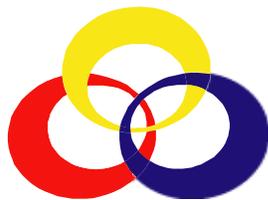


**City of Canby
Audit Report
For the Year Ended
December 31, 2015**



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

City of Canby

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INTRODUCTORY SECTION

**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

ELECTED OFFICIALS

POSITION

Nancy Bormann

Mayor

Frank Maas

Council Member

Denise Hanson

Council Member

Nathan Oellien

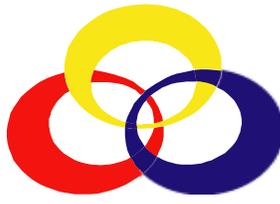
Council Member

Jeff Varcoe

Council Member

CITY ADMINISTRATOR

Nicholas Johnson



Kinner & Company Ltd Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Canby
Canby, Minnesota 56220

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2015, 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, 2015, 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.

Emphasis of Matter

As described in Note 4 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board, Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 4H to the financial statements, the City has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2016, 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

June 7, 2016

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507-629-3662 or 800-858-5410, fax 507-629-3446
Visit our [website](http://www.kinner.co) at www.kinner.co

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

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, 2015 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, 2015 AND 2014

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, 2015 AND 2014

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 \$14,994,196 and \$13,141,287 at the close of fiscal years 2015 and 2014.

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 increased by \$377,369 in 2015 and it increased by \$88,840 in 2014.

Table 1

Net Position

	Governmental Activities		Business-Type Activities	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	4,996,177	3,154,530	5,647,409	6,876,385
Capital assets	<u>5,677,935</u>	<u>4,613,480</u>	<u>20,777,974</u>	<u>12,964,328</u>
Total assets	<u>10,674,112</u>	<u>7,768,010</u>	<u>26,425,383</u>	<u>19,840,713</u>
Deferred Outflows of Resources	<u>73,059</u>	-	<u>19,975</u>	-
Long-term liabilities outstanding	5,209,681	2,223,973	16,680,837	11,982,186
Other liabilities	<u>248,957</u>	<u>228,051</u>	<u>242,242</u>	<u>33,226</u>
Total liabilities	<u>5,458,638</u>	<u>2,452,024</u>	<u>16,923,079</u>	<u>12,015,412</u>
Deferred Inflows of Resources	<u>53,110</u>	-	<u>11,961</u>	-
Net assets				
Net investment in capital assets	1,203,531	2,389,507	5,727,137	982,144
Net position -Restricted	2,281,855	52,398	0	0
Net position -Unrestricted	<u>1,998,994</u>	<u>2,874,081</u>	<u>3,783,181</u>	<u>6,843,157</u>
Total Net Position	<u>5,484,380</u>	<u>5,315,986</u>	<u>9,510,318</u>	<u>7,825,301</u>

Prior year columns have not been restated for the effects of the GASB 68 and 71 implementation. 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, 2015 AND 2014

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2015
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	164,284	146,762	899,270	899,668	1,063,554
Operating grants and contributions	20,065	133,387			20,065
Capital grants and contributions	692,656	475,824	1,895,819		2,588,475
General Revenues					
Property taxes	723,764	708,351	150,622	153,311	874,386
Special Assessments	7	12,099	31,175	1,740,909	31,182
Intergovernmental Revenue	762,812	727,924			762,812
Fines and Forfeits	4,579	3,724			4,579
Licenses and Permits to specific programs	3,140	3,333			3,140
Unrestricted Investment Earnings	28,120	28,924	101,337	68,921	129,457
Miscellaneous	136,865	654,190	10,899	11,096	147,764
Total Revenues	<u>2,536,292</u>	<u>2,894,518</u>	<u>3,089,122</u>	<u>2,873,905</u>	<u>5,625,414</u>
Expenses					
Governmental activities	2,158,923	2,805,678			2,158,923
Business-type activities			1,243,283	1,234,704	1,243,283
Total expenses	<u>2,158,923</u>	<u>2,805,678</u>	<u>1,243,283</u>	<u>1,234,704</u>	<u>3,402,206</u>
Transfers In (Out)	0	0	0	0	0
Increase in net position	377,369	88,840	1,845,839	1,639,201	2,223,208
Net position, January 1, Restated *	<u>5,107,011</u>	<u>5,227,146</u>	<u>7,664,479</u>	<u>6,186,100</u>	<u>12,771,490</u>
Net position, December 31	<u>5,484,380</u>	<u>5,315,986</u>	<u>9,510,318</u>	<u>7,825,301</u>	<u>14,994,698</u>

*Prior year is restated for the effects of the GASB 68 and 71 implementation.

The City's total net position increased by \$2,222,706 in 2015 and increased by \$1,728,041 in 2014. Most of this increase was the result of the infrastructure projects that accumulated special assessments that were added this year and other added property and equipment in 2015.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

Business-type activities

Business-type activities increased the City's net position by \$1,845,839 and increased by \$1,639,201 in 2014, accounting for 83 percent of the city's total increase in 2015 and 94 percent of the increase in 2014. 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 2015 and 2014, the City's governmental funds reported ending balances of \$4,233,916 and \$2,601,123. Twenty two and fifty-four percent of the total amount of \$927,239 and \$1,417,093 constitutes unreserved fund balances, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed to a specific area.

Proprietary fund

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

Total Net Position in the proprietary funds increased by \$1,845,839.

The Storm Sewer net position increased by \$33,632 in 2015 and decreased \$16,357 in 2014.

Wastewater net position decreased by \$97,833 in 2015 and increased by \$730,026 in 2014.

Water net position increased by \$1,926,763 in 2015 and increased in 2014 by \$931,358.

Solid Waste net position decreased by \$16,723 in 2015 and decreased by \$5,826 in 2014.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

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, 2015 and 2014 amounts to \$26,455,909 and \$17,577,808 (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 2015, the City issued \$7,519,783 in new debt and retired \$570,703 of debt. At the end of 2015 and 2014, the City had total bonded debt outstanding of \$21,155,242 and \$14,206,159.

2015 General Fund Budget Variances to Actual

Total general fund budgeted revenues for 2015, including the transfer in, is \$1,827,709. The actual revenues for 2015, including transfer in, is \$2,441,725. The revenues were over budget by \$614,016. The majority of the variance is due to the pedestrian ramp grants not being included in the budget number. This amount totaled \$657,248 for 2015 and was not included in the budget.

Total general fund budgeted expenses for 2015, including the transfer out, is \$4,462,414. The actual expenses for 2015 is \$2,863,502. The expenses were under budget by \$1,598,912. The city over budgeted transfers out this year to cause this variance.

Economic Factor and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2015. Overall budget amounts for 2016 will be re-evaluated to make sure the revenues and expenses are consistent with the budget and operations.

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

Sincerely,
Nicholas Johnson
City Administrator

BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

Fund Financial Statements:

Governmental Funds

Proprietary (Enterprise) Funds

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

City of Canby
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 3,056,887	\$ 2,103,109	\$ 5,159,996
Investments	--	1,518	1,518
Taxes Receivable	18,211	4,752	22,963
Delinquent Taxes Receivable	25,125	6,836	31,961
Grant Receivable	26,251	--	26,251
Special Assessments Receivable	2,043	19,942	21,985
Accounts Receivable	12,375	73,840	86,215
Notes Receivable	43,559	--	43,559
Prepaid and Other Assets	23,796	14,433	38,229
Inventory	10,388	--	10,388
Total Current Assets	3,218,635	2,224,430	5,443,065
<i>Noncurrent Assets</i>			
Special Assessments - Deferred	116,625	3,422,979	3,539,604
Non-depreciable	1,261,269	9,132,065	10,393,334
Depreciable, Net	4,416,666	11,645,909	16,062,575
Notes Receivable	1,227,180	--	1,227,180
Net Pension Asset	219,864	--	219,864
<i>Internal Balances*</i>	213,873	--	--
Total Assets	10,674,112	26,425,383	36,885,622
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	73,059	19,975	93,034
Total Deferred Outflows of Resources	73,059	19,975	93,034
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	46,871	40,352	87,223
Accrued Wages and Benefits	85,551	40,377	125,928
LT Debt Due Within One Year	101,245	748,000	849,245
Due to Other Entity	15,290	--	15,290
Total Current Liabilities	248,957	828,729	1,077,686
<i>Noncurrent Liabilities</i>			
Net Pension Liability	388,125	147,080	535,205
LT Debt Due Beyond One Year	4,373,159	15,932,837	20,305,996
<i>Internal Balances*</i>	199,440	14,433	--
Total Liabilities	5,209,681	16,923,079	21,918,887
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	53,110	11,961	65,071
Total Deferred Inflows of Resources	53,110	12,463	65,573
NET POSITION			
Net Investment in Capital Assets	1,203,531	5,727,137	6,930,668
<i>Restricted for:</i>			
Debt Service	2,229,326	--	2,229,326
John Swenson Trust	52,529	--	52,529
<i>Unrestricted</i>	1,998,994	3,783,181	5,782,175
Total Net Position	\$ 5,484,380	\$ 9,510,318	\$ 14,994,698

* 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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General Government and Administration	\$ 353,939	\$ --	\$ --	\$ --	\$ (353,939)	\$ --	\$ (353,939)
Public Safety	349,373	44,003	20,065	--	(285,305)	--	(285,305)
Public Works	242,962	--	--	--	(242,962)	--	(242,962)
Culture and Recreation	275,364	15,300	--	--	(260,064)	--	(260,064)
Economic Development	13,393	--	--	--	(13,393)	--	(13,393)
Miscellaneous	754,764	104,981	--	692,656	42,873	--	42,873
Interest and Charges on Debt	92,021	--	--	--	(92,021)	--	(92,021)
Bond Discounts	29,887	--	--	--	(29,887)	--	(29,887)
Bond Issuance Costs	47,219	--	--	--	(47,219)	--	(47,219)
Total Governmental Activities	2,158,922	164,284	20,065	692,656	(1,281,917)	--	(1,281,917)
Business-type Activities:							
Solid Waste	166,670	149,888	--	--	--	(16,782)	(16,782)
Storm Sewer	128,209	124,513	--	--	--	(3,696)	(3,696)
Wastewater	462,954	232,080	--	--	--	(230,874)	(230,874)
Water	485,449	392,788	--	1,895,819	--	1,803,158	1,803,158
Total Business-type Activities	1,243,282	899,269	--	1,895,819	--	1,551,806	1,551,806
Total Primary Government	\$ 3,402,204	\$ 1,063,553	\$ 20,065	\$ 2,588,475	\$ (1,281,917)	\$ 1,551,806	\$ 269,889

