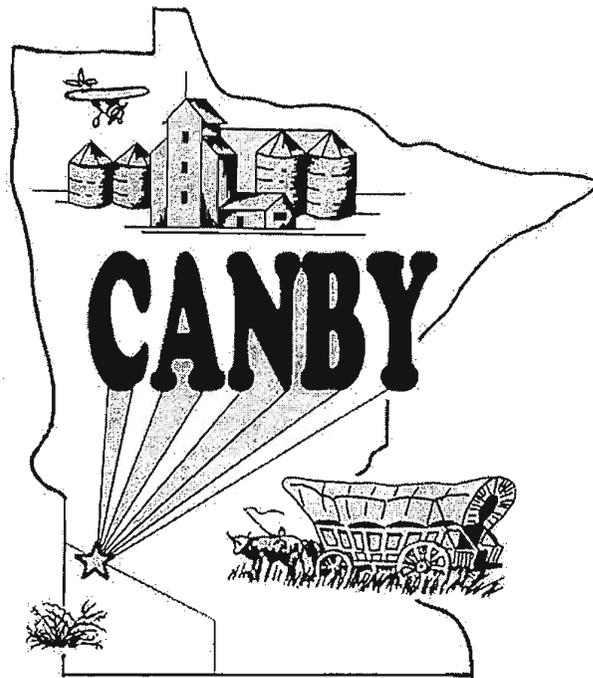
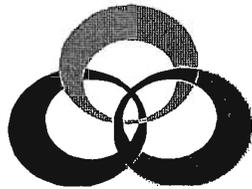


**City of Canby
Audit Report
For the Year Ended
December 31, 2011**



GATEWAY TO THE PRAIRIE



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

**CITY OF CANBY
CANBY, MINNESOTA
TABLE OF CONTENTS**

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Elected & Appointed Officials	1
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	2-3
Management's Discussion and Analysis (unaudited)	4-8
Basis Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet-Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds	13
Reconciliation of the Statement of Revenue, Expenditures, And Changes in Fund Balance of Governmental Funds To the Statement of Activities	14
Proprietary Funds:	
Statement of Net Assets-Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds	16
Statement of Cash Flows-Proprietary Funds	17
Notes to Basic Financial Statements	18-50
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	53-54
Schedule of Findings and Questioned Costs	55-58
Summary Schedule of Prior Audit Findings	59-60
Schedule of Expenditures of Federal Awards	61

**CITY OF CANBY
CANBY, MINNESOTA
TABLE OF CONTENTS (con't)**

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A	62
Budgetary Comparison Schedule-Governmental Funds	63
Notes to the Required Supplementary Information	64
Other Supplementary Information (Unaudited):	
<u>Combining and Individual Fund Statements and Schedules</u>	
Combining Financial Statements – Non-Major Governmental Funds:	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	66
Combining Financial Statements – Non-Major Special Revenue Funds:	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	68
Combining Financial Statements – Non-Major Debt Service Funds:	
Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	70
Combining Financial Statements – Non-Major Proprietary Funds:	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes In Fund Balances	72
Combining Statement of Cash Flows	73
Other Supplementary Information (Audited):	
General Fund	74
Combining Balance Sheet	75
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	76-80
Debt Service Fund	81
GO Parking Lot Fund 2011:	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	83

**CITY OF CANBY
CANBY, MINNESOTA
TABLE OF CONTENTS (con't)**

Enterprise Funds:	84
Wastewater Fund:	
Statement of Net Assets	85
Statement of Revenue, Expenses and Changes in Fund Net Assets	86
Statement of Cash Flows	87
Water Fund:	
Statement of Net Assets	88
Statement of Revenue, Expenses and Changes in Fund Net Assets	89
Statement of Cash Flows	90
Storm Sewer Fund:	
Statement of Net Assets	91
Statement of Revenue, Expenses and Changes in Fund Net Assets	92
Statement of Cash Flows	93

INTRODUCTORY SECTION

**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

ELECTED OFFICIALS

POSITION

Eugene Bies

Mayor

Eugene Eilers

Council Member

Nancy Bormann

Council Member

Denise Hanson

Council Member

Richard Bueltel

Council Member

CITY ADMINISTRATOR

Nicholas Johnson

KINNER & COMPANY LTD
Certified Public Accountants

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Diane Anderson

Darci Anderson
Cindy Foerster
Donna Geringer
Ashley Koehne
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Canby
Canby, Minnesota 56220

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Canby, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2010 financial statements and, in our report dated December 30, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

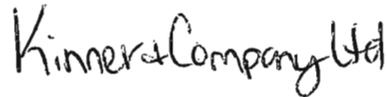
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25 2012, on our consideration of the City of Canby, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 63, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Kinner & Company Ltd
Certified Public Accountants
Tracy, Minnesota

April 25, 2012

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

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, 2011 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 assets presents information on all of the City's assets and liabilities. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 9-14 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 15-17 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$9,076,990 and \$8,070,743 at the close of fiscal years 2011 and 2010.

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

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	1,803,077	1,591,388	3,925,633	3,413,925
Capital assets	<u>4,455,660</u>	<u>3,949,081</u>	<u>12,788,476</u>	<u>10,454,501</u>
Total assets	<u>6,258,737</u>	<u>5,540,469</u>	<u>16,714,109</u>	<u>13,868,426</u>
Long-term liabilities outstanding	912,536	786,032	10,388,377	8,405,480
Other liabilities	<u>261,170</u>	<u>108,403</u>	<u>2,333,773</u>	<u>2,038,318</u>
Total liabilities	<u>1,173,706</u>	<u>894,435</u>	<u>12,722,150</u>	<u>10,443,798</u>
Net assets				
Invested in capital assets, net of related debt	3,543,125	3,163,049	2,400,100	2,049,022
Net assets -Restricted	377,596	218,886	1,591,860	1,375,607
Net assets -Unrestricted	<u>1,164,311</u>	<u>1,264,098</u>	<u>0</u>	<u>0</u>
Total Net Assets	<u>5,085,031</u>	<u>4,646,034</u>	<u>3,991,959</u>	<u>3,424,629</u>

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

Governmental activities

Governmental activities increased the City's net assets by \$438,714 and \$755,339 for 2011 and 2010. Key elements of this increase are as follows:

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

Table 2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		2011
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	185,817	147,430	862,621	820,875	1,048,438
Operating grants and contributions	81,413	56,958			81,413
Capital grants and contributions	835,148	366,597			835,148
General Revenues					
Property taxes	535,841	637,671			535,841
Special Assessments	62,732	12,272	102,821	146,237	165,554
Intergovernmental Revenue	691,280	693,429	142,613	92,602	833,893
Fines and Forfeits	6,045	8,404			6,045
Grants & Contributions not restricted to specific programs	42,200	3,775			42,200
Unrestricted Investment Earnings	26,233	28,559	87,736	7,783	113,968
Miscellaneous	119,811	314,551	12,856	25,093	132,667
Total Revenues	<u>2,586,520</u>	<u>2,269,646</u>	<u>1,208,648</u>	<u>1,092,590</u>	<u>3,795,167</u>
Expenses					
Governmental activities	2,147,522	1,514,304			2,147,522
Business-type activities			641,317	586,775	641,317
Total expenses	<u>2,147,522</u>	<u>1,514,304</u>	<u>641,317</u>	<u>586,775</u>	<u>2,788,839</u>
Transfers In (Out)	0	(2)	0	2	0
Increase in net assets	438,997	755,259	567,331	505,816	1,006,328
Net assets, January 1	<u>4,646,034</u>	<u>3,890,775</u>	<u>3,424,629</u>	<u>2,918,812</u>	<u>8,070,662</u>
Net assets, December 31	<u>5,085,031</u>	<u>4,646,034</u>	<u>3,991,959</u>	<u>3,424,629</u>	<u>9,076,991</u>

The City's total net assets increased by \$1,006,328 and \$1,261,075 for 2011 and 2010. Most of this increase resulted from growth of capital grants and contributions, special assessments and charges for services.

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

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

Business-type activities. Business-type activities increased the City's net assets by \$520,587 and \$505,817, accounting for 55 percent and 40 percent of the total growth in the City's net assets for 2011 and 2010. The investment earnings saw a significant increase due to the interest earned on the special assessments from the infrastructure project.

The City's total net assets increased by \$959,301 and \$164,277 for 2011 and 2010. Most of this increase resulted from growth of capital grants and contributions, special assessments and charges for services.

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 2011 and 2010, the City's governmental funds reported ending balances of \$1,363,985 and \$1,358,085. Sixty-six percent and ninety-two percent of the total amount of \$900,263 and \$1,241,020 constitutes unreserved fund balances, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed to a specific area.

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

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of December 31, 2011 and 2010 amounts to \$17,244,136 and \$14,403,582 (net of accumulated depreciation). The investment in capital assets includes land, buildings, system improvements, machinery, equipment and park facilities.

Long-Term Debt

At the end of 2011 and 2010, the City had total bonded debt outstanding of \$11,300,912 and \$9,191,512.

Economic Factor and Next Year's Budget and Rates

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

Sincerely,
Nicholas Johnson
City Administrator

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF CANBY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011
(With Comparative Totals as of December 31, 2010)

ASSETS	Governmental	Business-Type	Totals	
	Activities	Activities	2011	2010
Cash, Including Time Deposits	\$ 1,039,199.11	\$ 1,415,836.28	\$ 2,455,035.39	\$ 2,295,576.14
Investments	65,902.64	287,474.90	353,377.54	353,422.55
Notes Receivable-Current	17,228.42		17,228.42	-
Taxes Receivable	21,350.27	5,399.19	26,749.46	30,915.25
Special Assessments Receivable	219,298.80	9,152.57	228,451.37	70,561.83
Accounts Receivable		74,996.20	74,996.20	74,334.47
Interest Receivable				
Other Receivables	209,782.55		209,782.55	42,272.12
Internal Balance	27,919.39	(27,919.39)	(0.00)	-
Prepaid Expenses	28,813.00	8,663.00	37,476.00	37,190.00
Notes Receivable-Non Current	159,686.53		159,686.53	118,877.36
Special Assessments-Deferred		2,122,961.11	2,122,961.11	1,938,525.81
Bond Costs, Net	13,896.45	29,068.92	42,965.37	43,637.34
Capital Assets:				
Non-depreciable	573,046.87	9,459,721.92	10,032,768.79	7,332,926.44
Depreciable, net	3,882,613.21	3,328,754.48	7,211,367.69	7,070,656.00
TOTAL ASSETS	\$ 6,258,737.24	\$ 16,714,109.18	\$ 22,972,846.42	\$ 19,408,895.31
 LIABILITIES				
Accounts Payable	14,705.55	189,938.54	204,644.09	95,566.12
Accrued Compensated Absences	26,441.70	16,358.21	42,799.91	39,444.22
Deferred Revenue	220,023.24	2,127,476.11	2,347,499.35	2,011,711.18
Long-term Liabilities:				
Due within One Year	114,585.92	419,000.00	533,585.92	341,182.28
Due beyond One Year	797,949.64	9,969,376.90	10,767,326.54	8,850,329.25
TOTAL LIABILITIES	1,173,706.05	12,722,149.76	13,895,855.81	11,338,233.05
 NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,543,124.52	2,400,099.50	5,943,224.02	5,212,070.91
Restricted	377,595.91	1,591,859.92	1,969,455.83	1,566,278.90
Unrestricted	1,164,310.76		1,164,310.76	1,292,312.45
TOTAL NET ASSETS	\$ 5,085,031.19	\$ 3,991,959.42	\$ 9,076,990.61	\$ 8,070,662.26

