartment Projects	Townhomes	TIF 1-1	TIF 1-4	TIF 1-8	TIF 1-9	Other Governmental Funds		
Revenues											
Program Income	8,414	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	8,414
Revenue Note Reimbursement	--	--	2,000	--	--	--	--	--	--	--	2,000
Rent Income	--	8,400	52,787	27,168	--	--	--	--	--	--	88,355
Laundry Income	--	--	1,420	--	--	--	--	--	--	--	1,420
Property Tax	--	--	--	--	1,571	--	--	--	8,979	--	10,550
Miscellaneous Income	295	169	79	--	--	--	--	--	--	--	543
Interest Income	3,440	140	371	174	--	--	--	--	--	--	4,125
Total Revenues	12,149	8,709	56,657	27,342	1,571	--	--	--	8,979	--	115,407
Expenditures											
General and Administrative	11,140	4,703	34,931	10,011	2,140	113	238	240	752	--	64,268
Insurance	7	334	4,921	3,421	--	--	--	--	--	--	8,683
Professional Fees	2,778	1,325	1,435	1,335	3,781	5,847	555	9,590	8,227	8,227	34,873
Redevelopment	10,075	--	--	--	--	49,513	--	16,685	956	--	77,229
Capital Outlay	10,000	959	5,430	1,307	73,917	--	--	25,316	--	--	116,929
Taxes	--	440	2,838	1,358	--	--	--	--	490	--	5,126
Principal	--	--	--	--	12,500	--	--	--	10,468	--	22,968
Interest and Other Charges	--	--	--	--	12,594	34,830	--	--	16,783	--	64,207
Total Expenditures	34,000	7,761	49,555	17,432	104,932	90,303	793	51,831	37,676	--	394,283
Excess of Revenues Over (Under) Expenditures	(21,851)	948	7,102	9,910	(103,361)	(90,303)	(793)	(51,831)	(28,697)	--	(278,876)
Other Financing Sources (Uses)											
Gain (Loss) on Sale of Assets	--	--	--	--	--	--	1	--	--	--	1
Transfers from other funds	--	--	--	--	--	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	1	--	--	--	1
Net Change in Fund Balance	(21,851)	948	7,102	9,910	(103,361)	(90,303)	(792)	(51,831)	(28,697)	--	(278,875)
Fund Balance at Beginning of Period	(87,151)	116,382	299,796	62,945	125,496	351,011	(49,194)	(28,776)	82,433	--	872,942
Fund Balance at End of Period	\$(109,002)	\$ 117,330	\$ 306,898	\$ 72,855	\$ 22,135	\$ 260,708	\$ (49,986)	\$ (80,607)	\$ 53,736	\$	\$ 594,067

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

City of Canby
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2016

Special Revenue	Debt Service												
	EDA	GOIB of 2001	GOIB of 2000	TIF 1-24 GOIB of 2012A	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Tier Bond 1997	TIF 1-4	TIF 1-6	TIF 1-8	TIF 1-9	TIF 1-26
ASSETS													
Cash and cash equivalents	\$ 67,420	\$ 21,677	\$ 3,780	\$ 155,164	\$ 8,598	\$ 21,614	\$ 81,950	\$ 2,175	\$ 201,226	\$ 384	\$ 10,551	\$ 10,314	\$ --
Taxes Receivable	--	--	--	--	--	--	--	--	413	--	--	--	--
Delinquent Taxes Receivable	--	567	--	--	--	--	--	--	634	--	--	--	--
Special Assessments Receivable	--	520	--	--	--	--	936	--	--	--	--	--	--
Accounts Receivable	--	--	--	--	450	--	--	--	--	--	--	--	--
Notes Receivable Current	22,310	--	--	--	7,760	--	--	--	--	--	--	--	--
Special Assessments - Deferred	--	--	--	--	--	--	98,145	--	--	--	--	--	--
Notes receivable - Non Current	111,337	--	--	--	228,960	--	--	--	--	--	--	--	--
Advances to other funds	--	--	--	--	--	--	--	--	12,905	--	--	--	--
Total Assets	201,067	22,764	3,780	155,164	245,768	21,614	181,031	2,175	215,178	384	10,551	10,314	--
DEFERRED OUTFLOWS OF RESOURCES													
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 201,067	\$ 22,764	\$ 3,780	\$ 155,164	\$ 245,768	\$ 21,614	\$ 181,031	\$ 2,175	\$ 215,178	\$ 384	\$ 10,551	\$ 10,314	\$ --
LIABILITIES													
Due to Other Entity	--	--	--	--	--	--	--	--	--	--	--	--	--
Advances from other funds	--	--	--	--	12,905	--	--	33,264	--	5,259	--	--	--
Total Liabilities	--	--	--	--	12,905	--	--	33,264	--	5,259	--	--	--
DEFERRED INFLOWS OF RESOURCES													
Aggregated deferred inflows	133,647	853	--	--	--	--	99,081	--	545	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	133,647	853	--	--	--	--	99,081	--	545	--	--	--	--
FUND BALANCE													
Restricted	--	21,911	3,780	155,614	232,863	21,614	81,950	--	214,633	--	10,551	10,314	0
Unassigned	67,420	--	--	--	--	--	--	(31,089)	--	--	--	--	--
Total Fund Balance	67,420	21,911	3,780	155,614	232,863	21,614	81,950	(31,089)	214,633	(4,875)	10,551	10,314	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 201,067	\$ 22,764	\$ 3,780	\$ 155,164	\$ 245,768	\$ 21,614	\$ 181,031	\$ 2,175	\$ 215,178	\$ 384	\$ 10,551	\$ 10,314	\$ 0