General Purpose Revenues and Transfers:

Revenues

Interest revenue	28,120	101,337	129,457
Gain on sale of assets	(77,154)	10,899	(66,255)
Miscellaneous	124,369	--	124,369
Property Taxes	723,764	150,622	874,386
Special Assessments	7	31,175	30,680
License and Permits	3,140	--	3,140
Intergovernmental Revenues	762,812	--	762,812
Fines and Forfeits	4,579	--	4,579
Refunds and Reimbursements	70,848	--	70,848
Premium on Issuance of Bonds	18,801	--	18,801

Transfers

Total General Revenues and Transfers	1,659,286	294,033	1,952,817
Change in Net Position	377,369	1,845,839	2,222,706
<i>Net Position at Beginning of Period, Restated</i>	<i>5,107,011</i>	<i>7,664,479</i>	<i>12,771,490</i>
Net Position at End of Period	\$ 5,484,380	\$ 9,510,318	\$ 14,994,698

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

**City of Canby
Balance Sheet
Governmental Funds
December 31, 2015**

	<u>Debt Service</u>		<u>Capital Projects</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>GOIB 2015A</u>	<u>Pool</u>	<u>TIF 1-25</u>		
ASSETS						
Cash and Cash Equivalents	\$ 855,475	\$ --	\$ 818,109	\$ 710,321	\$ 672,982	\$ 3,056,887
Taxes Receivable	18,211	--	--	--	--	18,211
Delinquent Taxes Receivable	20,959	--	--	--	4,166	25,125
Grant Receivable	26,251	--	--	--	--	26,251
Special Assessments Receivable	--	--	--	--	2,043	2,043
Accounts Receivable	11,925	--	--	--	450	12,375
Notes Receivable	--	--	--	--	43,559	43,559
Prepaid and other assets	23,796	--	--	--	--	23,796
Inventory	10,388	--	--	--	--	10,388
Special Assessments - Deferred	10,097	--	--	--	106,528	116,625
Notes receivable	--	530,000	--	--	697,180	1,227,180
Advances to other funds	195,083	--	--	--	18,790	213,873
Total Assets	1,172,185	530,000	818,109	710,321	1,545,698	4,776,313
DEFERRED OUTFLOWS OF RESOURCES						
Aggregated deferred outflows	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 1,172,185	\$ 530,000	\$ 818,109	\$ 710,321	\$ 1,545,698	\$ 4,776,313
LIABILITIES						
Accounts Payable	\$ 46,871	\$ --	\$ --	\$ --	\$ --	\$ 46,871
Unearned Revenue	--	--	--	--	624	624
Due to Other Entity	--	9,718	--	--	5,572	15,290
Advances from other funds	5,583	--	--	15,635	178,222	199,440
Total Liabilities	52,454	9,718	--	15,635	184,418	262,225
DEFERRED INFLOWS OF RESOURCES						
Aggregated deferred inflows	38,219	--	--	--	241,953	280,172
Total Liabilities and Deferred Inflows of Resources	90,673	9,718	--	15,635	426,371	542,397
FUND BALANCE						
Nonspendable	34,184	--	--	--	--	34,184
Restricted	52,529	520,282	--	--	1,120,968	1,693,779
Assigned	--	--	818,109	694,686	--	1,512,795
Unassigned	994,799	--	--	--	(1,641)	993,158
Total Fund Balance	1,081,512	520,282	818,109	694,686	1,119,327	4,233,916
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,172,185	\$ 530,000	\$ 818,109	\$ 710,321	\$ 1,545,698	\$ 4,776,313

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, 2015

Total Fund Balance - Governmental Funds	\$ 4,233,916
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.	(85,551)
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.	5,677,934
Tax revenue deferred in governmental fund statements if not received within sixty days	32,288
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.	(4,474,404)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements	131,259
Special assessment revenue deferred in governmental fund statements if not received within sixty days	117,250
Net pension assets are not available to pay for current period expenditures and therefore are deferred in the funds.	219,864
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.	(388,125)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.	(53,110)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	73,059
Total Net Position-Governmental Funds	\$ <u>5,484,380</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2015

	<u>Debt Service</u>		<u>Capital Projects</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>GOIB 2015A</u>	<u>Pool</u>	<u>TIF 1-25</u>		
Revenues						
Interest revenue	\$ 2,903	\$ --	\$ --	\$ --	\$ 25,217	\$ 28,120
Intergovernmental Revenues	1,474,003	--	--	--	--	1,474,003
Property Taxes	590,538	--	--	286	140,510	731,334
Special Assessments	3,471	--	--	--	7,873	11,344
License and Permits	3,140	--	--	--	--	3,140
Fines and Forfeits	4,579	--	--	--	--	4,579
Charges for Services	131,031	--	--	--	--	131,031
Refunds and Reimbursements	70,848	--	--	--	--	70,848
Miscellaneous	161,212	--	--	10,093	40,113	211,418
Total Revenues	2,441,725	--	--	10,379	213,713	2,665,817
Expenditures						
General Government and Administration	332,545	--	--	--	37	332,582
Public Safety	292,820	--	--	--	--	292,820
Public Works	191,923	--	--	--	--	191,923
Culture and Recreation	240,981	--	--	--	--	240,981
Economic Development	--	--	--	--	13,393	13,393
Miscellaneous	185,960	--	--	376,030	67,219	629,209
Capital outlay	868,827	--	563,390	--	--	1,432,217
Debt - principal	13,568	--	--	--	61,000	74,568
Interest and Charges on Debt	7,301	--	--	--	84,720	92,021
Bond Issuance Costs	--	--	47,219	--	--	47,219
Total Expenditures	2,133,925	--	610,609	376,030	226,369	3,346,933
Excess of Revenues Over (Under) Expenditures	307,800	--	(610,609)	(365,651)	(12,656)	(681,116)
Other Financing Sources (Uses)						
Bond Proceeds	--	530,000	695,000	1,100,000	--	2,325,000
Premium on Issuance of Bonds	--	--	18,801	--	--	18,801
Transfers from other funds	--	--	729,577	--	14,660	744,237
Bond Discounts	--	(9,718)	--	(20,169)	--	(29,887)
Transfers to other funds	(729,577)	--	(14,660)	--	--	(744,237)
Net Other Financing Sources (Uses)	(729,577)	520,282	1,428,718	1,079,831	14,660	2,313,914
Net Change in Fund Balance	(421,777)	520,282	818,109	714,180	2,004	1,632,798
<i>Fund Balance at Beginning of Period</i>	1,503,289	--	--	(19,494)	1,117,323	2,601,118
Fund Balance at End of Period	\$ 1,081,512	\$ 520,282	\$ 818,109	\$ 694,686	\$ 1,119,327	\$ 4,233,916

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

City of Canby
Reconciliation of Governmental Funds Statement of Revenues,
Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ 1,632,798
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(6,038)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	74,568
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	1,432,218
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(290,657)
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.	(8,958)
The issuance of long-term debt (i.e. bonds) provides current resources to government funds, while the repayment of the principal of the long- term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,325,000)
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.	(77,154)
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	(53,796)
Special assessment revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(11,336)
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.	10,723
	<hr/>
Changes in Net Position-Governmental Funds	\$ <u>377,369</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, 2015

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Non Major Garbage	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash and Cash Equivalents	\$ 616,608	\$ 514,815	\$ 911,945	\$ 59,741	\$ 2,103,109
Investments	--	761	474	283	1,518
Taxes Receivable	--	2,614	2,138	--	4,752
Delinquent Taxes Receivable	--	3,760	3,076	--	6,836
Special Assessments Receivable	883	9,576	9,483	--	19,942
Accounts Receivable	11,683	23,026	28,527	10,604	73,840
Prepaid and other assets	--	7,639	6,794	--	14,433
Total Current Assets	629,174	562,191	962,437	70,628	2,224,430
<i>Noncurrent Assets</i>					
Special Assessments - Deferred	77,571	1,729,774	1,615,634	--	3,422,979
Non-depreciable	1,303,693	3,749,444	4,053,812	25,116	9,132,065
Depreciable, net	1,138,856	5,721,490	4,785,563	--	11,645,909
Total Assets	3,149,294	11,762,899	11,417,446	95,744	26,425,383
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	7,897	10,220	1,858	19,975
Total Deferred Outflows of Resources	--	7,897	10,220	1,858	19,975
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	5,341	16,274	18,716	21	40,352
Accrued wages and benefits	--	15,134	19,522	5,721	40,377
LT Debt Due Within One Year	110,000	313,000	325,000	--	748,000
Total Current Liabilities	115,341	344,408	363,238	5,742	828,729
<i>Noncurrent Liabilities</i>					
Net Pension Liability	--	58,148	75,251	13,681	147,080
LT Debt Due Beyond One Yr.	2,605,000	7,738,581	5,589,256	--	15,932,837
Advances from other funds	--	7,639	6,794	--	14,433
Total Liabilities	2,720,341	8,148,776	6,034,539	19,423	16,923,079
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	4,729	6,119	1,113	11,961
Total Deferred Inflows of Resources	--	4,729	6,119	1,113	11,961
NET POSITION					
Net Investment in Capital Assets	1,357,549	1,419,353	2,925,119	25,116	5,727,137
<i>Unrestricted</i>	(928,596)	2,197,938	2,461,889	51,950	3,783,181
Total Net Position	\$ 428,953	\$ 3,617,291	\$ 5,387,008	\$ 77,066	\$ 9,510,318