See notes to basic financial statements

CITY OF CANBY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
					2011	2010	
Governmental Activities:							
General Government and Administration	\$ 337,482.65	\$ 3,745.25	\$ -	\$ -	\$ (333,737.40)	\$ -	\$ (293,201.85)
Public Safety	363,201.04	43,470.43	81,413.18	82,413.00	(155,904.43)	(155,904.43)	(230,292.72)
Public Works	301,829.96			222,725.00	(79,104.96)	(79,104.96)	62,170.34
Cultural and Recreational	200,945.93				(200,945.93)	(200,945.93)	(191,074.45)
Economic Development	-	31,235.58		530,010.00	31,235.58	31,235.58	6,600.36
Grant Pass-Through	530,010.00						-
Miscellaneous	356,894.63	107,365.50			(249,529.13)	(249,529.13)	(222,383.41)
Depreciation-Unallocated	-						-
Interest and Charges on Long Term Debt	57,158.08				(57,158.08)	(57,158.08)	(75,137.20)
Total Governmental Activities	2,147,522.29	185,816.76	81,413.18	835,148.00	(1,045,144.35)	(1,045,144.35)	(943,318.93)
Business-type Activities:							
Wastewater Fund	229,722.18	225,081.33			(4,640.85)	(4,640.85)	24,123.30
Water Fund	277,216.64	366,084.00			88,867.36	88,867.36	100,706.55
Garbage Fund	132,117.08	151,275.93			19,158.85	19,158.85	10,828.00
Storm Sewer Fund	2,260.77	120,179.87			117,919.10	117,919.10	98,441.98
Total Business-type Activities	641,316.67	862,621.13			221,304.46	221,304.46	234,099.83
Total Primary Government	2,788,838.96	1,048,437.89	81,413.18	835,148.00	(1,045,144.35)	(823,839.89)	(709,219.10)
General Revenues							
Taxes							
Property taxes, levied for general purposes					228,572.02	228,572.02	352,804.36
Property taxes, levied for debt service					307,269.33	307,269.33	284,786.29
Intergovernmental Revenue					691,279.66	833,892.73	786,030.21
Fines and Forfeits					6,044.93	6,044.93	8,404.46
Grants and Contributions not Restricted to Specific Programs					42,200.00	42,200.00	3,774.50
Unrestricted Investment Earnings					26,232.60	113,968.45	36,341.54
Special Assessments					62,732.28	102,821.25	158,508.56
Miscellaneous					119,310.97	132,167.25	339,644.02
Sale of Assets					500.00	500.00	-
Transfers					-	-	0.00
Total General Revenues, Special Items, and Transfers					1,484,141.79	1,830,168.24	1,970,293.94
Change in Net Assets					438,997.44	567,330.91	1,261,074.84
Net Assets - Beginning of Year					4,646,033.75	3,424,628.51	6,809,587.42
Net Assets - End of Year					\$ 5,085,031.19	\$ 3,991,959.42	\$ 8,070,662.26

See notes to basic financial statements

CITY OF CANBY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	General Fund	GO	Other	Totals	
		Parking Lot Bond-2011	Governmental Funds	December 31, 2011	December 31, 2010
ASSETS					
Assets:					
Cash, Including Time Deposits	\$ 871,934.88	\$ 35,129.83	\$ 132,134.40	\$ 1,039,199.11	\$ 1,239,150.86
Investments	1,205.22		64,697.42	65,902.64	65,991.66
Taxes Receivable	16,646.47		4,703.80	21,350.27	27,629.24
Special Assessments Receivable	10,196.91	176,627.17	32,474.72	219,298.80	52,190.80
Other Receivables	209,782.55		-	209,782.55	42,272.12
Prepaid Expenses	28,813.00			28,813.00	28,214.00
Due from Other Funds	148,651.20	35,028.18	7,477.48	191,156.86	284,967.64
Notes Receivable-Current			17,228.42	17,228.42	-
Notes Receivable-Non Current			159,686.53	159,686.53	118,877.36
TOTAL ASSETS	\$ 1,287,230.23	\$ 246,785.18	\$ 418,402.77	\$ 1,952,418.18	\$ 1,859,293.68
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 14,629.68	\$ 75.87	\$ (0.00)	\$ 14,705.55	\$ 31,517.95
Due to Other Funds	4,446.00		158,791.47	163,237.47	280,597.64
Deferred Revenue	23,282.99	176,627.17	210,580.33	410,490.49	189,173.08
Total Liabilities	42,358.67	176,703.04	369,371.80	588,433.51	501,288.67
Fund Balances:					
Nondspendable: Prepaid Expenses	28,813.00			28,813.00	28,214.00
Nondspendable: Notes Receivable			159,686.53	159,686.53	
Restricted for:					
John Swenson Trust	51,747.80			51,747.80	
Assigned		70,082.14	153,675.56	223,757.70	65,692.56
Unassigned	1,164,310.76		(264,331.12)	899,979.64	1,264,098.45
Total Fund Balance	1,244,871.56	70,082.14	49,030.97	1,363,984.67	1,358,005.01
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,287,230.23	\$ 246,785.18	\$ 418,402.77	\$ 1,952,418.18	\$ 1,859,293.68

See notes to basic financial statements

CITY OF CANBY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
DECEMBER 31, 2011

Total fund balance - total governmental funds		\$ 1,363,984.67
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets (net of depreciation) used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.		4,455,660.08
Government funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities.		13,896.45
Deferred revenue on property taxes in governmental funds is susceptible to full accrual on the government-wide statements.		190,467.25
Accrued absences do not require current financial resources. Therefore they are not reported as a liability in governmental funds balance sheet.		(26,441.70)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Due within one year	114,585.92	
Due in more than one year	797,949.64	(912,535.56)
Net assets of governmental activities		<u><u>\$ 5,085,031.19</u></u>

See notes to basic financial statements.

CITY OF CANBY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	GO			Other	
	General Fund	Parking Lot Bond-2011	Governmental Funds	Totals 2011	Totals 2010
Revenues:					
Local and County Revenue	\$ 351,246.97	\$ -	\$ 129,938.16	\$ 481,185.13	\$ 517,277.22
Licenses and Permits	3,745.25			3,745.25	5,242.00
Intergovernmental Revenue	1,601,650.84		6,190.00	1,607,840.84	1,196,212.20
Charges for Services	49,320.43			49,320.43	50,072.53
Fines and forfeitures	6,044.93			6,044.93	8,404.46
Interest Income	18,038.11	6.74	8,187.75	26,232.60	28,558.67
Special Assessments	3,789.13	51,826.03	7,117.12	62,732.28	12,271.98
Miscellaneous	263,526.47		31,235.58	294,762.05	410,440.36
Total Revenue	<u>2,297,362.13</u>	<u>51,832.77</u>	<u>182,668.61</u>	<u>2,531,863.51</u>	<u>2,228,479.42</u>
Expenditures:					
General Government	304,473.01			304,473.01	318,383.69
Public Safety	300,095.39			300,095.39	311,178.08
Public Works	278,332.54			278,332.54	239,919.33
Culture and Recreation	179,408.67			179,408.67	171,240.73
Economic Development				-	-
Grant Pass-Through	530,010.00			530,010.00	79,228.00
Miscellaneous	154,091.52	16,114.55	54,965.96	225,172.03	157,117.81
Capital Outlay	531,371.56	226,266.08	18,895.79	776,533.43	397,317.67
Debt Service:					
Principal on Debt	74,496.40		194,000.00	268,496.40	202,361.94
Interest and Other Charges on Debt	6,905.93		47,086.45	53,992.38	72,179.60
Total Expenditures	<u>2,359,185.02</u>	<u>242,380.63</u>	<u>314,948.20</u>	<u>2,916,513.85</u>	<u>1,948,926.85</u>
Excess of Revenues Over (Under) Expenditures	<u>(61,822.89)</u>	<u>(190,547.86)</u>	<u>(132,279.59)</u>	<u>(384,650.34)</u>	<u>279,552.57</u>
Other Financing Sources (Uses):					
Loan Advances	130,000.00	265,000.00		395,000.00	-
Bond Discount		(4,370.00)		(4,370.00)	-
Bond Issue Costs				-	-
Transfers from Other Funds	51,372.59		127,035.39	178,407.98	114,812.41
Transfers to Other Funds	(108,095.00)		(70,312.98)	(178,407.98)	(114,814.39)
Total Other Financing Sources (Uses)	<u>73,277.59</u>	<u>260,630.00</u>	<u>56,722.41</u>	<u>390,630.00</u>	<u>(1.98)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	11,454.70	70,082.14	(75,557.18)	5,979.66	279,550.59
Fund Balance - January 1	1,233,416.86		124,588.15	1,358,005.01	1,078,454.42
Fund Balance - December 31	<u>\$1,244,871.56</u>	<u>\$ 70,082.14</u>	<u>\$ 49,030.97</u>	<u>\$1,363,984.67</u>	<u>\$1,358,005.01</u>

See notes to basic financial statements

CITY OF CANBY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net changes in fund balances-total government funds \$ 5,979.66

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 776,533.43

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in government funds. (269,954.45)

The issuance of long-term debt (i.e. bonds) provides current resources to government funds, while the repayment of the principal of the long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. Also, the government funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (125,299.30)

Some property tax will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues in the government funds.

Deferred Revenues, December 31, 2010	(135,811.03)	
Deferred Revenues, December 31, 2011	190,467.25	54,656.22

Accrued leave is reported in the government-wide statement of activities and changes in net assets, but does not required the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.

Accrued Leave, December 31, 2010	23,523.58	
Accrued Leave, December 31, 2011	(26,441.70)	(2,918.12)

Change in net assets of governmental activities \$ 438,997.44

See notes to basic financial statements.

**CITY OF CANBY
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 DECEMBER 31, 2011
 (With Comparative Totals for the year ended December 31, 2010)**

ASSETS	Business-Type Activities				Totals	
	Wastewater Fund	Water Fund	Storm Sewer Fund	Non-Major Garbage Fund	2011	2010
Current Assets:						
Cash, Including Time Deposits	\$ 296,915.72	\$ 647,150.33	\$ 428,383.99	\$ 43,386.24	\$ 1,415,836.28	\$ 1,056,425.28
Investments	141,738.90	89,459.88		56,276.12	287,474.90	287,430.89
Taxes Receivable	2,969.55	2,429.64			5,399.19	3,286.01
Special Assessments Receivable	3,385.27	5,767.30			9,152.57	18,371.03
Accounts Receivable	21,874.15	28,709.37	11,266.65	13,146.03	74,996.20	74,334.47
Prepaid Expense	4,493.00	4,170.00			8,663.00	8,976.00
Total Current Assets	471,376.59	777,686.52	439,650.64	112,808.39	1,801,522.14	1,448,823.68
Non-Current Assets:						
Special Assessments - Deferred	1,114,018.05	911,501.56	97,441.50		2,122,961.11	1,938,525.81
Bond Discount, Net of Amortization	5,880.00	-	23,188.92	-	29,068.92	30,945.19
Capital Assets:						
Land	79,835.00	21,344.93		25,115.50	126,295.43	126,703.93
Buildings	172,471.50	1,906,443.00			2,078,914.50	2,078,914.50
Improvements Other Than Buildings	386,755.53	821,107.14		408.50	1,208,271.17	1,193,570.43
Equipment	2,795,231.49	71,046.13		5,380.11	2,871,657.73	2,871,657.73
Construction in Progress	4,333,543.35	3,930,368.00	1,069,515.14		9,333,426.49	6,878,337.51
Accumulated Depreciation	(1,559,869.31)	(1,264,431.00)		(5,788.61)	(2,830,088.92)	(2,694,682.68)
Net Capital Assets	6,207,967.56	5,485,878.20	1,069,515.14	25,115.50	12,788,476.40	10,454,501.42
Total Non-Current Assets	7,327,865.61	6,397,379.76	1,190,145.56	25,115.50	14,940,506.43	12,423,972.42
TOTAL ASSETS	\$ 7,799,242.20	\$ 7,175,066.28	\$ 1,629,796.20	\$ 137,923.89	\$ 16,742,028.57	\$ 13,872,796.10
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 141,913.38	\$ 41,138.81	\$ 3,804.74	\$ 3,081.61	\$ 189,938.54	\$ 64,048.17
Due to Other Funds	26,843.39	1,076.00			27,919.39	4,370.00
Bonds Payable, Current Portion	187,000.00	232,000.00			419,000.00	218,228.00
Total Current Liabilities	355,756.77	274,214.81	3,804.74	3,081.61	636,857.93	286,646.17
Noncurrent Liabilities:						
Deferred Revenue	1,116,501.30	913,533.31	97,441.50		2,127,476.11	1,958,349.13
Accrued Vacation	6,208.22	8,507.24		1,642.75	16,358.21	15,920.68
Notes and Bonds Payable	4,250,564.25	4,438,812.65	1,280,000.00		9,969,376.90	8,187,251.61
Total Noncurrent Liabilities	5,373,273.77	5,360,853.20	1,377,441.50	1,642.75	12,113,211.22	10,161,521.42
TOTAL LIABILITIES	5,729,030.54	5,635,068.01	1,381,246.24	4,724.36	12,750,069.15	10,448,167.59
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,770,403.31	815,065.55	(210,484.86)	25,115.50	2,400,099.50	2,049,021.81
Net Assets-Restricted	-	873,601.91			873,601.91	873,601.91
Net Assets-Unrestricted	299,808.35	(148,669.19)	459,034.82	108,084.03	718,258.01	502,004.79
Total Net Assets	\$ 2,070,211.66	\$ 1,539,998.27	\$ 248,549.96	\$ 133,199.53	\$ 3,991,959.42	\$ 3,424,628.51

See notes to basic financial statements.