City of Canby
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2016

Capital Projects

	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-18	GOIB of 2004	2009 Impr Bond	GOIB 2014C	GOIB 2015A	TIF 1-27	Post-GO Tax 2015B	TIF 1-28	TIF 1-25	Total Nonmajor Governmental Funds
ASSETS														
Cash and cash equivalents	\$ 664	\$ 3,615	\$ 11,169	\$ 10,155	\$ 6,126	\$ --	\$ 36,294	\$ 18,071	\$ --	\$ --	\$ 13,849	\$ --	\$ 452,872	\$ 1,138,568
Taxes Receivable	--	--	--	--	--	--	2,333	--	--	--	735	--	--	1,148
Delinquent Taxes Receivable	--	--	--	--	--	--	944	--	--	--	--	--	--	3,534
Special Assessments Receivable	--	--	--	--	--	--	--	--	--	--	--	--	--	2,400
Accounts Receivable	--	--	--	--	--	--	--	--	--	--	--	--	--	450
Notes Receivable Current	--	--	--	--	--	--	--	15,208	19,509	--	--	--	--	64,787
Special Assessments - Deferred	--	--	--	--	--	--	--	--	--	--	--	--	--	98,145
Notes receivable - Non Current	--	--	--	--	--	--	--	334,584	510,491	--	--	--	--	1,185,372
Advances to other funds	--	--	--	--	--	--	--	--	--	--	--	--	67,064	79,969
Total Assets	664	3,615	11,169	10,155	6,126	--	39,571	368,763	530,000	--	14,584	--	519,936	2,574,373
DEFERRED OUTFLOWS OF RESOURCES														
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	664	3,615	11,169	10,155	6,126	--	39,571	368,763	530,000	--	14,584	--	519,936	2,574,373
LIABILITIES														
Due to Other Entity	--	--	--	--	7,991	--	--	5,572	9,718	11,478	--	2,696	--	15,290
Advances from other funds	21,000	--	--	--	7,991	65,919	--	--	57,168	11,478	--	--	--	217,680
Total Liabilities	21,000	--	--	--	7,991	65,919	--	5,572	66,886	11,478	--	2,696	--	232,970
DEFERRED INFLOWS OF RESOURCES														
Aggregated deferred inflows	--	--	--	--	--	--	3,277	--	--	--	735	--	--	238,138
Total Liabilities and Deferred Inflows of Resources	21,000	--	--	--	7,991	65,919	3,277	5,572	66,886	11,478	735	2,696	--	471,108
FUND BALANCE														
Restricted	--	3,615	11,169	10,155	(1,865)	(65,919)	36,294	363,191	463,114	--	13,849	--	519,936	2,174,103
Unassigned	(20,336)	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Fund Balance	(20,336)	3,615	11,169	10,155	(1,865)	(65,919)	36,294	363,191	463,114	(11,478)	13,849	(2,696)	519,936	(70,838)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	664	3,615	11,169	10,155	6,126	--	39,571	368,763	530,000	--	14,584	--	519,936	2,103,265
														2,574,373