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, 2015

	Business-type Activities - Enterprise Funds				
	<u>Storm Sewer</u>	<u>Wastewater</u>	<u>Water</u>	<u>Non Major Garbage</u>	<u>Total Enterprise Funds</u>
Operating Revenues					
Charges for Services	\$ 124,513	\$ 232,080	\$ 392,788	\$ 149,888	\$ 899,269
Total Operating Revenues	<u>124,513</u>	<u>232,080</u>	<u>392,788</u>	<u>149,888</u>	<u>899,269</u>
Operating Expenses					
Labor	--	65,709	84,732	15,022	165,463
Employee Benefits	--	23,450	28,620	5,677	57,747
Supplies	381	2,516	22,955	1,869	27,721
Repairs	--	20,584	25,420	--	46,004
Utilities	--	1,965	16,875	--	18,840
Fuel	--	638	611	--	1,249
Telephone	--	421	1,543	--	1,964
Insurance	--	4,445	4,095	--	8,540
Auditing	--	1,750	1,750	1,340	4,840
Miscellaneous	104	1,269	1,748	1,977	5,098
Contracted Services	--	4,109	3,048	69,247	76,404
Tipping Expenses	--	--	--	20,074	20,074
Travel	--	152	233	--	385
Motor Fuel	--	674	1,632	--	2,306
Water Purchases	--	340	2,915	--	3,255
Truck Expense	--	274	102	--	376
Dues and License	--	1,733	5,818	710	8,261
Construction	--	--	--	5,355	5,355
Legal & Professional	1,450	--	--	33,615	35,065
Assessment	--	--	--	2,332	2,332
Depreciation	54,651	259,614	229,109	--	543,374
Total Operating Expenses	<u>56,586</u>	<u>389,643</u>	<u>431,206</u>	<u>157,218</u>	<u>1,034,653</u>
Operating Income (Loss)	<u>67,927</u>	<u>(157,563)</u>	<u>(38,418)</u>	<u>(7,330)</u>	<u>(135,384)</u>
Non-Operating Revenues (Expenses)					
Interest revenue	6,742	49,300	45,236	59	101,337
Intergovernmental Revenues	--	--	1,895,819	--	1,895,819
Property Taxes	--	82,843	67,779	--	150,622
Special Assessments	30,586	42	547	--	30,673
Gain on sale of assets	--	856	10,043	--	10,899
Interest expense	(71,623)	(73,311)	(50,071)	--	(195,005)
Sales Tax Expense	--	--	(4,172)	(9,452)	(13,624)
Net Non-Operating Revenues (Expenses)	<u>(34,295)</u>	<u>59,730</u>	<u>1,965,181</u>	<u>(9,393)</u>	<u>1,980,721</u>
Income Before Contributions and Transfers	<u>33,632</u>	<u>(97,833)</u>	<u>1,926,763</u>	<u>(16,723)</u>	<u>1,845,839</u>
Transfers from other funds	--	--	--	--	--
Transfers to other funds	--	--	--	--	--
Change In Net Position	<u>33,632</u>	<u>(97,833)</u>	<u>1,926,763</u>	<u>(16,723)</u>	<u>1,845,839</u>
<i>Net Position at Beginning of Period, Restated</i>	<u>395,321</u>	<u>3,715,124</u>	<u>3,460,245</u>	<u>93,789</u>	<u>7,664,479</u>
Net Position at End of Period	<u>\$ 428,953</u>	<u>\$ 3,617,291</u>	<u>\$ 5,387,008</u>	<u>\$ 77,066</u>	<u>\$ 9,510,318</u>

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

CITY OF CANBY
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2015

	Business-Type Activities				Totals 2015
	Storm Sewer Fund	Wastewater Fund	Water Fund	Non-Major Garbage Fund	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 124,637	\$ 232,715	\$ 393,974	\$ 150,071	\$ 901,397
Cash Paid to Suppliers	(2,433)	(68,041)	(95,890)	(155,950)	(322,314)
Cash Paid to Employees		(65,709)	(112,072)	(15,022)	(192,803)
Net Cash Flows Provided (Used) by Operating Activities	122,204	98,965	186,012	(20,901)	386,280
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	-	83,838	68,595		152,433
Special Assessments	36,124	55,794	54,584		146,502
Cash Received from (paid on) Due to Other Funds		3,194	2,699		5,893
Net Cash Flows Provided (Used) by Noncapital Financing Activities	36,124	142,826	125,878	-	304,828
Cash Flows from Capital and Related Financing Activities:					
Cash Received from Bond Proceeds	-	3,373,512	1,821,272		5,194,784
Cash Received from Grant revenues			1,895,819		1,895,819
Sale of Capital Assets		856	10,043		10,899
Cash Paid for Principal on Debt	(50,000)	(193,964)	(252,171)		(496,135)
Cash Paid for Interest on Debt	(71,623)	(73,311)	(50,071)		(195,005)
Acquisition of Capital Assets	(1,206,470)	(3,372,004)	(3,739,938)	-	(8,318,412)
Net Cash Flows from Capital and Related Financing Activities	(1,328,093)	(264,911)	(315,046)	-	(1,908,050)
Cash Flows From Investing Activities:					
Interest Earned on Investments	6,742	49,300	45,236	59	101,337
Net Cash Flows from Investing Activities	6,742	49,300	45,236	59	101,337
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,163,023)	\$ 26,179	\$ 42,080	\$ (20,842)	\$ (1,115,606)
Cash and Cash Equivalents - Beginning of Year	1,779,631	488,636	869,864	80,583	3,218,714
Cash and Cash Equivalents - End of Year	\$ 616,608	\$ 514,815	\$ 911,945	\$ 59,741	\$ 2,103,109

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

Operating Income (Loss)	\$ 67,927	\$ (157,564)	\$ (38,415)	\$ (7,329)	\$ (135,381)
Other Expense			(4,172)	(9,453)	(13,625)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	54,651	259,614	229,109	-	543,374
Change in Pension Expense		2,199	2,848	517	5,564
Changes in Assets and Liabilities:					
Accounts Receivable	124	635	1,183	183	2,125
Prepaid Expense		(3,194)	(2,699)		(5,893)
Accrued Expenses					-
Accounts Payable-Operating	(498)	(1,939)	(274)	(5,001)	(7,712)
Accrued Vacation		(787)	(1,568)	182	(2,173)
Net Cash Provided (Used) by Operating Activities	\$ 122,204	\$ 98,965	\$ 186,012	\$ (20,901)	\$ 386,280
Noncash Capital and Related Financing Activities					
Construction in Progress in Accounts Payable	\$ 5,320	\$ 16,064	\$ 17,220	\$ -	\$ 38,604