CITY OF CANBY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	Business-Type Activities				Totals	
	Wastewater	Water	Storm Sewer	Non-Major Garbage	2011	2010
	Fund	Fund	Fund	Fund		
Operating Revenues:						
Customer Charges	\$ 225,081.33	\$ 366,084.00	\$ 120,179.87	\$ 151,275.93	\$ 862,621.13	\$ 820,875.07
Miscellaneous		3,285.76	1,123.68	1,655.00	6,064.44	5,215.66
Total Operating Revenues	225,081.33	369,369.76	121,303.55	152,930.93	868,685.57	826,090.73
Operating Expenses:						
Distribution		39,636.75			39,636.75	41,039.20
Production		66,996.83			66,996.83	71,701.03
Operating Expenses	116,185.20	54,474.23	972.50	122,639.85	294,271.78	286,458.12
Depreciation and Amortization	67,175.92	68,807.09	1,288.27	11.23	137,282.51	140,687.19
Total Operating Expenses	183,361.12	229,914.90	2,260.77	122,651.08	538,187.87	539,885.54
Net Operating Income (Loss)	41,720.21	139,454.86	119,042.78	30,279.85	330,497.70	286,205.19
Nonoperating Revenues (Expenses):						
Property Taxes	74,655.78	61,081.29			135,737.07	87,995.50
Market Value Assistance	3,782.00	3,094.00			6,876.00	4,606.00
Special Assessments	39,637.87	36,842.31	26,341.07		102,821.25	146,236.58
Interest Income	46,085.94	39,736.89	1,839.56	73.46	87,735.85	7,782.87
Sales Tax Expense		(3,512.00)		(9,466.00)	(12,978.00)	(12,857.00)
Refunds and Reimbursements	-	639.00			639.00	14,017.78
Rental Income		6,152.84			6,152.84	5,859.84
Sale of Asset	-				-	-
Interest Expense	(46,361.06)	(43,789.74)	-		(90,150.80)	(34,032.70)
Transfers In	-				-	1.98
Total Nonoperating Revenues (Expenses)	117,800.53	100,244.59	28,180.63	(9,392.54)	236,833.21	219,610.85
Change in Net Assets	159,520.74	239,699.45	147,223.41	20,887.31	567,330.91	505,816.04
Net Assets - January 1	1,910,690.92	1,300,298.82	101,326.55	112,312.22	3,424,628.51	2,918,812.47
Net Assets - December 31	\$2,070,211.66	\$ 1,539,998.27	\$ 248,549.96	\$ 133,199.53	\$ 3,991,959.42	\$ 3,424,628.51

See notes to basic financial statements.

**CITY OF CANBY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2011
 (With Comparative Totals for the year ended December 31, 2010)**

	Business-Type Activities				Non-Major	
	Wastewater	Water	Storm Sewer	Garbage	Totals	
	Fund	Fund	Fund	Fund	2011	2010
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 225,471.86	\$ 375,948.97	\$ 121,272.91	\$ 152,121.94	\$ 874,815.68	\$ 830,940.79
Cash Received from Others	-	-	-	-	-	365.78
Cash Paid to Suppliers	(132,646.00)	(78,957.74)	(450.00)	(133,507.35)	(345,561.09)	(427,557.85)
Cash Paid to Employees	-	(75,068.67)	-	-	(75,068.67)	74,577.52
Net Cash Flows Provided (Used) by Operating Activities	92,825.86	221,922.56	120,822.91	18,614.59	454,185.92	478,326.24
Cash Flows From Noncapital Financing Activities:						
General Property Taxes	74,638.83	61,067.41	-	-	135,706.24	87,142.14
Market Value Assistance	3,782.00	3,094.00	-	-	6,876.00	4,606.00
Special Assessments	36,252.60	32,055.37	26,341.07	-	94,649.04	146,770.62
Transfers from Other Funds	-	-	-	-	-	1.98
Cash Received from (paid on) Due to Other Funds	(1,426.00)	(1,157.00)	-	-	(2,583.00)	(4,908.00)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	113,247.43	95,059.78	26,341.07	-	234,648.28	233,612.74
Cash Flows from Capital and Related Financing Activities:						
Cash Received from Bond Proceeds	1,323,657.01	877,468.28	-	-	2,201,125.29	7,135,479.61
Cash Paid for Bond Issue Costs	-	-	-	-	-	(25,765.46)
Cash Paid for Principal on Debt	(69,517.00)	(148,711.00)	-	-	(218,228.00)	(133,000.00)
Cash Paid for Interest on Debt	(46,361.06)	(43,789.74)	-	-	(90,150.80)	(34,032.70)
Acquisition of Capital Assets	(1,314,326.39)	(893,801.14)	(101,734.00)	-	(2,309,861.53)	(6,905,860.06)
Net Cash Flows from Capital and Related Financing Activities	(106,547.44)	(208,833.60)	(101,734.00)	-	(417,115.04)	36,821.39
Cash Flows From Investing Activities:						
Interest Earned on Investments	46,085.94	39,736.89	1,839.56	73.46	87,735.85	7,782.87
Sale of Investments	-	-	-	-	-	12,000.00
Purchase of Investments	(22.00)	(14.66)	-	(7.35)	(44.01)	(55,115.60)
Net Cash Flows from Investing Activities	46,063.94	39,722.23	1,839.56	66.11	87,691.84	(35,332.73)
Net Increase (Decrease) in Cash and Cash Equivalents	145,589.79	147,870.97	47,269.54	18,680.70	359,411.00	713,427.64
Cash and Cash Equivalents - Beginning of Year	151,325.93	499,279.36	381,114.45	24,705.54	1,056,425.28	342,997.64
Cash and Cash Equivalents - End of Year	\$ 296,915.72	\$ 647,150.33	\$ 428,383.99	\$ 43,386.24	\$ 1,415,836.28	\$ 1,056,425.28

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

Operating Income (Loss)	\$ 41,720.21	\$ 139,454.86	\$ 119,042.78	\$ 30,279.85	\$ 330,497.70	\$ 286,205.19
Other Revenue	-	6,791.84	-	-	6,791.84	19,877.62
Other Expense	-	(3,512.00)	-	(9,466.00)	(12,978.00)	(12,857.00)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and Amortization	67,175.92	68,807.09	1,288.27	11.23	137,282.51	140,687.19
Changes in Assets and Liabilities:						
Accounts Receivable	390.53	(212.63)	(30.64)	(808.99)	(661.73)	(14,661.78)
Prepaid Expense	177.00	136.00	-	-	313.00	302.00
Accrued Expenses	-	-	-	-	-	-
Accounts Payable-Operating	(16,815.38)	10,177.34	522.50	(1,381.39)	(7,496.93)	56,921.47
Accrued Vacation	177.58	280.06	-	(20.11)	437.53	1,851.55
Net Cash Provided (Used) by Operating Activities	\$ 92,825.86	\$ 221,922.56	\$ 120,822.91	\$ 18,614.59	\$ 454,185.92	\$ 478,326.24

See notes to basic financial statements.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

Blended Component Unit

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

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

Discretely Presented Component Units

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity 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, 2011

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 TIF Districts, economic development and John Swenson Trust special revenue funds.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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.

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).

Proprietary Funds:

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

Fiduciary Funds:

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

The City reports the following major governmental funds:

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

The *GO Parking Lot Bond 2011* accounts for the income and expenses relating to the Parking Lot.

The City reports the following major proprietary funds:

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS or EQUITY

Deposits and Investments

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

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

Receivables and Payables

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Real property taxes may be paid in two equal installments. The first payment is due on May 15 for both non-agricultural and agricultural property and the second payment is due on October 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.

Inventories

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

Prepays

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

Restricted Assets

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

Capital Assets

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded 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 assets.

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

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

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

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

Compensated Absences

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fund Balance Classifications

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classifications (Continued)

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

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

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2011, the unassigned fund balance of the General Fund was 63% of the subsequent year's budgeted expenditures.

Net Assets Classifications

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

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

E. USE OF ESTIMATES

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. COMPARATIVE DATA/RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The prior year fund balance information in the governmental fund financial statements has been reclassified to be in conformity with the presentation required by GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The total amount of the City's prior year fund balance did not change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets

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

Encumbrances

The City does not utilize encumbrance accounting.

B. FUND BALANCE CLASSIFICATION

At December 31, 2011, a summary of the governmental fund balance classifications are as follows:

	General <u>Fund</u>	GO Parking Lot Bond - <u>2011</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	28,813			28,813
Notes Receivable			159,403	159,403
Restricted for:				
John Swenson Trust	51,748	0		51,748
Assigned to:				
General	0	0	0	0
Special Revenue & Debt	0	70,082	153,676	223,758
Unassigned:	<u>1,164,311</u>	<u>0</u>	<u>(264,048)</u>	<u>900,263</u>
Total Fund Balances	<u>1,244,872</u>	<u>70,082</u>	<u>49,031</u>	<u>1,363,985</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had excess expenditures over appropriations:

	<u>2011</u>
General Fund	\$519,445
Special Revenue Funds:	
TIF 1-2	2,426
TIF 1-4	232
TIF 1-5	146
TIF 1-6	232
TIF 1-7	662
TIF 1-8	2,079
TIF 1-9	2,220
TIF 1-10	146
TIF 1-11	232
TIF 1-12	2,236
TIF 1-14	2,371
TIF 1-15	2,174
TIF 1-18	4,022
TIF 1-19	2,280
EDA	49,883
Debt Service Funds:	
GO Fire Hall Bonds-1986	10,460
GO Tax Increment Bonds - 1997	20,626
GO Improvement Bonds - 2000	18,908
GO Improvement Bonds - 2001	15,081
GO Tax Increment Bonds - 2004	111,763
GO Improvement Refund Bonds - 2009	66,768
GO Parking Lot Bond - 2011	242,381

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2011:

Special Revenue Funds:	
TIF District 1-4	\$2,824
TIF District 1-6	4,885
TIF District 1-10	20,336
TIF District 1-11	5,297
TIF District 1-18	6,581
Debt Service Funds:	
GO Tax Increment Bonds - 1997	19,081
GO Improvement Bonds - 2000	8,251
GO Tax Increment Bonds - 2004	65,919

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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 or surety bonds.

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

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

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, and cash equivalents had a bank balance of \$2,703,240 at December 31, 2011, 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, 2011 was \$2,454,935.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Investment Policy

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

- a.) Direct obligations guaranteed by the United States or its agencies;
- b.) Shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; General obligations of the State of Minnesota or its municipalities
- c.) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System
- d.) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- e.) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers
- f.) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.
- g.) Guaranteed investment contract (GIC's) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United State insurance company and with a credit quality in one of the top two highest categories.

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2011, the City had the following investments:

<u>2011 Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$353,378	*

*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, 2011, 100% of the City's investments are in the 4M Fund and Certificates of Deposits.

Custodial Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2011, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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

Deposits	\$2,455,035
Investments	<u>353,378</u>
Total	<u>\$2,808,413</u>

Reconciliation to Statement of Net Assets:

Cash, Including Time Deposits	\$2,455,035
Investments	<u>353,378</u>
Total	<u>\$2,808,413</u>

B. ACCOUNTS RECEIVABLE

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

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

	<u>Unavailable</u>	<u>Unearned</u>
2011 Property Taxes & Special Assessments	\$233,575	\$0
Notes Receivable	<u>176,915</u>	<u>0</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$410,490</u>	<u>\$0</u>

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 a liability account, deferred revenue. Therefore, no revenues will be recognized until the payments are actually received. In the government-wide financial statements, under the accrual basis of accounting, revenues are earned and therefore, recognized.