City of Canby
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2016

	Debt Service												
	EDA	GOIB at 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 1-6	TIF 1-8	TIF 1-9	TIF 1-26
Revenues													
Interest revenue	\$ 2,842	\$ 167	\$ 319	\$ 77	\$ 14,060	\$ 2	\$ 5,476	\$ --	\$ --	\$ --	\$ 1	\$ 1	--
Property Taxes	--	358	--	46,141	--	--	--	--	76,863	2,916	2,791	2,530	--
Special Assessments	--	2,110	2,083	--	--	--	3,969	--	--	--	--	--	--
Miscellaneous	25,668	28	11	--	349	--	20	--	--	--	--	--	--
Federal Grants	19,200	--	--	--	--	--	--	--	--	--	--	--	--
Total Revenues	47,710	2,663	2,413	46,218	14,409	2	9,465	--	76,863	2,916	2,792	2,531	--
Expenditures													
Economic Development	40,958	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	265	165	165	166	--
Capital outlay	--	--	--	--	--	--	--	--	--	--	--	--	--
Debt - principal	--	--	--	30,000	7,760	--	10,000	1,900	9,040	1,300	--	--	--
Interest and Other Charges	--	32	12	32,093	14,898	--	11,016	1,118	8,059	765	--	--	--
Total Expenditures	40,958	32	12	62,093	22,658	--	21,016	3,018	17,384	2,230	165	166	--
Excess of Revenues Over (Under) Expenditures	6,752	2,631	2,401	(15,875)	(8,249)	2	(11,551)	(3,018)	59,499	686	2,627	2,365	--
Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfers from other funds	--	--	--	--	--	--	--	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	6,752	2,631	2,401	(15,875)	(8,249)	2	(11,551)	(3,018)	59,499	686	2,627	2,365	(39,589)
Net Change in Fund Balance	60,668	19,280	1,379	171,039	241,112	21,612	93,501	(28,071)	155,134	(5,561)	7,924	7,949	39,589
Fund Balance at Beginning of Period	67,420	21,911	3,780	155,064	232,863	21,614	81,950	(31,989)	214,633	(4,875)	10,551	10,314	0

City of Canby
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2016

	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-18	GOIB at 2004	2009 Impr Bond	GOIB 2014C	GOIB 2015A	TIF 1-27	Pool-GO Tax 2015B	TIF 1-28	TIF 1-25	Total Nonmajor Governmental
Revenues														
Interest revenue														
Property Taxes		1,996	2,724	2,568	4,925		413	15,329	34,830					73,156
Special Assessments									15,237		19,875			179,037
Miscellaneous								1,501					1,542	8,162
Federal Grants														29,119
Total Revenues		1,996	2,724	2,568	4,925		462	16,830	50,067		19,875		1,542	19,200
Expenditures														308,674
Economic Development														
Miscellaneous		166	165	165	166									40,958
Capital outlay														105,820
Debt - principal					2,000			25,000						71,895
Interest and Other Charges					2,340			27,656	107,235	5,422	20,686	2,696		87,000
Total Expenditures		166	165	165	4,506			52,656	107,235	5,422	20,686	2,696	176,292	234,028
Excess of Revenues Over (Under) Expenditures		1,830	2,560	2,104	420		462	(35,826)	(57,168)	(5,422)	(811)	(2,696)	(174,750)	(519,701)
Other Financing Sources (Uses)														
Transfers from other funds								39,589						39,589
Net Other Financing Sources (Uses)								39,589						
Net Change in Fund Balance		1,830	2,560	2,104	420		462	3,763	(17,168)	(5,422)	(811)	(2,696)	(174,750)	(231,027)
Fund Balance at Beginning of Period	(20,336)	1,785	8,609	8,051	(2,285)	(65,919)	35,832	359,428	520,282	(6,056)	14,660		694,686	2,334,292
Fund Balance at End of Period	(20,336)	3,615	11,169	10,155	(1,865)	(65,919)	36,294	363,191	463,114	(11,478)	13,849	(2,696)	519,936	2,103,265