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final to Actual</u>
Revenues				
Local and County Revenue				
General Property Taxes	\$ 564,250	\$ 564,250	\$ 590,538	\$ 26,288
Special Assessments	2,200	2,200	3,471	1,271
Total Local and County Revenue	<u>566,450</u>	<u>566,450</u>	<u>594,009</u>	<u>27,559</u>
License and Permits				
Business	1,400	1,400	1,810	410
Liquor	1,050	1,050	1,150	100
Non-Business	175	175	180	5
Total License and Permits	<u>2,625</u>	<u>2,625</u>	<u>3,140</u>	<u>515</u>
Intergovernmental Revenue				
Local Government Aid	707,043	707,043	707,043	--
Market Value Assistance	--	--	261	261
Local Performance Aid & PERA Aid	2,312	2,312	30,188	27,876
State Aid - Police	22,000	22,000	23,790	1,790
Public Safety - Canby & Porter	--	--	17,000	17,000
Other Grants	--	--	657,248	657,248
Federal Grant	184,500	184,500	38,473	(146,027)
Total Intergovernmental Revenue	<u>915,855</u>	<u>915,855</u>	<u>1,474,003</u>	<u>558,148</u>
Charges for Services				
Lot Sales	1,000	1,000	1,550	550
Perpetual Care	--	--	75	75
Fire Control Income	7,500	7,500	10,750	3,250
Total Charges for Services	<u>8,500</u>	<u>8,500</u>	<u>12,375</u>	<u>3,875</u>
Fines and Forfeitures				
Traffic and Ordinance Fines	3,000	3,000	4,579	1,579
Total Fines and Forfeitures	<u>3,000</u>	<u>3,000</u>	<u>4,579</u>	<u>1,579</u>
Miscellaneous				
Interest Income	2,350	2,350	2,903	553
Rents	300	300	1,990	1,690
Airport Hanger Rent	10,000	10,000	10,800	800
Airport Farm Rent	2,565	2,565	16,081	13,516
Airport Gas, Gravel Sales, and Fly-in	73,764	73,764	76,475	2,711
Cable Franchise Fee	37,000	37,000	39,312	2,312
Insurance Refunds & Reimbursements	15,000	15,000	59,655	44,655
Pop Machine	10,300	10,300	15,741	5,441
Donations	1,500	1,500	77,736	76,236
Other Miscellaneous Revenue	53,500	53,500	52,926	(574)
Total Miscellaneous	<u>206,279</u>	<u>206,279</u>	<u>353,619</u>	<u>147,340</u>
Total Revenues	<u>1,702,709</u>	<u>1,702,709</u>	<u>2,441,725</u>	<u>739,016</u>
Other Financing Sources				
Transfers from other funds	125,000	125,000	--	(125,000)
Total Revenues and Other Financing Sources	<u>1,827,709</u>	<u>1,827,709</u>	<u>2,441,725</u>	<u>614,016</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under) Final to Actual
Expenditures				
GENERAL GOVERNMENT				
Mayor and Council				
Salaries	7,200	7,200	7,200	--
Payroll Taxes & Benefits	901	901	920	(19)
Travel and Conference	1,000	--	--	--
Subscriptions and Memberships	50	50	30	20
Total Mayor and Council	<u>9,151</u>	<u>8,151</u>	<u>8,150</u>	<u>1</u>
General Insurance	<u>97,000</u>	<u>99,400</u>	<u>91,098</u>	<u>8,302</u>
Election	<u>325</u>	<u>325</u>	<u>191</u>	<u>134</u>
City Administration				
Salaries	102,000	101,500	101,480	20
Payroll Tax & Benefits	15,500	15,000	14,918	82
Insurance	14,120	14,120	14,119	1
Office Supplies	4,600	8,100	4,284	3,816
Maintenance and Repairs	200	1,250	1,211	39
Communications	4,500	4,500	4,034	466
Travel, Conference and Schools	3,000	1,400	1,476	(76)
Printing and Publishing	3,000	3,000	2,724	276
Contractual Services	2,500	2,200	2,261	(61)
Miscellaneous	3,000	3,000	2,895	105
Total City Administration	<u>152,420</u>	<u>154,070</u>	<u>149,402</u>	<u>4,668</u>
Assessor	<u>15,600</u>	<u>15,600</u>	<u>15,602</u>	<u>(2)</u>
Accounting and Legal	<u>26,000</u>	<u>28,500</u>	<u>26,839</u>	<u>1,661</u>
Planning and Zoning	<u>13,000</u>	<u>113,000</u>	<u>17,544</u>	<u>95,456</u>
Municipal Building				
Maintenance and Repair	6,500	6,500	4,414	2,086
Supplies	1,725	1,725	1,362	363
Utilities	12,250	12,250	11,080	1,170
Contractual Services	5,500	5,500	4,353	1,147
Miscellaneous	10	10	10	--
Equipment and Improvements	<u>88,000</u>	<u>69,600</u>	<u>69,599</u>	<u>1</u>
Total Municipal Building	<u>113,985</u>	<u>95,585</u>	<u>90,818</u>	<u>4,767</u>
Miscellaneous				
Public Restroom Service	2,500	2,500	1,252	1,248
Printing and Publishing	6,500	16,500	15,876	624
Utilities	2,500	2,300	2,250	50
Christmas Decorations Utilities	750	2,245	1,745	500
Total Miscellaneous	<u>12,250</u>	<u>23,545</u>	<u>21,123</u>	<u>2,422</u>
TOTAL GENERAL GOVERNMENT	<u>439,731</u>	<u>538,176</u>	<u>420,767</u>	<u>117,409</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final to Actual</u>
PUBLIC SAFETY				
Police Protection				
Wages	152,000	157,000	154,984	2,016
Payroll Taxes/PERA	27,000	27,400	27,149	251
Insurance	23,930	19,680	19,545	135
Office/General Supplies	6,500	8,000	7,882	118
Motor Fuel and Lubes	10,000	8,500	7,867	633
Maintenance and Repair	5,000	2,500	2,620	(120)
Communications	4,000	3,750	3,648	102
Travel, Conference, and Schools	900	150	282	(132)
Subscription and Memberships	325	325	255	70
Contractual Services	6,000	6,000	5,798	202
Professional Services	20,000	20,000	18,138	1,862
Total Police Protection	<u>255,655</u>	<u>253,305</u>	<u>248,168</u>	<u>5,137</u>
Fire Protection				
Wages	20,000	13,440	13,440	--
Payroll Taxes/PERA	1,550	1,050	1,028	22
Interest	7,300	7,300	7,301	(1)
Principal	13,568	13,568	13,568	--
Supplies	2,500	2,500	911	1,589
Motor Fuel and Lubes	2,500	2,100	1,462	638
Maintenance and Repair	4,750	17,950	16,805	1,145
Communications	500	500	457	43
Travel, Conference and Schools	4,000	4,000	3,065	935
Utilities	5,000	5,000	5,262	(262)
Contracted Services	250	1,100	1,044	56
Miscellaneous	450	450	373	77
Total Fire Protection	<u>62,368</u>	<u>68,958</u>	<u>64,716</u>	<u>4,242</u>
Civil Defense				
Utilities	500	500	477	23
Supplies	220	220	178	42
Total Civil Defense	<u>720</u>	<u>720</u>	<u>655</u>	<u>65</u>
Animal Control				
Contracted Services	--	--	140	(140)
Supplies	--	50	10	40
Total Animal Control	<u>--</u>	<u>50</u>	<u>150</u>	<u>(100)</u>
TOTAL PUBLIC SAFETY	<u>318,743</u>	<u>323,033</u>	<u>313,689</u>	<u>9,344</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final to Actual</u>
PUBLIC WORKS				
Streets				
Wages	92,000	105,000	100,603	4,397
Payroll Taxes/PERA	14,000	14,600	14,444	156
Insurance	15,470	15,570	15,459	111
Motor Fuel and Lubes	15,000	8,500	7,203	1,297
Maintenance and Repair	40,000	16,000	9,243	6,757
Travel, Conferences and Schools	300	--	132	(132)
Utilities	450	450	454	(4)
Supplies	6,000	6,450	6,314	136
Capital Expenditures	53,750	661,500	741,252	(79,752)
Miscellaneous	150	150	4	146
Total Streets	<u>237,120</u>	<u>828,220</u>	<u>895,108</u>	<u>(66,888)</u>
Snow Removal	<u>2,500</u>	<u>2,500</u>	<u>--</u>	<u>2,500</u>
City Garage				
Utilities	6,000	5,200	4,868	332
Maintenance and Repair	3,500	620	339	281
Supplies	500	800	746	54
Miscellaneous	10	10	10	--
Dues and Licenses	10	10	10	--
Total City Garage	<u>10,020</u>	<u>6,640</u>	<u>5,973</u>	<u>667</u>
Street Lighting	<u>29,000</u>	<u>30,500</u>	<u>32,094</u>	<u>(1,594)</u>
TOTAL PUBLIC WORKS	<u>278,640</u>	<u>867,860</u>	<u>933,175</u>	<u>(65,315)</u>
CULTURE AND RECREATION				
Library				
Communications	505	505	463	42
Contracted Services	<u>73,573</u>	<u>73,573</u>	<u>73,573</u>	<u>--</u>
Total Library	<u>74,078</u>	<u>74,078</u>	<u>74,036</u>	<u>42</u>
Recreation Council				
Wages	45,000	35,000	34,649	351
Payroll Taxes	3,500	2,700	2,651	49
Utilities	<u>1,600</u>	<u>1,600</u>	<u>1,244</u>	<u>356</u>
Total Recreation Council	<u>50,100</u>	<u>39,300</u>	<u>38,544</u>	<u>756</u>
Parks				
Salaries and Wages	19,750	14,750	14,715	35
Payroll Taxes/PERA	2,975	1,975	1,911	64
Insurance	2,400	1,700	1,624	76
Motor Fuels & Lubes	4,250	2,850	2,801	49
Maintenance and Repair Building	5,250	5,950	9,750	(3,800)
Utilities	1,750	1,950	2,016	(66)
Supplies	3,000	3,200	5,187	(1,987)
Contracted Services	500	750	854	(104)
Subscriptions and Memberships	200	250	231	19
Equipment Purchase	1,750	5,500	1,487	4,013
Miscellaneous	<u>50</u>	<u>50</u>	<u>30</u>	<u>20</u>
Total Parks	<u>41,875</u>	<u>38,925</u>	<u>40,606</u>	<u>(1,681)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final to Actual</u>
Swimming Pool				
Communication	250	250	118	132
Utilities	13,000	11,000	10,896	104
Travel	--	650	642	8
Maintenance and Repair Equipment	2,000	400	322	78
Maintenance and Repair Building	41,000	--	--	--
Supplies	8,500	3,850	3,754	96
Miscellaneous	700	820	730	90
Equipment and Improvements	--	600,000	--	600,000
Total Swimming Pool	<u>65,450</u>	<u>616,970</u>	<u>16,462</u>	<u>600,508</u>
Theater				
Communications	875	975	874	101
Utilities	5,500	8,000	7,923	77
Supplies	--	5,500	5,407	93
Contracted Services	--	40,000	31,500	8,500
Maintenance and Repairs	325	7,325	7,104	221
Miscellaneous	2,300	1,200	1,154	46
Total Theater	<u>9,000</u>	<u>63,000</u>	<u>53,962</u>	<u>9,038</u>
TOTAL CULTURE AND RECREATION	<u>240,503</u>	<u>832,273</u>	<u>223,610</u>	<u>608,663</u>
MISCELLANEOUS				
Airport				
Motor Fuels and Lubes	1,650	650	393	257
Maintenance and Repairs	3,000	2,500	1,765	735
Communications	2,800	2,800	2,773	27
Utilities	5,000	5,000	5,238	(238)
Supplies	2,000	1,850	1,595	255
License and Taxes	6,775	5,925	5,821	104
Merchandise for Resale	65,000	65,000	63,964	1,036
Contracted Services	25,000	23,900	25,015	(1,115)
Miscellaneous	900	650	608	42
Expansion Project	180,000	--	5,423	(5,423)
Equipment and Improvements	--	4,700	4,667	33
Total Airport	<u>290,475</u>	<u>112,325</u>	<u>116,869</u>	<u>(4,544)</u>
Cemetery				
Wages	12,500	11,000	10,915	85
Payroll Taxes/PERA	1,875	1,405	1,381	24
Utilities	150	150	151	(1)
Maintenance and Repair	100	100	53	47
Supplies	500	500	278	222
Insurance	930	930	904	26
Miscellaneous	10	10	10	--
Total Cemetery	<u>16,065</u>	<u>14,095</u>	<u>13,692</u>	<u>403</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Over (Under)
				Final to Actual
Other				
Canby Area Business Service	8,382	8,382	8,216	166
Insect and Pest Control	700	5,600	5,569	31
Equipment Replacement Reserve	59,055	59,055	--	59,055
Miscellaneous	48,765	45,965	44,636	1,329
Capital Outlay	--	24,000	53,309	(29,309)
Total Other	<u>116,902</u>	<u>143,002</u>	<u>111,730</u>	<u>31,272</u>
TOTAL MISCELLANEOUS	<u>423,442</u>	<u>269,422</u>	<u>242,291</u>	<u>27,131</u>
Total Expenditures	1,702,709	2,831,414	2,133,925	697,489
Other Financing Uses				
Transfers to other funds	<u>125,000</u>	<u>1,631,000</u>	<u>729,577</u>	<u>901,423</u>
Total Expenditures and Other Financing Uses	<u>1,827,709</u>	<u>4,462,414</u>	<u>2,863,502</u>	<u>1,598,912</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>--</u>	<u>(2,634,705)</u>	<u>(421,777)</u>	<u>2,212,928</u>
Net Change in Fund Balance	<u>--</u>	<u>(2,634,705)</u>	<u>(421,777)</u>	<u>2,212,928</u>
Fund Balance at Beginning of Period	<u>1,503,289</u>	<u>1,503,289</u>	<u>1,503,289</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 1,503,289</u>	<u>\$ (1,131,416)</u>	<u>\$ 1,081,512</u>	<u>\$ 2,212,928</u>

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Discretely Presented Component Units

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and statement of activities) report information on all activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. They include all funds of the reporting entity except for fiduciary funds.