The following is a summary of notes receivable transactions for the year ended December 31, 2011 and 2010:

	Balance <u>1-1-11</u>	Amount <u>Advanced</u>	Payments <u>Received</u>	<u>Adjustments</u>	Balance <u>12-31-11</u>
EDA Loans	<u>\$118,878</u>	<u>\$88,990</u>	<u>\$30,952</u>	<u>\$0</u>	<u>\$176,915</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

Capital Assets Not Being Depreciated

Land	327,885	0	0	327,885
Construction in Progress	<u>0</u>	<u>245,162</u>	<u>0</u>	<u>245,162</u>
Total Capital Assets Not Being Depreciated	<u>327,885</u>	<u>245,162</u>	<u>0</u>	<u>573,047</u>
Capital Assets Being Depreciated:				
Buildings	2,758,570	0	0	2,758,570
Improvements Other Than Buildings	2,807,286	97,552	0	2,904,838
Infrastructure	218,955	0	0	218,955
Machinery & Equipment	<u>1,528,821</u>	<u>433,819</u>	<u>66,934</u>	<u>1,895,706</u>
Total Capital Assets Being Depreciated	<u>7,313,632</u>	<u>531,372</u>	<u>66,934</u>	<u>7,778,070</u>
Less Accumulated Depreciation for:				
Buildings	2,076,696	60,097	0	2,136,793
Improvements Other Than Buildings	483,633	121,607	0	605,240
Infrastructure	7,299	7,299	0	14,597
Machinery & Equipment	<u>1,124,808</u>	<u>80,952</u>	<u>66,934</u>	<u>1,138,826</u>
Total Accumulated Depreciation	<u>3,692,436</u>	<u>269,954</u>	<u>66,934</u>	<u>3,895,457</u>
Total Capital Assets Being Depreciated, Net	<u>3,621,196</u>	<u>261,417</u>	<u>0</u>	<u>3,882,613</u>
Total Capital Assets	<u>3,949,081</u>	<u>506,579</u>	<u>0</u>	<u>4,455,660</u>

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2011</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	126,704	0	409	126,295
Construction in Progress	<u>6,878,338</u>	<u>2,455,089</u>	<u>0</u>	<u>9,333,426</u>
Total Capital Assets Not Being Depreciated	<u>7,005,041</u>	<u>2,455,089</u>	<u>409</u>	<u>9,459,722</u>
Capital Assets Being Depreciated:				
Buildings	2,078,915	0	0	2,078,915
Improvements other than Buildings	1,193,570	14,701	0	1,208,271
Equipment	<u>2,871,658</u>	<u>0</u>	<u>0</u>	<u>2,871,658</u>
Total Capital Assets Being Depreciated	<u>6,144,143</u>	<u>14,701</u>	<u>0</u>	<u>6,158,843</u>
Less Accumulated Depreciation for:				
Buildings	2,694,683	135,406	0	2,830,089
Improvements other than Buildings	0	0	0	0
Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Accumulated Depreciation	<u>2,694,683</u>	<u>135,406</u>	<u>0</u>	<u>2,830,089</u>
Total Capital Assets Being Depreciated, Net	<u>3,449,460</u>	<u>(120,706)</u>	<u>0</u>	<u>3,328,754</u>
Business-Type Activity Capital Assets, Net	<u>10,454,501</u>	<u>2,334,383</u>	<u>409</u>	<u>12,788,476</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

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	\$32,614
Public Safety	59,942
Public Works	24,138
Culture & Recreation	21,537
Miscellaneous	<u>131,723</u>
Total Depreciation Expense- Governmental Activities	<u>\$269,954</u>

Business-Type Activities:

Water	\$53,807
Wastewater	57,588
Garbage	<u>11</u>
Total Depreciation Expense- Business-Type Activities	<u>\$111,406</u>

E. CAPITALIZED INTEREST

According to FASB Statement No. 62, *Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants* interest costs of \$46,744.08 incurred during this years construction of the storm sewer project has been capitalized.

F. ACCOUNTS PAYABLE:

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

G. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2011:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

<u>2011 Issuance</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-10</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12-31-11</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities:</u>								
Bonds Payable:								
1986 Fire Hall Bonds-GMAC	165,000	01/2016	6.0%	41,000	0	8,000	33,000	8,000
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	130,000	0	10,000	120,000	10,000
2001 Improvement Bonds-USBANK	150,000	12/2016	5.30%	85,000	0	10,000	75,000	15,000
TIF Note, Series 2001-A-HRA of Canby	35,000	08/2018	9.00%	31,000	0	1,000	30,000	1,000
2002 GO Fire Truck-Rural Development Admin	125,500	12/2017	4.625%	69,132	0	69,132	0	0
2004 GO TIF Bonds-Northland Trust	175,000	12/2015	5.00%	105,000	0	105,000	0	0
2008 GO Fire Truck – USDA Rural Development	100,000	9/2017	4.125%	89,900	0	5,365	84,535	5,586
2011 Fire Truck – USDA Rural Development	130,000	7/2026	4.125%	0	130,000	0	130,000	8,960
2011 GO Parking Lot Bond	265,000	07/2023	3.00%		265,000	0	265,000	0
2009 GO Refunding Bond – USBank	375,000	3/2014	4.125%	<u>235,000</u>	<u>0</u>	<u>60,000</u>	<u>175,000</u>	<u>75,000</u>
Total Bonds Payable				<u>786,032</u>	<u>395,000</u>	<u>268,496</u>	<u>912,536</u>	<u>114,586</u>
Total Long-Term Liabilities Governmental Activities				<u>\$786,032</u>	<u>\$395,000</u>	<u>\$268,496</u>	<u>\$912,536</u>	<u>\$114,586</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%	930,000	0	109,000	821,000	111,000
2010 Drinking Water Revolving MN PFA		08/2028	1.088%	3,012,055	877,468	39,711	3,849,813	121,000
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	340,000	0	25,000	315,000	45,000
2010 Clean Water Revolving MN PFA		08/2028	1.088%	2,843,424	1,323,657	44,517	4,122,564	142,000
<u>Storm Sewer Fund</u>								
2010 GO Revenue Bond Bond Trust Services	1,280,000	02/2031	3.00%	<u>1,280,000</u>	<u>0</u>	<u>0</u>	<u>1,280,000</u>	<u>0</u>
Total Long-term Liabilities Business-Type Activities				<u>\$8,405,479</u>	<u>\$2,201,125</u>	<u>218,228</u>	<u>10,388,377</u>	<u>419,000</u>
Total Long-term Liabilities				<u>\$9,191,512</u>	<u>\$2,596,125</u>	<u>\$486,724</u>	<u>\$11,300,912</u>	<u>\$533,586</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

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

Notes Payable

In 2008 the City entered into a promissory note with USDA Rural Development for the acquisition of a fire truck. The note provides for annual payments of \$9,073 at 4.125% for 15 years. The balance at December 31, 2011 was \$84,535.

General Obligation Revenue and Revenue Refunding Bonds

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

Annual Debt Service Requirements

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2011, excluding compensated absences over the life of the debt, are summarized as follows:

	<u>GO Bonds</u>		<u>GO Tax Increment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental-Type Activities				
2012	98,000	24,505	11,000	11,490
2013	88,000	21,104	11,000	10,675
2014	68,000	17,175	11,000	9,860
2015	34,000	14,020	11,000	9,045
2016	25,000	11,886	12,000	8,225
2017-2021	55,000	45,319	60,000	27,445
2022-2026	75,000	32,006	30,000	6,720
2027-2031	85,000	14,738	4,000	540
2032-2036	40,000	450	0	0
2037-2041	0	0	0	0
2042-2046	0	0	0	0
2047-2051	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$548,000</u>	<u>\$181,735</u>	<u>\$150,000</u>	<u>\$84,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. LONG-TERM DEBT (Continued)

	Governmental Activities		Business-Type Activities	
	Notes Payable		GO Water Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	14,545	6,322	419,000	170,106
2013	12,618	8,250	430,000	159,750
2014	13,139	7,729	435,000	152,944
2015	13,681	7,187	441,000	146,064
2016	14,245	6,623	452,000	139,025
2017-2021	80,541	23,798	1,967,000	591,652
2022-2026	65,766	6,609	1,868,000	442,151
2027-2031	0	0	2,026,000	275,008
2032-2036	0	0	1,636,564	131,301
2037-2041			<u>713,813</u>	<u>10,488</u>
Totals	<u>\$214,535</u>	<u>\$84,000</u>	<u>\$10,388,377</u>	<u>\$2,218,489</u>

H. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2011 were as follows:

<u>Transfers To:</u>	<u>Transfer From:</u>		
	<u>General</u>	Non-Major <u>Gov't</u>	<u>Total</u>
Major Funds:			
General Fund	\$ 0	\$51,373	\$51,373
Non-Major Gov't Funds	<u>108,095</u>	<u>18,940</u>	<u>127,035</u>
Total	<u>\$108,095</u>	<u>\$70,313</u>	<u>\$178,408</u>

All transfers between funds were for operating expenses.

	Transfers	Transfers
	<u>In</u>	<u>Out</u>
Reconciliation to Fund Financial Statements:		
Governmental Funds	178,708	(178,708)
Enterprise Funds	<u>0</u>	<u>(0)</u>
Total Transfers	<u>178,708</u>	<u>(178,708)</u>

	Transfers	Transfers	Net Transfers/
	<u>In</u>	<u>Out</u>	<u>Internal Activity</u>
Reconciliation to Statement of Activities:			
Net Transfers for Governmental Activities			
Governmental Funds	178,708	(178,708)	(0)
Net Transfers for Business-Type Activities	0	0	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

H. INTERFUND TRANSACTIONS (Continued)

Interfund Balances

At December 31, 2011, the following interfund balances were owed between funds:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$1,076	To cover operating
Wastewater Fund	General Fund	711	To cover operating
Wastewater Fund	GOIB 2011	26,132	To cover debt service
TIF 1-4	General Fund	2,904	To reimburse TIF expense
TIF 1-6	General Fund	5,259	To reimburse TIF expense
TIF 1-7	General Fund	429	To reimburse TIF expense
TIF 1-8	General Fund	1,605	To reimburse TIF expense
TIF 1-9	General Fund	1,795	To reimburse TIF expense
TIF 1-10	General Fund	21,000	To reimburse TIF expense
TIF 1-11	General Fund	6,804	To reimburse TIF expense
TIF 1-12	General Fund	1,804	To reimburse TIF expense
TIF 1-14	General Fund	1,926	To reimburse TIF expense
TIF 1-15	General Fund	1,708	To reimburse TIF expense
TIF 1-18	General Fund	7,991	To reimburse TIF expense
TIF 1-19	General Fund	1,834	To reimburse TIF expense
GO Tax Inc 1997	General Fund	28,790	To cover debt service
GOIB 2000	GOIB 2011	8,896	To cover debt service
GOIB 2004	General Fund	65,919	To cover debt service
General	Fire Hall Bond	449	To reimburse MV credit
General	GOIB of 2001	724	To reimburse MV Credit
General	2009 Impr	<u>3,146</u>	To reimburse MV Credit
		<u>\$190,903</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION

A. RISK MANAGEMENT

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

As of December 31, 2011 and 2010, the City did not have any claims which were probably and measurable and therefore no liability is recorded in the financial statements presented. The City has not had any claims which exceeded its deductible during the past three years.

B. COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

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

Litigation

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

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

1. Plan Description

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

1. Plan Description (continued)

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

2. Defined Benefit Pension Plans – Statewide

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. 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.

3. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. PECF members are required to contribute 5.83% of their annual covered salary. In 2011, the City of Canby was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, 14.4% for PEPFF members, and 8.75% for PECF members.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$21,913, \$24,211, and \$22,887, respectively. The City's contributions to the Public Employees Police and Fire Fund or the Public Employees Correctional Fund for the years ending December 31, 2011, 2010 and 2009 were \$13,266, \$19,133, and \$18,071 respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

D. FEDERAL AIDS – SINGLE AUDIT ACT

The City expended more than \$500,000 of federal financial assistance and is required by the Single Audit Act to have a single audit.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS

The City of Canby is the administering authority for the following tax increment finance districts which were established in various years. During 2011, the City of Canby received \$43,443 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. 1-1 County (TIF 1-2)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #472A	
Year established – 1986	
Duration – not to exceed twenty-five (25) years of increment-2012	
Original assessed value –	188
Current assessed value – Estimated	1,829
Captured assessed value – Estimated	1,641
Retained by authority – Estimated	1,641
Shared with other authorities – Estimated	-0-
Total bonds issued	-0-
Total loans incurred	-0-

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 –	11,268
Current tax capacity –	45,293
Captured tax capacity –	33,985
Retained by authority –	33,985
Shared with other authorities –	-0-
Total bonds issued -	146,587
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Farmers Ag Center	
Authorizing law – Minnesota Statute #469	
Year established – 2001	
Duration – not to exceed eleven (11) years with nine (9) years of increments-2025	
Original tax capacity –	825
Current tax capacity –	2,363
Captured tax capacity –	1,538
Retained by authority –	1,538
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	19,000

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

Type of district – Redevelopment/Borderline	
Authorizing law – Minnesota Statute #469	
Year established – 2001	
Duration – not to exceed twenty-five (25) years of increment-2026	
Original tax capacity –	46
Current tax capacity –	1,109
Captured tax capacity –	1,063
Retained by authority –	1,063
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 –	231
Current tax capacity –	1,411
Captured tax capacity –	1,180
Retained by authority –	1,180
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/John Lair Redevelopment

Authorizing law – Minnesota Statute #469

Year established – 2002

Duration – not to exceed twenty-five (25) years of increment-2027

Original tax capacity –	149
Current tax capacity –	1,348
Captured tax capacity –	1,199
Retained by authority –	1,199
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	24,500

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

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

Authorizing law – Minnesota Statute #469

Year established – 2000

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

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

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

Type of district – Redevelopment/Janiszkeski

Authorizing law – Minnesota Statute #469

Year established – 2002

Duration – not to exceed twenty-five (25) years of increment-2027

Original tax capacity –	177
Current tax capacity –	1,420
Captured tax capacity –	1,243
Retained by authority –	1,243
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	20,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Janiszkeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	95
Current tax capacity –	1,366
Captured tax capacity –	1,271
Retained by authority –	1,271
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Type of district – Redevelopment/Janiszkeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	57
Current tax capacity –	1,144
Captured tax capacity –	1,087
Retained by authority –	1,087
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 –	348
Current tax capacity –	3,146
Captured tax capacity –	2,798
Retained by authority –	2,798
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2003	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	120
Current tax capacity –	1,326
Captured tax capacity –	1,206
Retained by authority –	1,206
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-30 County

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2011	
Duration – not to exceed twenty-five (25) years of increment-2036	
Original tax capacity –	98
Current tax capacity –	262
Captured tax capacity –	164
Retained by authority –	164
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-31 County

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2012	
Duration – not to exceed twenty-five (25) years of increment-2038	
Original tax capacity –	639
Current tax capacity –	639
Captured tax capacity –	-0-
Retained by authority –	-0-
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 4. OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-32 County

Type of district – Redevelopment

Authorizing law – Minnesota Statute #469

Year established – 2012

Duration – not to exceed ten (10) years of increment-2022

Original tax capacity – 609

Current tax capacity – 609

Captured tax capacity – -0-

Retained by authority – -0-

Shared with other authorities – -0-

Total bonds issued - -0-

Total loans incurred - -0-

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City of Canby, Minnesota's basic financial statements and have issued our report thereon dated April 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Findings 2011-2 and 2011-3.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. Finding 2011-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canby, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and questioned costs as items 2011-1, 2011-2 and 2011-3.

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

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

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and Tax Increment Financing. Our study included all of the listed categories.

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

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

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

Kinner & Company Ltd
Certified Public Accountants
Tracy, Minnesota

April 25, 2012

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		Ashley Koehne		
		Charity Kuehl		

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited the City of Canby'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's major federal programs for the year ended December 31, 2011. The City of Canby's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Canby's management. Our responsibility is to express an opinion on the City of Canby's compliance based on our audit.

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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Canby'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. Our audit does not provide legal determination on the City of Canby's compliance with those requirements.

In our opinion, the City of Canby complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

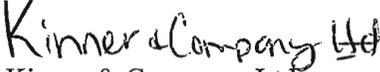
Management of the City of Canby is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Canby's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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


Kinner & Company, Ltd
Certified Public Accountants
Tracy, Minnesota

April 25, 2012

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiencies identified that are not considered to be material weaknesses?
Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

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

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

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
14.228 Community Development Block Grant/State's Program
10.766 Community Facilities Loans

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, 2011

FINDINGS – FINANCIAL STATEMENT AUDIT

2011-1: 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.

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

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

Corrective Action Plan:

The following segregation of duties are presently in place:

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

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

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

2011-2 Finding: Year end closing procedures

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

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

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

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

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

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

2011-3 Finding: Financial Statement Preparation

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

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

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

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

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

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

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT**

The current audit report contains no federal award audit findings or questioned costs.

CITY OF CANBY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011

2010-1: The City does not maintain an adequate segregation of duties among its accounting personnel.

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

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

Current Status: The finding continues to exist and has been restated as Finding 2011-1.

2010-2 Finding: Year end closing procedures

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

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

Current Status: The finding continues to exist and has been restated as Finding 2011-2.

2010-3 Finding: Financial Statement Preparation

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

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

Current Status: The finding continues to exist and has been restated as Finding 2011-3.

**CITY OF CANBY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

2010-4 Finding: Insufficient Collateral Coverage

Condition: A review of amounts on deposit with financial institutions showed that at various times throughout the year and at year-end, the City had uninsured and uncollateralized funds.

Recommendation: The City should work with the bank to obtain sufficient collateral or diversify deposits so that FDIC covers all monies deposited. The City should also monitor funds on deposit to ensure that any additional collateral obtained will be sufficient at various times throughout the year, especially in July and December when the City receives its local government aid and property tax receipts, which contribute to higher than normal bank balances.

Current Status: The finding has been corrected.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT**

No prior findings.

CITY OF CANBY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/Pass Through Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Homeland Security Federal Emergency Management Agency- Firefighters Grant	97.044	EMW-2009-FO-03623	\$ 30,961.00
Total U.S. Department of Homeland Security			<u>30,961.00</u>
U.S. Department of Agriculture-Rural Development Community Facility Loan	10.780		130,000.00
Community Facility Grant	10.780		<u>50,000.00</u>
Total U.S. Department of Agriculture			180,000.00
U.S. Department of Urban Development Community Development Block Grant	14.228	CDAP-09-0028-0-FY10	\$ <u>675,572.00</u>
Total U.S. Department of Urban Development			<u>675,572.00</u>
U.S. Department of Transportation: Airport Improvement Program	20.106	3-27-0144-08-10	44,154.53
Airport Improvement Program	20.106	3-27-0144-09-11	<u>\$ 170,246.81</u>
Total U.S. Department of Transportation			<u>214,401.34</u>
U.S. Environmental Protection Agency: Drinking Water State Revolving Fund	66.468		\$ 888,276.67
Clean Water State Revolving Fund	66.458		<u>1,461,796.07</u>
Total U.S. Environmental Protection Agency			<u>2,350,072.74</u>
Grand Total			<u>\$ 3,451,007.08</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

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

CITY OF CANBY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Local and County Revenue	\$ 393,490.00	\$ 393,490.00	\$ 351,246.97	\$ (42,243.03)
Licenses and Permits	5,250.00	5,250.00	3,745.25	(1,504.75)
Intergovernmental Revenue	1,091,420.00	1,091,420.00	1,601,650.84	510,230.84
Charges for Services	40,000.00	40,000.00	49,320.43	9,320.43
Fines and forfeitures	3,500.00	3,500.00	6,044.93	2,544.93
Interest Income	7,100.00	7,100.00	18,038.11	10,938.11
Special Assessments	2,000.00	2,000.00	3,789.13	1,789.13
Miscellaneous	145,900.00	145,900.00	263,526.47	117,626.47
Total Revenue	1,688,660.00	1,688,660.00	2,297,362.13	608,702.13
Expenditures:				
General Government	335,261.00	322,711.00	304,473.01	18,237.99
Public Safety	306,762.00	339,012.00	300,095.39	38,916.61
Public Works	251,146.00	280,721.00	330,701.29	(49,980.29)
Culture and Recreation	187,282.00	181,932.00	202,600.55	(20,668.55)
Grant Pass-Through	-	-	530,010.00	(530,010.00)
Miscellaneous	124,104.00	156,424.00	154,091.52	2,332.48
Capital Outlay	426,000.00	477,538.00	455,810.93	21,727.07
Debt Service:				
Bond Payments	13,954.17	74,496.40	74,496.40	-
Interest and other Fees	6,905.73	6,905.73	6,905.93	(0.20)
Total Expenditures	1,651,414.90	1,839,740.13	2,359,185.02	(519,444.89)
Excess of Revenues Over (Under)				
Expenditures	37,245.10	(151,080.13)	(61,822.89)	89,257.24
Other Financing Sources (Uses):				
Loan Proceeds	-	-	130,000.00	130,000.00
Transfers from Other Funds	2,200.00	2,200.00	51,372.59	49,172.59
Transfers to Other Funds	(10,000.00)	(900,000.00)	(108,095.00)	791,905.00
Total Other Financing Sources (Uses)	(7,800.00)	(897,800.00)	73,277.59	971,077.59
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures and Other Financing Uses				
	\$ 29,445.10	\$ (1,048,880.13)	11,454.70	\$ 1,060,334.83
Fund Balance - January 1			1,233,416.86	
Fund Balance - December 31			\$ 1,244,871.56	

See notes to basic financial statements

CITY OF CANBY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

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

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

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

**CITY OF CANBY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Special Revenue Funds	Debt Service Funds	2011
ASSETS			
Assets:			
Cash, Including Time Deposits	\$ 54,557.18	\$ 77,577.22	\$ 132,134.40
Investments		64,697.42	64,697.42
Taxes Receivable	80.50	4,623.30	4,703.80
Interest Receivable	-		-
Note Receivable-Current	17,228.42		17,228.42
Special Assessments Receivable		32,474.72	32,474.72
Notes Receivable-Non Current	159,686.53		159,686.53
Due from other Funds	127.00	7,350.48	7,477.48
TOTAL ASSETS	\$ 231,679.63	\$ 186,723.14	\$ 418,402.77
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ (0.00)	\$ -	\$ (0.00)
Deferred Revenue	176,914.95	33,665.38	210,580.33
Due to Other Funds/Districts	55,187.03	103,604.44	158,791.47
Total Liabilities	232,101.98	137,269.82	369,371.80
Fund Balances:			
Non Spendable-Notes Receivable	159,686.53		159,686.53
Assigned	10,272.10	143,403.46	153,675.56
Unassigned	(170,380.98)	(93,950.14)	(264,331.12)
Total Fund Balance	(422.35)	49,453.32	49,030.97
TOTAL LIABILITIES AND FUND BALANCE	\$ 231,679.63	\$ 186,723.14	\$ 418,402.77

CITY OF CANBY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds	Debt Service Funds	2011
	<u> </u>	<u> </u>	<u> </u>
Revenue:			
Local and County Revenue:			
General Property Taxes	\$ 43,442.57	\$ 86,495.59	\$ 129,938.16
Intergovernmental Revenue:			
Market Value Credit	1,871.00	4,319.00	6,190.00
Interest Income	5,788.59	2,399.16	8,187.75
Special Assessments		7,117.12	7,117.12
Note Principal Payments	31,235.58		31,235.58
Total Revenue	<u>82,337.74</u>	<u>100,330.87</u>	<u>182,668.61</u>
Expenditures:			
Administrative Expenses	54,954.99		54,954.99
Miscellaneous Expense	10.97		10.97
Capital Outlay		18,895.79	18,895.79
Debt Service:			
Bond Payments	1,000.00	193,000.00	194,000.00
Interest on bonds & other fees	15,376.74	31,709.71	47,086.45
Total Expenditures	<u>71,342.70</u>	<u>243,605.50</u>	<u>314,948.20</u>
Excess of Revenues Over (Under) Expenditures	10,995.04	(143,274.63)	(132,279.59)
Other Financing Sources (Uses):			
Operating Transfers In	-	127,035.39	127,035.39
Operating Transfers Out	(70,312.98)	-	(70,312.98)
Total Other Financing Sources (Uses)	(70,312.98)	127,035.39	56,722.41
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(59,317.94)	(16,239.24)	(75,557.18)
Fund Balance January 1	58,895.59	65,692.56	124,588.15
Fund Balance December 31	<u>\$ (422.35)</u>	<u>\$ 49,453.32</u>	<u>\$ 49,030.97</u>