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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 and Pool.

Proprietary Funds:

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

Fiduciary Funds:

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

The City reports the following major governmental funds:

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

The *GOIB 2015A* is a debt service fund that accounts for the 2015A GO TIF Bond bond proceeds

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

The *TIF 1-25* is a capital projects fund that accounts for the Helena Expansion project

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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 is recorded as expenditures and accrued as a current liability only if they have matured, for example, as a result of employee's resignations and retirements.

IBEW(International Brotherhood of Electrical Workers) Local 949 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015, the unassigned fund balance of the General Fund was 60% of the subsequent year's budgeted expenditures.

Net Position Classifications

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, the City has deferred outflows/inflows as follows:

	Deferred Outflow	Deferred Inflow
Unearned Property Taxes	\$ 0	\$ 280,173
Amounts relating to Pensions	93,034	65,071

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, grant receivable totaled \$26,251. 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, 2015**

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, 2015, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>GOIB 2015A</u>	<u>Pool</u>	<u>TIF 1-25</u>	<u>Other Govt Funds</u>	<u>Total</u>
Nonspendable:						
Prepaid Expenses	34,184					34,184
Restricted for:						
John Swenson Trust	52,529					52,529
Debt Service		520,282			1,120,968	1,641,250
Assigned to:						
Capital Projects			818,109	694,686		1,512,795
Unassigned:	<u>994,799</u>	-	<u>0</u>	<u>0</u>	<u>(1,641)</u>	<u>993,158</u>
Total Fund Balances	<u>1,081,512</u>	<u>520,282</u>	<u>818,109</u>	<u>694,686</u>	<u>1,119,327</u>	<u>4,233,916</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, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2015:

Debt Service Funds:	
TIF 1-10	20,336
TIF 1-18	2,285
TIF 1-6	5,561
TIF 1-27	6,056
GO Tax Increment Bonds - 1997	28,071
GO Tax Increment Bonds - 2004	65,919

E. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

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

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, 2015

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 \$5,335,603 at December 31, 2015, 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, 2015 was \$5,159,996.

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, 2015

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, 2015, the City had the following investments:

<u>2014 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, 2015, 100% of the City’s investments is in the 4M Fund .

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, 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 12/31/15:

Checking	\$968,560
Savings and Money Market	4,138,908
Certificates of Deposit	52,529
Investments	<u>1,518</u>
 Total	 <u>\$5,161,515</u>
 Deposits	 \$5,159,997
Investments	<u>1,518</u>
 Total	 <u>\$5,161,515</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, 2015 is \$32,288 for taxes and \$116,626 for special assessments.

C. NOTES RECEIVABLE

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3. DETAIL NOTES ON ALL FUNDS (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, 2015:

	Balance <u>1-1-15</u>	Amount <u>Advanced</u>	Payments <u>Received</u>	<u>Adjustments</u>	Balance <u>12-31-15</u>
EDA Loans	\$185,055	\$0	\$53,796	\$0	\$131,259
Canby HRA Note	365,000	0	0	0	365,000
Canby HRA Note	0	530,000	0	0	530,000
Canby HRA Note	<u>252,240</u>	<u>0</u>	<u>7,760</u>	<u>0</u>	<u>244,480</u>
	<u>802,295</u>	<u>530,000</u>	<u>61,556</u>	<u>0</u>	<u>1,270,739</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, 2015

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities:	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
Capital Assets Not Being Depreciated				
Land	696,216			696,216
Construction in Progress	1,662	563,390		565,052
Total Capital Assets Not Being Depreciated	<u>697,878</u>	<u>563,390</u>	<u>0</u>	<u>1,261,268</u>
Capital Assets Being Depreciated:				
Buildings	3,028,532			3,028,532
Improvements Other Than Buildings	3,268,904	66,571	331,308	3,004,166
Infrastructure	218,955	741,252		960,207
Machinery & Equipment	2,104,880	61,005		2,165,885
Total Capital Assets Being Depreciated	<u>8,621,271</u>	<u>868,828</u>	<u>331,308</u>	<u>9,158,791</u>
Less Accumulated Depreciation for:				
Buildings	2,245,556	49,046		2,294,602
Improvements Other Than Buildings	985,472	114,083	254,200	845,355
Infrastructure	62,348	30,742		93,090
Machinery & Equipment	1,412,292	96,786		1,509,078
Total Accumulated Depreciation	<u>4,705,668</u>	<u>290,657</u>	<u>254,200</u>	<u>4,742,125</u>
Total Capital Assets Being Depreciated, Net	<u>3,915,602</u>	<u>578,171</u>	<u>77,108</u>	<u>4,416,666</u>
Total Capital Assets	<u>4,613,481</u>	<u>1,141,561</u>	<u>77,108</u>	<u>5,677,934</u>
	<u>Balance</u> <u>1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	126,295			126,295
Construction in Progress	673,215	8,332,554		9,005,769
Total Capital Assets Not Being Depreciated	<u>799,510</u>	<u>8,332,554</u>	<u>0</u>	<u>9,132,064</u>
Capital Assets Being Depreciated:				
Projects	10,184,173			10,184,173
Buildings	2,078,915			2,078,915
Improvements other than Buildings	1,210,771			1,210,771
Equipment	2,939,904	24,461		2,964,365
Total Capital Assets Being Depreciated	<u>16,413,763</u>	<u>24,461</u>	<u>0</u>	<u>16,438,224</u>
Less Accumulated Depreciation for:				
Projects	1,016,186	407,367		1,423,553
Buildings	971,590	48,064		1,019,654
Improvements other than Buildings	829,589	22,427		852,016
Equipment	1,431,580	65,515		1,497,095
Total Accumulated Depreciation	<u>4,248,945</u>	<u>543,373</u>	<u>0</u>	<u>4,792,318</u>
Total Capital Assets Being Depreciated, Net	<u>12,164,818</u>	<u>(518,912)</u>	<u>0</u>	<u>11,645,906</u>
Business-Type Activity Capital Assets, Net	<u>12,964,328</u>	<u>7,813,642</u>	<u>0</u>	<u>20,777,970</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$15,290
Public Safety	72,354
Public Works	43,978
Culture & Recreation	33,478
Miscellaneous	<u>125,557</u>
Total Depreciation Expense- Governmental Activities	<u>\$290,657</u>

Business-Type Activities:

Water	\$229,109
Wastewater	259,614
Storm Sewer	<u>54,650</u>
Total Depreciation Expense- Business-Type Activities	<u>\$543,373</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, 2015

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, 2015:

<u>2015 Issuance</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-14</u>	<u>Retired</u>	<u>Issued</u>	<u>Balance 12-31-15</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>								
Bonds Payable:								
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	90,000	10,000		80,000	10,000
TIF Note, Series 2001-A-HRA Canby	35,000	08/2018	9.00%	27,000	1,000		26,000	2,000
2008 GO Fire Truck- USDA Rural Development	100,000	09/2017	4.125%	67,125	6,304		60,821	6,566
2011 GO Fire Truck- USDA Rural Development	130,000	07/2026	4.125%	109,847	7,264		102,583	7,679
2011 GO Parking Lot Bond	265,000	07/2023	3.00%	255,000	10,000		245,000	10,000
GO TIF Bond 2014C	600,000	11/2035	3.25% 3.00%	600,000			600,000	25,000
2012A GO Tax Increment Bond	750,000	09/2034	5.00%	750,000	30,000		720,000	30,000
2012B GO Tax Increment Bond	335,000	12/2038	5.750%	325,000	10,000		315,000	10,000
2015B Tax Abatement Bond	695,000	02/2036	2.100%	0		695,000	695,000	0
2015A GO Tax Increment Bond	1,630,000	12/2036	2.500%	<u>0</u>		<u>1,630,000</u>	<u>1,630,000</u>	<u>0</u>
Total Bonds Payable				<u>2,223,972</u>	<u>74,568</u>	<u>2,325,000</u>	<u>4,474,404</u>	<u>101,245</u>
Total Long-Term Liabilities Governmental Activities				<u>2,223,972</u>			<u>4,474,404</u>	<u>101,245</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%	482,000	117,000		365,000	120,000
2010 Drinking Water Revolving MN PFA	3,012,055	08/2039	1.088%	3,565,000	125,000		3,440,000	126,000
2014 MNPFA Drinking Water Revolving	298,153	08/2044	1.00%	298,153	10,171	1,821,274	2,109,256	79,000
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	210,000	35,000		175,000	35,000
2010 Clean Water Revolving MN PFA	2,843,424	08/2039	1.349%	4,382,000	149,000		4,233,000	151,000
2014 MNPFA Clean Water Revolving	280,033	08/2044	1.00%	280,033	9,964	3,373,512	3,643,581	127,000
<u>Storm Sewer Fund</u>								
General Obligation Bond, Series 2014D	1,630,000	02/2035	3.30%	1,630,000			1,630,000	55,000
2010 GO Revenue Bond- Bond Trust Services	1,280,000	02/2031	3.00%	<u>1,135,000</u>	<u>50,000</u>	<u>0</u>	<u>1,085,000</u>	<u>55,000</u>
Total Long-Term Liabilities Business-Type Activities				<u>11,982,186</u>	496,135	5,194,786	<u>16,680,837</u>	<u>748,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 balance at December 31, 2015 was \$60,821 and \$102,583.