CITY OF CANBY
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	TIF District #1-2	TIF District #1-3	TIF District #1-4	TIF District #1-5	TIF District #1-6	TIF District #1-7	TIF District #1-8	TIF District #1-9	TIF District #1-10	TIF District #1-11
ASSETS										
Cash and Investments	\$ -	\$ -	\$ 0.00	\$ 7,275.05	\$ 373.74	\$ 3,426.36	\$ 1,605.51	\$ 1,794.61	\$ 663.57	\$ 1,506.47
Interest Receivable	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	80.50	-	-	-	-	-	-	-
Due from Other Funds	-	-	127.00	-	-	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 207.50	\$ 7,275.05	\$ 373.74	\$ 3,426.36	\$ 1,605.51	\$ 1,794.61	\$ 663.57	\$ 1,506.47
LIABILITIES AND FUND BALANCES										
Liabilities:										
Due to General Fund/Other Districts	\$ -	\$ -	\$ 3,031.48	\$ (0.00)	\$ 5,259.09	\$ 429.31	\$ 1,605.51	\$ 1,794.61	\$ 21,000.00	\$ 6,803.65
Due to Other Governmental Units	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	0.00	-	-	-	-	-	-	-
Total Liabilities	-	-	3,031.48	(0.00)	5,259.09	429.31	1,605.51	1,794.61	21,000.00	6,803.65
Fund Balances:										
Assigned	-	-	-	7,275.05	-	2,997.05	-	-	-	-
Unassigned	-	-	(2,823.98)	-	(4,885.35)	-	-	-	(20,336.43)	(5,297.18)
Total Fund Balances	-	-	(2,823.98)	7,275.05	(4,885.35)	2,997.05	-	-	(20,336.43)	(5,297.18)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 207.50	\$ 7,275.05	\$ 373.74	\$ 3,426.36	\$ 1,605.51	\$ 1,794.61	\$ 663.57	\$ 1,506.47

	TIF District #1-12	TIF District #1-14	TIF District #1-15	TIF District #1-16	TIF District #1-18	TIF District #1-19	John Swenson Trust	Economic Development Fund	2011
ASSETS									
Cash and Investments	\$ 1,804.30	\$ 1,926.06	\$ 1,708.07	\$ (0.00)	\$ 1,410.30	\$ 1,833.95	-	\$ 29,229.19	\$ 54,557.18
Interest Receivable	-	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	80.50	80.50
Notes Receivable-Current	-	-	-	-	-	-	-	17,228.42	17,228.42
Notes Receivable-Non Current	-	-	-	-	-	-	-	159,686.53	159,686.53
Due from General Fund	-	-	-	-	-	-	-	127.00	127.00
TOTAL ASSETS	\$ 1,804.30	\$ 1,926.06	\$ 1,708.07	\$ (0.00)	\$ 1,410.30	\$ 1,833.95	\$ -	\$ 206,144.14	\$ 231,679.63
LIABILITIES AND FUND BALANCES									
Liabilities:									
Due to General Fund/Other Districts	\$ 1,804.30	\$ 1,926.06	\$ 1,708.07	\$ -	\$ 7,991.00	\$ 1,833.95	\$ -	\$ -	\$ 55,187.03
Due to Other Governmental Units	(0.00)	-	-	(0.00)	-	-	-	-	(0.00)
Deferred Revenue	-	-	-	-	-	-	-	176,914.95	176,914.95
Total Liabilities	1,804.30	1,926.06	1,708.07	(0.00)	7,991.00	1,833.95	-	176,914.95	232,101.98
Fund Balances:									
Non Spendable-Notes Receivable	0.00	-	-	-	-	-	-	159,686.53	159,686.53
Assigned	-	-	-	-	(6,580.70)	-	-	-	10,272.10
Unassigned	-	-	-	-	(6,580.70)	-	-	(130,457.34)	(170,380.98)
Total Fund Balances	0.00	-	-	-	(6,580.70)	-	-	29,229.19	(422.35)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,804.30	\$ 1,926.06	\$ 1,708.07	\$ (0.00)	\$ 1,410.30	\$ 1,833.95	\$ -	\$ 206,144.14	\$ 231,679.63

CITY OF CAINBY
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

	TIF District #1-2	TIF District #1-3	TIF District #1-4	TIF District #1-5	TIF District #1-6	TIF District #1-7	TIF District #1-8	TIF District #1-9	TIF District #1-10	TIF District #1-11
Revenue:										
Property Taxes	\$ 2,563.43	\$ -	\$ 17,601.53	\$ -	\$ 2,280.69	\$ 2,404.11	\$ 1,818.51	\$ 2,005.35	\$ -	\$ 1,876.10
Market Value Credit			127.00				241.00	193.00		
Interest Income			125.79	120.32	35.45	40.95	19.19	21.45	7.93	18.01
Total Revenue	2,563.43	-	17,854.32	120.32	2,316.14	2,445.06	2,078.70	2,219.80	7.93	1,894.11
Expenditures:										
Administrative Expenses	232.20	-	232.20	146.34	232.20	232.19	232.19	232.19	146.33	232.20
Miscellaneous Expense										
Debt Service:										
Principal and Other Charges on Debt	2,194.23	-	-	-	-	429.31	1,846.51	1,987.61	-	-
Total Expenditures	2,426.43	-	232.20	146.34	232.20	661.50	2,078.70	2,219.80	146.33	232.20
Excess of revenues over (under) expenditures	137.00	-	17,622.12	(26.02)	2,083.94	1,783.56	-	-	(138.40)	1,661.91
Other financing sources (uses):										
Operating Transfers In	-	-	(13,557.33)	(2,791.22)	(2,591.84)	-	-	-	-	-
Operating Transfers Out	-	-	(13,557.33)	(2,791.22)	(2,591.84)	-	-	-	-	-
Total other financing sources (uses)	-	-	(26,114.66)	(5,582.44)	(5,183.68)	-	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	137.00	-	4,064.79	(2,817.24)	(507.90)	1,783.56	-	-	(138.40)	1,661.91
Fund Balance, January 1	(137.00)	-	(6,888.77)	10,092.29	(4,377.45)	1,213.49	-	-	(20,198.03)	(6,959.09)
Fund Balance December 31	\$ -	\$ -	\$ (2,823.98)	\$ 7,275.05	\$ (4,885.35)	\$ 2,997.05	\$ -	\$ -	\$ (20,336.43)	\$ (5,297.18)

	TIF District #1-12	TIF District #1-14	TIF District #1-15	TIF District #1-16	TIF District #1-18	TIF District #1-19	John Swenson Trust	Economic Development Fund	2011 Totals
Revenue:									
Property Taxes	\$ 2,095.32	\$ 2,135.24	\$ 1,919.85	\$ -	\$ 4,698.21	\$ 2,044.23	\$ -	\$ 43,442.57	\$ 43,442.57
Market Value Credit	200.00	213.00	234.00	-	449.00	214.00	-	1,871.00	1,871.00
Interest Income	21.57	23.02	20.42	-	16.86	21.92	-	5,295.71	5,788.59
Note Principal Payments								31,235.58	31,235.58
Total Revenue	2,316.89	2,371.26	2,174.27	-	5,164.07	2,280.15	-	36,531.29	82,337.74
Expenditures:									
Administrative Expenses	232.20	232.20	232.20	-	232.20	232.20	-	16,371.65	19,450.69
Miscellaneous Expense								10.97	10.97
Debt Service:									
Principal on Debt									
Interest and Other Charges on Debt									
Grants Given	2,004.30	2,139.06	1,942.07	-	1,000.00	2,047.95	-	33,500.00	1,000.00
Total Expenditures	2,236.50	2,371.26	2,174.27	-	4,072.20	2,280.15	-	49,882.62	15,376.74
Excess of revenues over (under) expenditures	80.39	-	-	-	1,141.87	-	-	(13,351.33)	35,504.30
Other financing sources (uses):									
Operating Transfers In	-	-	-	-	-	-	-	-	1,000.00
Operating Transfers Out	-	-	-	-	-	-	(51,372.59)	-	15,376.74
Total other financing sources (uses)	-	-	-	-	-	-	(51,372.59)	-	35,504.30
Excess of revenues and other sources over (under) expenditures and other uses	80.39	-	-	-	1,141.87	-	(51,372.59)	(13,351.33)	71,342.70
Fund Balance, January 1	(80.39)	-	-	-	(7,722.57)	-	51,372.59	42,580.52	(59,317.94)
Fund Balance December 31	\$ 0.00	\$ -	\$ -	\$ -	\$ (6,580.70)	\$ -	\$ -	\$ 29,229.19	\$ (422.35)

CITY OF CANBY
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2011

	GO Municipal Bldg Bonds-1980	GO Fire Hall Bonds-1986	GO Tax Increment Bonds-1997	GO Improvement Bonds-2000	GO Improvement Bonds-2001	GO Tax Increment Bonds-2004	2009 Improvement Refunding Bond Fund	Totals 2011
Cash, Including Time Deposits	\$ 182.85	\$ 39.51	\$ 5,977.86	\$ 505.73	\$ 10,268.86	\$ 0.00	\$ 60,602.41	\$ 77,577.22
Investments	21,367.44	21,982.63			21,347.35			64,697.42
Taxes Receivable	53.60	438.38		164.39	696.07		3,270.86	4,623.30
Special Assessments Receivable				9,685.77	11,178.08		11,610.87	32,474.72
Due from Other Funds/TIF District		449.00	3,031.48		724.00		3,146.00	7,350.48
TOTAL ASSETS	\$ 21,603.89	\$ 22,909.52	\$ 9,009.34	\$ 10,355.89	\$ 44,214.36	\$ 0.00	\$ 78,630.14	\$ 186,723.14
LIABILITIES AND FUND BALANCE								
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable								
Due to General Fund/Other Funds			28,790.01	8,895.79		65,918.64		103,604.44
Deferred Revenue	53.60	337.46		9,710.93	11,175.47		12,387.92	33,665.38
Total Liabilities	53.60	337.46	28,790.01	18,606.72	11,175.47	65,918.64	12,387.92	137,269.82
Fund Balance:	21,550.29	22,572.06			33,038.89		66,242.22	\$ 143,403.46
Assigned			(19,780.67)	(8,250.83)		(65,918.64)		(93,950.14)
Unassigned								
Total Fund Balances	21,550.29	22,572.06	(19,780.67)	(8,250.83)	33,038.89	(65,918.64)	66,242.22	49,453.32
TOTAL LIABILITIES AND FUND BALANCE	\$ 21,603.89	\$ 22,909.52	\$ 9,009.34	\$ 10,355.89	\$ 44,214.36	\$ -	\$ 78,630.14	\$ 186,723.14

CITY OF CANBY
NON-MAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011

	2009						
	GO	GO	GO	GO	GO	Improvement Refunding Bond Fund	
Municipal Bldg	GO	GO	GO	GO	GO	GO	
Bonds-1980	Bonds-1986	Bonds-1997	Bonds-2000	Bonds-2001	Bonds-2004	2011	
Revenues:							
General Property Taxes	\$ -	\$ 8,897.57	\$ -	\$ 133.01	\$ 14,322.58	\$ 696.71	\$ 86,495.59
Market Value Assistance	-	449.00	-	-	724.00	-	4,319.00
Interest	3.66	3.66	-	800.29	589.15	0.54	2,399.16
Special Assessments				1,609.75	2,295.81		7,117.12
Total Revenues	3.66	9,350.23	-	2,543.05	17,931.54	697.25	100,330.87
Expenditures:							
Bond Payments	-	8,000.00	10,000.00	-	10,000.00	105,000.00	\$ 193,000.00
Interest on bonds & other fees	-	2,460.00	10,626.00	12.00	5,080.75	6,763.46	31,709.71
Construction Expenses				18,895.79			18,895.79
Total Expenditures	-	10,460.00	20,626.00	18,907.79	15,080.75	111,763.46	243,605.50
Excess of Revenues Over (Under) Expenditures	3.66	(1,109.77)	(20,626.00)	(16,364.74)	2,850.79	(111,066.21)	(143,274.63)
Other Financing Sources (Uses):							
Bond Proceeds							-
Bond Discount							-
Bond Issuance Costs							-
Transfers In			18,940.39			108,095.00	127,035.39
Transfers Out						0.00	-
Total Other Financing Sources (Uses):			18,940.39			108,095.00	127,035.39
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3.66	(1,109.77)	(1,685.61)	(16,364.74)	2,850.79	(2,971.21)	(16,239.24)
Fund Balance, January 1	21,546.63	23,681.83	(18,095.06)	8,113.91	30,188.10	(62,947.43)	65,692.56
Fund Balance, December 31	\$ 21,550.29	\$ 22,572.06	\$ (19,780.67)	\$ (8,250.83)	\$ 33,038.89	\$ (65,918.64)	\$ 49,453.32

**CITY OF CANBY
NON-MAJOR PROPRIETARY FUND
GARBAGE FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

(With Comparative Totals for the year ended December 31, 2010)

	2011	2010
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 43,386.24	\$ 24,705.54
Investments	56,276.12	56,268.77
Accounts Receivable	13,146.03	12,337.04
Total Current Assets	112,808.39	93,311.35
Non-Current Assets:		
Capital Assets:		
Land and Improvements	25,115.50	25,524.00
Improvements Other Than Buildings	408.50	-
Equipment	5,380.11	5,380.11
Accumulated Depreciation	(5,788.61)	(5,777.38)
Net Capital Assets	25,115.50	25,126.73
TOTAL ASSETS	\$ 137,923.89	\$ 118,438.08
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,081.61	\$ 4,463.00
Total Current Liabilities	3,081.61	4,463.00
Noncurrent Liabilities:		
Accrued Vacation	1,642.75	1,662.86
Total Noncurrent Liabilities	1,642.75	1,662.86
TOTAL LIABILITIES	4,724.36	6,125.86
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	25,115.50	25,126.73
Net Assets-Unrestricted	108,084.03	87,185.49
TOTAL NET ASSETS	\$ 133,199.53	\$ 112,312.22

**CITY OF CANBY
GARBAGE FUND
NON-MAJOR PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Garbage Receipts	\$ 151,275.93	\$ 137,618.42
Miscellaneous Income	1,655.00	1,737.00
	<u>152,930.93</u>	<u>139,355.42</u>
Operating Expenses:		
Salaries and Wages	13,825.73	13,419.84
Employee Benefits	4,688.76	5,091.32
Contracted Services	66,688.18	66,174.58
Tipping Fees	16,541.55	15,166.35
Supplies	3,700.97	5,507.67
Travel	1,515.00	-
Auditing	1,300.00	1,100.00
Dues and Licenses	725.00	550.00
Miscellaneous	490.08	726.08
Printing	21.25	103.28
Construction	6,535.00	3,665.00
Assessment	2,856.00	997.00
Legal & Professional	3,752.33	4,733.05
Depreciation	11.23	27.25
	<u>122,651.08</u>	<u>117,261.42</u>
Net Operating Income (Loss)	<u>30,279.85</u>	<u>22,094.00</u>
Nonoperating Revenues (Expenses):		
Interest Income	73.46	85.38
Sales Tax Expense	<u>(9,466.00)</u>	<u>(9,529.00)</u>
	<u>(9,392.54)</u>	<u>(9,443.62)</u>
Change in Net Assets	20,887.31	12,650.38
Net Assets - January 1	<u>112,312.22</u>	<u>99,661.84</u>
Net Assets - December 31	<u><u>\$ 133,199.53</u></u>	<u><u>\$ 112,312.22</u></u>

CITY OF CANBY
NON-MAJOR PROPRIETARY FUND
GARBAGE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 152,121.94	\$ 139,028.98
Cash Paid to Suppliers	(133,507.35)	(128,274.50)
Net Cash Flows Provided (Used) by Operating Activities	<u>18,614.59</u>	<u>10,754.48</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition of Capital Assets	<u>0.00</u>	<u>0.00</u>
Cash Flows From Investing Activities:		
Interest Earned on Investments	73.46	85.38
Sale of Investments		12,000.00
Purchase of Investments	(7.35)	(25.01)
Net Cash Flows from Investing Activities	<u>66.11</u>	<u>12,060.37</u>
Net Increase (Decrease) in Cash and Cash Equivalents	18,680.70	22,814.85
Cash and Cash Equivalents - Beginning of Year	<u>24,705.54</u>	<u>1,890.69</u>
Cash and Cash Equivalents - End of Year	<u>\$ 43,386.24</u>	<u>\$ 24,705.54</u>

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

Operating Income (Loss)	\$ 30,279.85	\$ 22,094.00
Other Expenses	(9,466.00)	(9,529.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11.23	27.25
Changes in Assets and Liabilities:		
Accounts Receivable	(808.99)	(326.44)
Accounts Payable	(1,381.39)	(1,695.09)
Accrued Vacation	(20.11)	183.76
Net Cash Provided (Used) by Operating Activities	<u>\$ 18,614.59</u>	<u>\$ 10,754.48</u>

OTHER SUPPLEMENTARY INFORMATION

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

General Fund

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

**CITY OF CANBY
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2011**

(With Comparative Totals for the year ended December 31, 2010)

	2011	2010
ASSETS		
Cash, Including Time Deposits	\$ 871,934.88	\$ 921,078.00
Investments	1,205.22	1,205.22
Taxes Receivable	16,646.47	19,623.88
Special Assessments Receivable	10,196.91	13,860.56
Other Receivables	209,782.55	42,211.18
Prepaid Expense	28,813.00	28,214.00
Due from Other Funds	148,651.20	265,995.68
TOTAL ASSETS	\$ 1,287,230.23	\$ 1,292,188.52
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ 14,629.68	\$ 25,570.33
Due to Other Governments	-	-
Due to Other Funds	4,446.00	6,277.00
Deferred Revenue	23,282.99	26,924.33
Total Liabilities	42,358.67	58,771.66
Fund Balances:		
Nonspendable: Prepaid Expense	28,813.00	28,214.00
Restricted: John Swenson Trust	51,747.80	-
Unassigned	1,164,310.76	1,205,202.86
Total Fund Balance	1,244,871.56	1,233,416.86
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,287,230.23	\$ 1,292,188.52

**CITY OF CANBY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Positive (Negative)	2010 Actual
	Original	Final			
Revenues:					
Local and County Revenue:					
General Property Taxes	\$ 393,490.00	\$ 393,490.00	\$ 351,246.97	\$ (42,243.03)	\$ 348,222.55
Total Local and County Revenue	393,490.00	393,490.00	351,246.97	(42,243.03)	348,222.55
Licenses and Permits:					
Business	1,800.00	1,800.00	1,420.00	(380.00)	1,860.00
Liquor	3,150.00	3,150.00	2,100.00	(1,050.00)	3,160.00
Non-Business	200.00	200.00	181.25	(18.75)	170.00
Pet	100.00	100.00	44.00	(56.00)	52.00
Total Licenses and Permits	5,250.00	5,250.00	3,745.25	(1,504.75)	5,242.00
Intergovernmental Revenue:					
Local Government Aid	742,608.00	742,608.00	664,915.00	(77,693.00)	664,915.00
Market Value Assistance	33,000.00	33,000.00	17,684.19	(15,315.81)	18,123.19
Mobile Home Aid	-	-	178.47	178.47	65.52
Local Performance Aid & PERA Aid	2,312.00	2,312.00	2,312.00	-	2,312.00
State Aid - Police	16,000.00	16,000.00	20,406.18	4,406.18	19,275.49
State Aid - Fire	13,000.00	13,000.00	13,007.00	7.00	15,683.00
Public Safety - Canby & Porter	70,000.00	70,000.00	48,000.00	(22,000.00)	22,000.00
Federal Grant	-	-	530,010.00	530,010.00	79,228.00
Assistance to Firefighters Grant	50,000.00	50,000.00	82,413.00	32,413.00	38,980.00
Airport Improvement Program Grant	164,500.00	164,500.00	222,725.00	58,225.00	327,617.00
Total Intergovernmental Revenue	1,091,420.00	1,091,420.00	1,601,650.84	510,230.84	1,188,199.20
Charges for Services:					
Cemetery Revenue					
Lot Sales	4,000.00	4,000.00	5,700.00	1,700.00	5,400.00
Perpetual Care	-	-	150.00	150.00	50.00
Total Cemetery Revenue	4,000.00	4,000.00	5,850.00	1,850.00	5,450.00
Fire Revenue:					
Fire Control Income	30,000.00	30,000.00	28,220.43	(1,779.57)	29,747.53
Rural Fire Calls	6,000.00	6,000.00	15,250.00	9,250.00	14,875.00
Total Fire Revenue	36,000.00	36,000.00	43,470.43	7,470.43	44,622.53
Total Charges for Services	40,000.00	40,000.00	49,320.43	9,320.43	50,072.53
Fines and Forfeitures:					
Traffic and Ordinance Fines	3,500.00	3,500.00	6,044.93	2,544.93	8,404.46
Miscellaneous:					
Interest Income	7,100.00	7,100.00	18,038.11	10,938.11	21,772.70
Rents	300.00	300.00	230.00	(70.00)	360.00
Airport Hangar Rent	10,000.00	10,000.00	9,090.00	(910.00)	9,630.00
Special Assessments	2,000.00	2,000.00	3,789.13	1,789.13	5,369.05
Airport Farm Rent	8,000.00	8,000.00	9,734.57	1,734.57	9,306.57
Airport Gas, Gravel Sales and Fly-in	57,500.00	57,500.00	82,455.21	24,955.21	66,374.19
Airport Utility Reimbursement	300.00	300.00	235.72	(64.28)	204.00
Airport Lot Lease	1,800.00	1,800.00	2,513.61	713.61	1,821.16
Cable Franchise Fee	5,500.00	5,500.00	5,529.34	29.34	5,753.97
Insurance Refunds & Dividends	15,000.00	15,000.00	29,514.25	14,514.25	26,653.54
Pop Machine	200.00	200.00	307.75	107.75	273.65
Donations	1,500.00	1,500.00	42,200.00	40,700.00	3,774.50
Vehicle Forfeiture Sales	-	-	10,612.00	10,612.00	2,551.50
Sale of Assets	-	-	500.00	500.00	-
Other Miscellaneous Revenue	45,800.00	45,800.00	70,604.02	24,804.02	277,136.92
Total Miscellaneous Revenues	155,000.00	155,000.00	285,353.71	130,353.71	430,981.75
Total Revenues	1,688,660.00	1,688,660.00	2,297,362.13	608,702.13	2,031,122.49