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, 2015

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

Annual Debt Service Requirements

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2015, 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>
2016	10,000	29,792	77,000	152,563
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
2021-2025	245,000	136,369	795,000	589,040
2026-2030	270,000	93,352	856,000	408,880
2031-2035	275,000	35,900	945,000	183,437
2036-2040	50,000	1000	150,000	10,688
Totals	<u>\$940,000</u>	<u>\$425,119</u>	<u>\$3,371,000</u>	<u>\$1,913,869</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>
2016	14,245	6,623	748,000	236,658
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
2021-2025	86,054	10,042	3,326,000	917,865
2026-2030	0	0	3,602,000	641,345
2031-2035	0	0	3,481,000	353,995
2036-2040	0	0	2,642,838	135,892
Totals	<u>163,404</u>	<u>37,032</u>	<u>16,680,838</u>	<u>3,205,471</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

G. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2015 were as follows:

Transfer From:

<u>Transfers To:</u>	<u>General</u>	<u>Pool</u>	<u>Total</u>
Major Funds:			
Pool	\$729,577	\$0	\$729,577
Non-Major Gov't Funds	<u>0</u>	<u>14,660</u>	<u>14,660</u>
Total	<u>\$729,577</u>	<u>\$14,660</u>	<u>\$744,237</u>

All transfers between funds were for bond payments.

Reconciliation to Fund Financial Statements:	<u>Transfers</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>	
Governmental Funds	744,237	(744,237)	
Enterprise Funds	<u>0</u>	<u>(0)</u>	
Total Transfers	<u>744,237</u>	<u>(744,237)</u>	
Reconciliation to Statement of Activities:	<u>Transfers</u>	<u>Transfers</u>	<u>Net Transfers/</u>
	<u>In</u>	<u>Out</u>	<u>Internal Activity</u>
Net Transfers for Governmental Activities			
Governmental Funds	744,237	(744,237)	(0)
Net Transfers for Business-Type Activities	0	0	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

Inter-fund Balances

At December 31, 2015, the following inter-fund balances were owed between funds and not expected to be fully repaid within one year:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$6,794	To cover operating
Wastewater Fund	General Fund	7,639	To cover operating
EDA	General Fund	30,000	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	15,635	Bond payment
General	TIF 1-26	5,583	To reimburse TIF expense
TIF 1-6	GO Tax Inc 1997	302	To reimburse TIF expense
GOIB 2012B	TIF 1-4	<u>12,905</u>	Bond payment
Total Inter-fund Balances		<u>\$213,873</u>	

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, 2015

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, 2015, 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.

On February 18, 2015 the city council approved unanimously to transfer the 2012 airport entitlement funds to Rush City, Minnesota. Rush City is seeking \$92,375 of entitlement funds. The funding would be repaid per the agreement.

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, 2015

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 expire on December 31, 2015. There is no rental revenue from this lease or will be in the future. The City has no operational revenue from the theatre.

D. 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 the Single Audit Act.

E. 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 (GERF)

All full time and certain part time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF 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 (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

E. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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.

GERF Benefits

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. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

PEPFF Benefits

Benefits for the PEPFF 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 PEPFF 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 PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

E. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Contributions

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

GERF 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 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ended December 31, 2015, 2014 and 2013 were \$28,906, \$26,994 and \$26,652, respectively. The City's contributions were equal to the required contributions as set by the state statute.

PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, 2014 and 2013 were \$24,523, \$24,869 and \$21,924. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

GERF Pension Costs

At December 31, 2015, the City reported a liability of \$342,046 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0066% which was a decrease of 0.0003% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$41,845 for its proportionate share of GERF's pension expense.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

E. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2015, the City reported its proportionate share of GERF’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	\$17,245
Changes in actuarial assumptions	0	0
Difference between projected and actual investment earnings	32,380	0
Changes in proportion and differences between contributions made and District’s proportionate share of contributions	0	10,569
Contributions paid to PERA subsequent to the measurement date	14,071	0
Total	\$46,451	\$27,814

\$14,071 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2016	\$(6,082)
2017	(6,082)
2018	(6,082)
2019	3,189
2020	0

PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$193,160 for its proportionate share of the PEPFF’s net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the City’s proportion was .017% which was equal to its proportion measured as of June 30, 2014.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

E. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

For the year ended December 31, 2015, the City recognized pension expense of \$32,935 for its proportionate share of the PEPFF’s pension expense. The City also recognized \$1,530 for the year ended December 31, 2015, as revenue for its proportionate share of the State of Minnesota’s on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of the PEPFF’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	\$31,324
Changes in actuarial assumptions	0	0
Difference between projected and actual investment earnings	33,655	0
Changes in proportion	0	0
Contributions paid to PERA subsequent to the measurement date	12,927	0
Total	\$46,582	\$31,324

\$12,927 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, 2016. 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	\$2,149
2017	2,149
2018	2,149
2019	2,149
2020	(6,265)
Thereafter	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

E. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 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, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERS was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions for 2015.

The long-term expected rate of return on pension plan investments is 7.9%. 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%

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

E. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. 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 statute. 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 active and inactive employees. 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 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City’s proportionate share of the GERF net pension liability:	\$537,818	\$342,046	\$180,369
City’s proportionate share of the PEPFF net pension liability:	\$376,470	\$193,160	\$41,713

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, 2015

NOTE 4. OTHER INFORMATION (Continued)

**F. 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, 2015

NOTE 4. OTHER INFORMATION (Continued)

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

Contributions

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. The State of Minnesota contributed \$26,984 in fire state aid to the plan for the year ended December 31, 2014. Required employer contributions are calculated annually based on statutory provisions.

Pension Costs

At December 31, 2015, the City of Canby reported a net pension asset of \$219,864 for the SVF plan. The net pension asset was measured as of December 31, 2014. 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 12/31/13	\$198,006	\$384,725	(\$186,719)
Changes for the Year			
Service Cost	10,988		10,988
Interest on Pension Liability	12,539		12,539
Projected Investment Earnings		23,084	(23,084)
Actuarial Experience (Gains)/Losses	(4,872)		(4,872)
Changes in Benefit Level	0		0
Contributions (ER/State)		26,984	(29,984)
Difference between Projected and Actual Investment Earnings		0	0
Benefit Payouts	0	0	0
PERA Administrative Fee		(810)	810
Net Changes	\$18,655	\$51,800	(\$33,145)
Balance End of Year 12/31/14	\$216,661	\$436,525	(\$219,864)

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

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

There were no provision changes during the measurement period.

For the year ended December 31, 2015, the City of Canby recognized pension expense of \$229. At December 31, 2015, 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		\$5,932
Difference between projected and actual investment earnings		
Contributions (both required and voluntary) paid to PERA subsequent to the measurement date		
Total	\$0	\$5,932

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
2016	(\$508)
2017	(\$508)
2018	(\$508)
2019	(\$510)
2020	0
Thereafter	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

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

Actuarial Assumptions

The total pension liability at December 31, 2015, 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 2015. The decrease in pension expense arising from the recognition of the difference between actuarial Assumptions and actual Experience is \$4,872.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

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

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)

Plan Investments

Investment Policy:

The assets of the Statewide Volunteer Firefighter Plan are invested by the Minnesota State Board of Investment (SBI). The SBI is 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

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

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.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during 2015 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position

Detailed information about the SVF plan’s fiduciary net position as of June 30 of the most recent financial reporting period 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

G. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 7, 2016, 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.

H. PRIOR PERIOD ADJUSTMENTS

The City implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension asset and deferred outflows of resources as of January 1, 2015.

Also, the net positions for both governmental and proprietary funds were restated to reflect the sick and comp balances for each employee at year end that previously was not included at year end.

Proprietary Funds

Net Position, January 1, 2015 as previously reported	\$7,825,306
Implementation of GASB 68 and 71-GERF	(133,503)
Restated Compensated Absences Balances	<u>(27,324)</u>
Net Position, January 1, 2015, restated	\$7,664,479

Governmental Funds

Net Position, January 1, 2015 as previously reported	\$5,315,986
Implementation of GASB 68 and 71-GERF	(176,969)
Implementation of GASB 68 and 71-PPERF	(170,318)
Implementation of GASB 68 and 71-Canby FD	186,719
Restated Compensated Absences Balances	<u>(48,407)</u>
Net Position, January 1, 2015, restated	\$5,107,011

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4. OTHER INFORMATION (Continued)

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 2015, the City of Canby received \$146,475 from these districts in tax revenue. This revenue is transferred to the General Fund on an annual basis. In 1997, the City created a new municipal development district and merged all existing Districts into the new District. All existing Districts were renamed. Detailed information on these districts is listed below.

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

Tax Increment Financing District No. 1-12 County (TIF 1-4)

Type of district – Redevelopment/Canby Farmers Grain

Authorizing law – Minnesota Statute #469

Year established – 1999

Duration – not to exceed twenty-five (25) years of increment-2024

Original tax capacity –	11,245
Current tax capacity –	59,480
Captured tax capacity –	50,731
Retained by authority –	50,731
Shared with other authorities –	-0-
Total bonds issued -	146,587
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 –	1,793
Captured tax capacity –	1,765
Retained by authority –	1,765
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 –	1,742
Captured tax capacity –	1,603
Retained by authority –	1,603
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/John Lair Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	149
Current tax capacity –	1,410
Captured tax capacity –	1,261
Retained by authority –	1,261
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	24,500

Tax Increment Financing District No. 1-19 County (TIF 1-6)

Type of district – Redevelopment/Clark-Hanson VFW Post 117	
Authorizing law – Minnesota Statute #469	
Year established – 2000	
Duration – not to exceed twenty-five (25) years of increment-2024	
Original tax capacity –	33
Current tax capacity –	1,565
Captured tax capacity –	1,532
Retained by authority –	1,532
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	29,326

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

Type of district – Redevelopment/Janiszkeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	0
Current tax capacity –	1,725
Captured tax capacity –	1,725
Retained by authority –	1,725
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	20,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	25
Current tax capacity –	1,460
Captured tax capacity –	1,436
Retained by authority –	1,436
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-23 County (TIF 1-15)(DECERTIFIED 09/15/15)

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	34
Current tax capacity –	1,272
Captured tax capacity –	1,238
Retained by authority –	1,098
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2004	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	261
Current tax capacity –	3,371
Captured tax capacity –	3,110
Retained by authority –	3,110
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

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-

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

Type of district – Economic Development	
Authorizing law – Minnesota Statute #469	
Year established – 2013	
Duration – eight (8) years from first receipt of tax increment	
Original tax capacity –	440
Current tax capacity –	663
Captured tax capacity –	223
Retained by authority –	223
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Fiscal Year <u>Ending</u>	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 <u>Total Pension Liability</u>
June 30, 2015*	0.0066%	\$342,046	\$385,415	88.75%	78.20%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended after June 30, 2015.

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

Fiscal Year <u>Ending</u>	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 <u>Total Pension Liability</u>
June 30, 2015*	0.0170%	\$193,160	\$151,377	127.60%	78.20%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended after June 30, 2015.

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

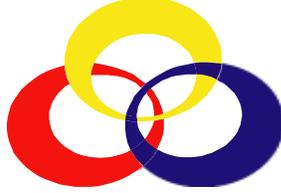
<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>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

Only the current year is presented because 10-year data is not yet available.

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

<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%

Only the current year is presented because 10-year data is not yet available.



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, 2015, 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 June 7, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2015-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canby, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

City of Canby's Response to Findings

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Canby, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Prior and Current Findings and Responses as items 2015-2. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Canby's noncompliance with the above referenced provisions.

Purpose of Report

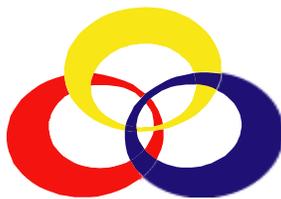
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of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



Kinner & Company Ltd
Certified Public Accountants

June 7, 2016

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Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Canby, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Canby, Minnesota's major federal programs for the year ended December 31, 2015. The City of Canby, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Canby, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We identified the deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item, 2015-1, and we consider it to be a material weakness.

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

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



Kinner & Company, Ltd
Certified Public Accountants

June 7, 2016

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CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

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

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

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

Major Programs:

66.468 Drinking Water State Revolving Fund

66.458 Clean Water State Revolving Fund

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

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

**CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

2015-1: 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, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

2015-2: According to the Minnesota Legal Compliance Manual, the city is not compliant with Minnesota Statute 469.178, subd. 7. The city did not authorize by resolution before money was transferred within the TIF districts and the general fund. The city does not have terms and conditions for repayment setup for these inter-fund loans.

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

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

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

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

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

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

PRIOR YEAR FINANCIAL FINDINGS

2014-1: 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 2015-1

2014-2: 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 2015-2

CITY OF CANBY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 3,373,512
* Drinking Water State Revolving Fund	07/11/14-12/31/15	66.468	MPFA-14-0032-R-FY15	3,717,093
Total U.S. Environmental Protection Agency				<u>7,090,605</u>
Grand Total				<u>\$ 7,090,605</u>

* donates Major Program

Loan Numbers	01/01/2015	Principal Payments	Loans Disbursed	12/31/2015
MPFA-14-0014-R-FY15	\$ 280,033.14	\$ 9,964.00	\$ 3,373,511.97	\$ 3,643,581.11
MPFA-14-0032-R-FY15	298,153.34	10,171.00	1,821,274.04	2,109,256.38
MPFA-09-0096-R-FY10	4,382,000.00	149,000.00		4,233,000.00
MPFA-09-0083-R-FY10	3,565,000.00	125,000.00		3,440,000.00
MPFA-97-0012-R-FY99	482,000.00	117,000.00		365,000.00
Totals	<u>9,007,186.48</u>	<u>411,135.00</u>	<u>5,194,786.01</u>	<u>13,790,837.49</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
Fiduciary Funds
December 31, 2015**

	<u>Special Revenue</u>		<u>Debt Service</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Apartment Projects</u>	<u>TIF 1-1</u>	<u>TIF 1-4</u>	<u>TIF 1-8</u>		
ASSETS							
Cash	\$ 41,179	\$ 101,268	\$ 189,290	\$ 341,293	\$ 306	\$ 186,145	\$ 859,481
Notes Receivable - Due within one year	8,501	--	--	--	--	--	8,501
Prepaid Insurance	142	1,638	--	--	--	1,209	2,989
Taxes Receivable	--	--	168	--	--	489	657
Due from Other Entity	--	--	4,580	9,718	--	992	15,290
Notes Receivable - Due after one year	47,253	--	--	--	--	--	47,253
Advance to other funds	71,527	200,000	--	--	--	94,500	366,027
Total Assets	<u>168,602</u>	<u>302,906</u>	<u>194,038</u>	<u>351,011</u>	<u>306</u>	<u>283,335</u>	<u>1,300,198</u>
DEFERRED OUTFLOWS OF RESOURCES							
Aggregated deferred outflows	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 168,602</u>	<u>\$ 302,906</u>	<u>\$ 194,038</u>	<u>\$ 351,011</u>	<u>\$ 306</u>	<u>\$ 283,335</u>	<u>\$ 1,300,198</u>
LIABILITIES							
Accounts Payable	\$ --	\$ 864	\$ --	\$ --	\$ --	\$ --	\$ 864
Security Deposit Payable	--	2,246	--	--	--	2,266	4,512
Unearned Revenue	55,756	--	--	--	--	--	55,756
Advance from Other Funds	200,000	--	68,531	--	49,500	47,996	366,027
Total Liabilities	<u>255,756</u>	<u>3,110</u>	<u>68,531</u>	<u>--</u>	<u>49,500</u>	<u>50,262</u>	<u>427,159</u>
DEFERRED INFLOWS OF RESOURCES							
Aggregated deferred inflows	--	--	12	--	--	89	101
Total Liabilities and Deferred Inflows of Resources	<u>255,756</u>	<u>3,110</u>	<u>68,543</u>	<u>--</u>	<u>49,500</u>	<u>50,351</u>	<u>427,260</u>
FUND BALANCE							
Nonspendable	142	1,638	--	--	--	1,209	2,989
Restricted	--	--	125,495	351,011	--	92,144	568,650
Assigned	--	298,158	--	--	--	178,118	476,276
Unassigned	(87,296)	--	--	--	(49,194)	(38,487)	(174,977)
Total Fund Balance	<u>(87,154)</u>	<u>299,796</u>	<u>125,495</u>	<u>351,011</u>	<u>(49,194)</u>	<u>232,984</u>	<u>872,938</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 168,602</u>	<u>\$ 302,906</u>	<u>\$ 194,038</u>	<u>\$ 351,011</u>	<u>\$ 306</u>	<u>\$ 283,335</u>	<u>\$ 1,300,198</u>

Canby HRA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2015

	Special Revenue		Debt Service			Other Governmental Funds	Total Governmental Funds
	General	Apartment Projects	TIF 1-1	TIF 1-4	TIF 1-8		
Revenues							
Grant Loan Income	\$ 60,313	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 60,313
Program Income	9,076	--	--	--	--	--	9,076
Revenue Note Reimbursement	2,430	1,000	--	--	--	--	3,430
Rent Income	--	56,755	--	--	--	35,968	92,723
Laundry Income	--	1,230	--	--	--	--	1,230
Property Tax	--	--	336	--	--	8,043	8,379
Miscellaneous Income	818	1,981	--	--	--	227	3,026
Interest Income	1,173	240	--	--	--	438	1,851
Total Revenues	73,810	61,206	336	--	--	44,676	180,028
Expenditures							
General and Administrative	136	460	1,024	591	70	799	3,080
Insurance	7	4,764	--	--	--	3,643	8,414
Professional Fees	1,053	(1,628)	6,366	18,494	9,180	21,052	54,517
Grant Expenses	--	--	2,589	--	--	--	2,589
Utilities	--	13,960	--	--	--	942	14,902
Housing Initiatives	168	--	--	--	--	--	168
Redevelopment	--	--	10,911	210	9,155	9,200	29,476
Small Cities Grant Program Expenses	2,175	--	--	--	--	--	2,175
Supplies	52	1,183	--	--	--	348	1,583
Repairs and Maintenance	8,534	21,732	--	--	--	13,132	43,398
Capital Outlay	--	85,691	5,001	61,148	30,789	27,413	210,042
Taxes	--	2,606	--	--	--	1,838	4,444
Principal	--	--	--	--	--	7,760	7,760
Interest	--	--	12,594	--	--	17,230	29,824
Total Expenditures	12,125	128,768	38,485	80,443	49,194	103,357	412,372
Excess of Revenues Over (Under) Expenditures	61,685	(67,562)	(38,149)	(80,443)	(49,194)	(58,681)	(232,344)
Other Financing Sources (Uses)							
Loan Proceeds	--	--	--	530,000	--	--	530,000
Gain (Loss) on Sale of Assets	10,000	--	--	--	--	--	10,000
Transfers from other funds	--	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	10,000	--	--	530,000	--	--	540,000
Net Change in Fund Balance	71,685	(67,562)	(38,149)	449,557	(49,194)	(58,681)	307,656
<i>Fund Balance at Beginning of Period</i>	(158,839)	367,358	163,644	(98,546)	--	291,665	565,282
Fund Balance at End of Period	\$ (87,154)	\$ 299,796	\$ 125,495	\$ 351,011	\$ (49,194)	\$ 232,984	\$ 872,938

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	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 Incr Bond 1997	TIF 1-4	TIF 1-6	TIF 1-8	TIF 1-9
ASSETS												
Cash and Cash Equivalents	\$ 90,668	\$ 18,806	\$ 1,379	\$ 171,039	\$ 9,087	\$ 21,614	\$ 93,501	\$ 417	\$ 142,229	\$ --	\$ 7,924	\$ 7,949
Delinquent Taxes Receivable	--	666	--	--	--	--	--	--	787	--	--	--
Special Assessments Receivable	--	475	--	--	--	--	624	--	--	--	--	--
Accounts Receivable	--	--	--	--	450	--	--	--	--	--	--	--
Notes Receivable	20,591	--	--	--	7,760	--	--	--	--	--	--	--
Special Assessments - Deferred	--	2,020	2,083	--	--	--	102,425	--	--	--	--	--
Notes receivable - Non Current	110,668	--	--	--	236,720	--	--	--	--	--	--	--
Advances to other funds	--	--	--	--	--	--	--	302	12,905	--	--	--
Total Assets	221,927	21,967	3,462	171,039	254,017	21,614	196,550	719	155,921	--	7,924	7,949
DEFERRED OUTFLOWS OF RESOURCES												
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 221,927	\$ 21,967	\$ 3,462	\$ 171,039	\$ 254,017	\$ 21,614	\$ 196,550	\$ 719	\$ 155,921	\$ --	\$ 7,924	\$ 7,949
LIABILITIES												
Unearned revenue	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 624	\$ --	\$ --	\$ --	\$ --	\$ --
Due to Other Entity	--	--	--	--	--	--	--	--	--	--	--	--
Advances from other funds	30,000	--	--	--	12,905	--	--	28,790	--	5,561	--	--
Total Liabilities	30,000	--	--	--	12,905	--	624	28,790	--	5,561	--	--
DEFERRED INFLOWS OF RESOURCES												
Aggregated deferred inflows	131,259	2,686	2,083	--	--	--	102,425	--	787	--	--	--
Total Liabilities and Deferred Inflows of Resources	161,259	2,686	2,083	--	12,905	--	103,049	28,790	787	5,561	--	--
FUND BALANCE												
Restricted	--	19,281	1,379	171,039	241,112	21,614	93,501	--	155,134	--	7,924	7,949
Unassigned	60,668	--	--	--	--	--	--	(28,071)	--	(5,561)	--	--
Total Fund Balance	60,668	19,281	1,379	171,039	241,112	21,614	93,501	(28,071)	155,134	(5,561)	7,924	7,949
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 221,927	\$ 21,967	\$ 3,462	\$ 171,039	\$ 254,017	\$ 21,614	\$ 196,550	\$ 719	\$ 155,921	\$ --	\$ 7,924	\$ 7,949

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

Debt Service

	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-18	GOIB of 2004	TIF1-26	GOIB 2014C	TIF 1-27	Pool-GO Tax 2015B	2009 Impr Bond	Total Nonmajor Governmental Funds
ASSETS													
Cash and cash equivalents	\$ 664	\$ 1,785	\$ 8,609	\$ 8,051	\$ --	\$ 5,706	\$ --	\$ 34,006	\$ --	\$ --	\$ 14,660	\$ 34,888	\$ 672,982
Delinquent Taxes Receivable	--	--	--	--	--	--	--	--	--	--	--	2,713	4,166
Special Assessments Receivable	--	--	--	--	--	--	--	--	--	--	--	944	2,043
Accounts Receivable	--	--	--	--	--	--	--	--	--	--	--	--	450
Notes Receivable Current	--	--	--	--	--	--	--	--	15,208	--	--	--	43,559
Special Assessments - Deferred	--	--	--	--	--	--	--	--	--	--	--	--	106,528
Notes receivable - Non Current	--	--	--	--	--	--	--	--	349,792	--	--	--	697,180
Advances to other funds	--	--	--	--	--	--	--	5,583	--	--	--	--	18,790
Total Assets	664	1,785	8,609	8,051	--	5,706	--	39,589	365,000	--	14,660	38,545	1,545,698
DEFERRED OUTFLOWS OF RESOURCES													
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 664	\$ 1,785	\$ 8,609	\$ 8,051	\$ --	\$ 5,706	\$ --	\$ 39,589	\$ 365,000	\$ --	\$ 14,660	\$ 38,545	\$ 1,545,698
LIABILITIES													
Unearned revenue	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 624
Due to Other Entity	--	--	--	--	--	--	--	--	5,572	--	--	--	5,572
Advances from other funds	21,000	--	--	--	--	7,991	65,919	--	--	6,056	--	--	178,222
Total Liabilities	21,000	--	--	--	--	7,991	65,919	--	5,572	6,056	--	--	184,418
DEFERRED INFLOWS OF RESOURCES													
Aggregated deferred inflows	--	--	--	--	--	--	--	--	--	--	--	2,713	241,953
Total Liabilities and Deferred Inflows of Resources	21,000	--	--	--	--	7,991	65,919	--	5,572	6,056	--	2,713	426,371
FUND BALANCE													
Restricted	--	1,785	8,609	8,051	--	--	(65,919)	39,589	359,428	--	14,660	35,832	1,120,968
Unassigned	(20,336)	--	--	--	--	(2,285)	--	--	--	(6,056)	--	--	(1,641)
Total Fund Balance	(20,336)	1,785	8,609	8,051	--	(2,285)	(65,919)	39,589	359,428	(6,056)	14,660	35,832	1,119,327
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 664	\$ 1,785	\$ 8,609	\$ 8,051	\$ --	\$ 5,706	\$ --	\$ 39,589	\$ 365,000	\$ --	\$ 14,660	\$ 38,545	\$ 1,545,698

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

	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 Incr Bond 1997	TIF 1-4	TIF 1-6	TIF 1-8	TIF 1-9
Revenues												
Interest revenue	\$ 3,881	\$ 398	\$ 452	\$ 85	\$ 14,507	\$ 2	\$ 5,648	\$ 12	\$ --	\$ --	\$ --	\$ --
Property Taxes	--	420	23	43,402	--	--	--	--	75,412	2,290	2,638	2,396
Special Assessments	--	2,399	1,993	--	--	--	3,450	--	--	--	--	--
Miscellaneous	39,596	31	14	--	450	--	20	--	--	--	--	--
Total Revenues	43,477	3,248	2,482	43,487	14,957	2	9,118	12	75,412	2,290	2,638	2,396
Expenditures												
General Government and Administration	--	--	--	--	--	--	--	37	--	--	--	--
Economic Development	13,393	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	739	--	--	--	--	1,240	256	188	188
Debt - principal	--	--	--	30,000	7,760	--	10,000	1,900	9,040	1,300	--	--
Interest and Charges on Debt	--	32	12	30,525	14,972	--	10,824	1,356	9,038	860	--	--
Total Expenditures	13,393	32	12	61,264	22,732	--	20,824	3,293	19,318	2,416	188	188
Excess of Revenues Over (Under) Expenditures	30,084	3,216	2,470	(17,777)	(7,775)	2	(11,706)	(3,281)	56,094	(126)	2,450	2,208
Other Financing Sources (Uses)												
Transfers from other funds	--	--	--	--	--	--	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--	--	--	--
Net Change in Fund Balance	30,084	3,216	2,470	(17,777)	(7,775)	2	(11,706)	(3,281)	56,094	(126)	2,450	2,208
<i>Fund Balance at Beginning of Period</i>	30,584	16,065	(1,091)	188,816	248,887	21,612	105,207	(24,790)	99,040	(5,435)	5,474	5,741
Fund Balance at End of Period	\$ 60,668	\$ 19,281	\$ 1,379	\$ 171,039	\$ 241,112	\$ 21,614	\$ 93,501	\$ (28,071)	\$ 155,134	\$ (5,561)	\$ 7,924	\$ 7,949

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

Debt Service

Total Nonmajor
Governmental

	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-18	GOIB of 2004	TIF1-26	GOIB 2014C	TIF 1-27	Pool-GO Tax 2015B	2009 Impr Bond	
Revenues													
Interest revenue	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 232	\$ 25,217
Property Taxes	--	1,885	2,621	2,147	925	4,649	--	--	--	--	--	1,702	140,510
Special Assessments	--	--	--	--	--	--	--	--	--	--	--	31	7,873
Miscellaneous	--	--	--	--	--	--	--	--	--	--	--	2	40,113
Total Revenues	<u>--</u>	<u>1,885</u>	<u>2,621</u>	<u>2,147</u>	<u>925</u>	<u>4,649</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,967</u>	<u>213,713</u>
Expenditures													
General Government and Administration	--	--	--	--	--	--	--	--	--	--	--	--	37
Economic Development	--	--	--	--	--	--	--	--	--	--	--	--	13,393
Miscellaneous	--	332	188	189	1,158	189	--	56,496	--	6,056	--	--	67,219
Debt - principal	--	--	--	--	--	1,000	--	--	--	--	--	--	61,000
Interest and Charges on Lt Debt	--	--	--	--	4,806	2,430	--	9,865	--	--	--	--	84,720
Total Expenditures	<u>--</u>	<u>332</u>	<u>188</u>	<u>189</u>	<u>5,964</u>	<u>3,619</u>	<u>--</u>	<u>66,361</u>	<u>--</u>	<u>6,056</u>	<u>--</u>	<u>--</u>	<u>226,369</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>1,553</u>	<u>2,433</u>	<u>1,958</u>	<u>(5,039)</u>	<u>1,030</u>	<u>--</u>	<u>(66,361)</u>	<u>--</u>	<u>(6,056)</u>	<u>--</u>	<u>1,967</u>	<u>(12,656)</u>
Other Financing Sources (Uses)													
Transfers from other funds	--	--	--	--	--	--	--	--	--	--	14,660	--	14,660
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,660</u>	<u>--</u>	<u>14,660</u>
Net Change in Fund Balance	<u>--</u>	<u>1,553</u>	<u>2,433</u>	<u>1,958</u>	<u>(5,039)</u>	<u>1,030</u>	<u>--</u>	<u>(66,361)</u>	<u>--</u>	<u>(6,056)</u>	<u>14,660</u>	<u>1,967</u>	<u>2,004</u>
Fund Balance at Beginning of Period	<u>(20,336)</u>	<u>232</u>	<u>6,176</u>	<u>6,093</u>	<u>5,039</u>	<u>(3,315)</u>	<u>(65,919)</u>	<u>105,950</u>	<u>359,428</u>	<u>--</u>	<u>--</u>	<u>33,865</u>	<u>1,117,323</u>
Fund Balance at End of Period	<u>\$ (20,336)</u>	<u>\$ 1,785</u>	<u>\$ 8,609</u>	<u>\$ 8,051</u>	<u>\$ --</u>	<u>\$ (2,285)</u>	<u>\$ (65,919)</u>	<u>\$ 39,589</u>	<u>\$ 359,428</u>	<u>\$ (6,056)</u>	<u>\$ 14,660</u>	<u>\$ 35,832</u>	<u>\$ 1,119,327</u>