**CITY OF CANBY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Positive (Negative)	2010 Actual
	Original	Final			
Expenditures:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Salaries	7,200.00	7,200.00	7,200.00	-	7,200.00
Payroll Taxes	551.00	551.00	550.80	0.20	550.80
Travel and Conference	1,500.00	100.00	33.00	67.00	184.00
Insurance and Bonds	350.00	350.00	315.30	34.70	434.40
Subscriptions and Memberships	50.00	50.00	20.00	30.00	20.00
Miscellaneous	50.00	50.00	-	50.00	-
Total Mayor and Council	9,701.00	8,301.00	8,119.10	181.90	8,389.20
General Insurance	100,000.00	97,500.00	87,941.67	9,558.33	88,084.08
Election Expense	400.00	400.00	301.01	98.99	1,724.62
City Administration:					
Salaries	91,920.00	86,120.00	86,094.03	25.97	61,435.01
Payroll Taxes	13,400.00	12,300.00	12,370.94	(70.94)	8,248.07
Insurance	14,750.00	13,550.00	13,422.24	127.76	11,837.86
Office Supplies	4,200.00	6,900.00	2,916.25	3,983.75	4,608.19
Maintenance and Repair - Equipment	500.00	500.00	102.63	397.37	137.00
Communications	5,000.00	5,000.00	4,966.30	33.70	4,750.44
Travel, Conferences and Schools	700.00	1,000.00	475.56	524.44	733.44
Printing and Publishing	3,700.00	3,700.00	3,056.39	643.61	3,257.61
Subscriptions and Memberships	2,200.00	2,200.00	2,162.00	38.00	1,909.00
Contracted Services	2,500.00	1,600.00	1,557.18	42.82	33,457.70
Miscellaneous	600.00	600.00	544.21	55.79	185.75
Equipment and Improvements	-	-	-	-	-
Total City Administration	139,470.00	133,470.00	127,667.73	5,802.27	130,560.07
Assessor	14,400.00	14,400.00	14,400.00	-	14,400.00
Accounting and Legal	24,600.00	24,600.00	22,477.75	2,122.25	47,795.00
Planning & Zoning	10,500.00	10,500.00	11,697.60	(1,197.60)	-
Municipal Building:					
Maintenance and Repair	4,750.00	4,750.00	4,330.54	419.46	1,833.60
Supplies	1,100.00	1,100.00	1,107.06	(7.06)	806.45
Utilities	14,000.00	12,000.00	11,692.48	307.52	11,061.37
Contracted Services	4,400.00	4,400.00	3,965.28	434.72	2,947.69
Miscellaneous	40.00	40.00	10.00	30.00	-
Equipment and Improvements	-	15,030.00	15,030.00	-	-
Total Municipal Building	24,290.00	37,320.00	36,135.36	1,184.64	16,649.11
Public Restrooms Service	2,000.00	2,000.00	1,865.09	134.91	1,891.14
Advertising and Promotion:					
Printing and Publishing	7,000.00	6,000.00	5,934.00	66.00	6,195.00
Utilities	1,900.00	2,250.00	2,284.10	(34.10)	2,083.41
Total Advertising and Promotion	8,900.00	8,250.00	8,218.10	31.90	8,278.41
Christmas Decoration Utilities	1,000.00	1,000.00	679.60	320.40	612.06
Total General Government	335,261.00	337,741.00	319,503.01	18,237.99	318,383.69
PUBLIC SAFETY:					
Police Protection:					
Wages	145,000.00	152,000.00	151,724.97	275.03	143,453.00
Payroll Taxes\PERA	23,500.00	23,900.00	23,853.43	46.57	22,143.67
Insurance	20,350.00	19,450.00	19,242.72	207.28	22,189.96
Office\General Supplies	4,100.00	4,100.00	3,525.93	574.07	4,521.99

**CITY OF CANBY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	Budgeted Amounts		Actual	Variance w/Final	2010
	Original	Final		Budget-Positive (Negative)	Actual
Police Protection-Continued:					
Motor Fuel and Lubes	10,000.00	11,700.00	11,777.58	(77.58)	9,547.44
Maintenance and Repair	5,000.00	1,000.00	1,010.81	(10.81)	7,665.03
Communications	5,000.00	4,300.00	4,277.68	22.32	4,258.62
Travel, Conferences and Schools	1,800.00	900.00	754.56	145.44	776.08
Subscriptions and Memberships	325.00	325.00	90.00	235.00	285.00
Vehicle Forfeiture	-	700.00	634.67	65.33	2,027.67
Contracted Services	34,000.00	30,700.00	27,828.08	2,871.92	36,673.59
Miscellaneous	-	-	-	-	-
Equipment and Improvements	40,000.00	-	-	-	13,021.95
Total Public Safety	289,075.00	249,075.00	244,720.43	4,354.57	266,564.00
Fire Protection:					
Wages	8,000.00	10,200.00	10,160.00	40.00	7,805.00
Payroll Taxes\PERA	612.00	812.00	777.28	34.72	597.12
Interest	6,905.73	6,905.73	6,905.93	(0.20)	7,497.96
Principal	13,954.17	74,496.40	74,496.40	-	13,361.94
City Aid to Fire Relief	3,000.00	3,000.00	3,000.00	-	3,000.00
State Aid to Fire Relief	14,000.00	14,000.00	13,007.00	993.00	15,683.00
Supplies	2,225.00	34,225.00	3,845.98	30,379.02	3,092.64
Motor Fuel and Lubes	2,500.00	3,400.00	3,387.70	12.30	1,491.21
Maintenance and Repair	5,150.00	5,150.00	3,057.06	2,092.94	4,723.77
Communications	600.00	600.00	498.15	101.85	498.18
Travel, Conferences and Schools	4,000.00	1,000.00	656.42	343.58	3,535.00
Utilities	5,000.00	5,000.00	4,719.57	280.43	4,020.98
Contracted Services	10,000.00	10,000.00	9,884.90	115.10	11,261.77
Miscellaneous	450.00	450.00	374.00	76.00	383.11
Equipment and Improvements	180,500.00	183,508.00	214,030.71	(30,522.71)	43,096.55
Total Fire Protection	256,896.90	352,747.13	348,801.10	3,946.03	120,048.23
Civil Defense:					
Utilities	600.00	400.00	377.12	22.88	294.25
Supplies	200.00	350.00	323.00	27.00	-
Equipment	-	-	-	-	-
Total Civil Defense	800.00	750.00	700.12	49.88	294.25
Animal Control:					
Contracted Services	1,250.00	1,250.00	1,250.00	-	1,250.00
Supplies	100.00	100.00	56.78	43.22	-
Total Animal Control	1,350.00	1,350.00	1,306.78	43.22	1,250.00
Total Public Safety	548,121.90	603,922.13	595,528.43	8,393.70	388,156.48
PUBLIC WORKS:					
Streets:					
Wages	118,500.00	118,500.00	117,779.52	720.48	116,031.87
Payroll Taxes\PERA	17,656.00	17,156.00	17,022.78	133.22	16,540.17
Insurance	18,530.00	17,155.00	17,061.92	93.08	20,384.28
Motor Fuel and Lubes	14,500.00	18,200.00	18,210.15	(10.15)	15,080.39
Maintenance and Repair	33,500.00	62,700.00	63,402.28	(702.28)	30,758.50
Travel, Conferences and Schools	200.00	100.00	86.67	13.33	180.32
Utilities	400.00	450.00	432.17	17.83	417.10
Supplies	6,500.00	3,000.00	2,682.94	317.06	3,704.06
Capital Expenditures	6,500.00	55,800.00	52,368.75	3,431.25	62,975.20
Contracted Services	-	3,200.00	4,742.07	(1,542.07)	1,629.84
Miscellaneous	200.00	200.00	312.00	(112.00)	248.14
Total Streets	216,486.00	296,461.00	294,101.25	2,359.75	267,949.87

**CITY OF CANBY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Positive (Negative)	2010 Actual
	Original	Final			
Snow Removal	2,900.00	2,900.00	1,910.82	989.18	1,393.53
City Garage:					
Utilities	5,000.00	5,200.00	5,202.40	(2.40)	4,402.48
Maintenance and Repair	2,740.00	2,740.00	-	2,740.00	-
Supplies	500.00	500.00	465.47	34.53	326.29
Miscellaneous	10.00	10.00	10.00	-	10.00
Equipment	-	-	-	-	-
Dues and Licenses	10.00	10.00	10.00	-	10.00
Total City Garage	8,260.00	8,460.00	5,687.87	2,772.13	4,748.77
Street Lighting Utilities	30,000.00	28,700.00	29,001.35	(301.35)	28,802.36
Total Public Works	257,646.00	336,521.00	330,701.29	5,819.71	302,894.53
CULTURE & RECREATION:					
Library:					
Communications	600.00	600.00	504.84	95.16	504.84
Contracted Services	80,145.00	80,145.00	80,145.00	-	77,348.16
Miscellaneous	-	-	-	-	-
Equipment and Improvements	-	-	-	-	-
Total Libraries	80,745.00	80,745.00	80,649.84	95.16	77,853.00
Recreation Council:					
Wages	38,600.00	35,400.00	35,314.84	85.16	34,726.09
Payroll Taxes	2,953.00	2,703.00	2,701.71	1.29	2,656.58
Miscellaneous	-	-	-	-	-
Utilities	1,200.00	1,600.00	1,598.44	1.56	1,346.84
Total Recreation	42,753.00	39,703.00	39,614.99	88.01	38,729.51
Parks:					
Salaries & Wages	20,000.00	19,350.00	19,309.81	40.19	16,470.02
Payroll Taxes/PERA	2,834.00	2,834.00	2,692.29	141.71	2,386.54
Insurance	2,675.00	2,475.00	2,416.09	58.91	2,810.37
Motor Fuels & Lubes	2,000.00	3,500.00	3,234.93	265.07	2,557.42
Maintenance and Repair Building	4,600.00	2,600.00	2,466.47	133.53	4,263.03
Utilities	1,600.00	1,850.00	1,776.36	73.64	1,560.65
Supplies	2,000.00	2,100.00	2,092.12	7.88	521.46
Contracted Services	700.00	700.00	657.65	42.35	837.30
Subscriptions and Memberships	200.00	250.00	160.50	89.50	160.50
Equipment Purchases	26,000.00	23,200.00	23,191.88	8.12	-
Miscellaneous	1,100.00	1,800.00	1,728.33	71.67	1,622.33
Total Parks	63,709.00	60,659.00	59,726.43	932.57	33,189.62
Swimming Pool:					
Communications	200.00	250.00	209.31	40.69	153.32
Utilities	12,000.00	12,300.00	12,299.63	0.37	12,171.10
Travel	600.00	-	-	-	-
Maintenance and Repair Equipment	1,500.00	1,500.00	1,037.57	462.43	185.79
Maintenance and Repair Building	1,200.00	1,200.00	516.20	683.80	90.82
Supplies	10,000.00	8,000.00	7,915.21	84.79	8,225.55
Miscellaneous	575.00	775.00	631.37	143.63	642.02
Equipment and Improvements	18,000.00	13,000.00	12,348.88	651.12	5,320.00
Total Swimming Pool	44,075.00	37,025.00	34,958.17	2,066.83	26,788.60
Total Culture and Recreation	231,282.00	218,132.00	214,949.43	3,182.57	176,560.73

**CITY OF CANBY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	Budgeted Amounts		Actual	Variance w/Final Budget-Positive (Negative)	2010 Actual
	Original	Final			
MISCELLANEOUS:					
Airport:					
Motor Fuels and Lubes	1,200.00	1,200.00	1,295.74	(95.74)	1,428.74
Maintenance and Repair	3,100.00	3,100.00	2,641.12	458.88	3,270.53
Communications	2,200.00	2,070.00	2,038.11	31.89	2,008.27
Utilities	5,250.00	5,250.00	4,982.42	267.58	4,816.41
Supplies	53,500.00	84,650.00	84,415.99	234.01	41,434.54
Travel	1,500.00	600.00	503.15	96.85	-
Licenses and Taxes	3,700.00	3,100.00	2,964.00	136.00	3,224.00
Contracted Services	20,000.00	20,300.00	21,382.74	(1,082.74)	24,861.10
Farm Maintenance	4,000.00	-	-	-	-
Miscellaneous	2,700.00	1,850.00	1,891.68	(41.68)	1,849.67
Equipment and Improvements	155,000.00	187,000.00	214,401.34	(27,401.34)	272,903.97
Total Airport	252,150.00	309,120.00	336,516.29	(27,396.29)	355,797.23
Cemetery:					
Wages	10,000.00	9,150.00	9,117.78	32.22	6,618.04
Payroll Taxes\PERA	1,274.00	1,274.00	1,196.74	77.26	966.84
Utilities	250.00	150.00	132.35	17.65	207.30
Maintenance and Repair	100.00	100.00	9.50	90.50	72.33
Supplies	210.00	210.00	158.07	51.93	152.69
Capital	-	-	-	-	-
Health Insurance	970.00	970.00	862.94	107.06	993.94
Total Cemetery	12,804.00	11,854.00	11,477.38	376.62	9,011.14
Other:					
Canby Area Business Service	7,000.00	7,000.00	6,999.94	0.06	5,007.89
Insect and Pest Control	2,550.00	950.00	851.93	98.07	-
Grant Pass-through Expense	-	-	530,010.00	(530,010.00)	79,228.00
Miscellaneous	4,600.00	14,500.00	12,647.32	1,852.68	8,775.69
Total Other	14,150.00	22,450.00	550,509.19	(528,059.19)	93,011.58
Total Miscellaneous	279,104.00	343,424.00	898,502.86	(555,078.86)	457,819.95
Total Expenditures	1,651,414.90	1,839,740.13	2,359,185.02	(519,444.89)	1,643,815.38
Excess of Revenues Over (Under) Expenditures	37,245.10	(151,080.13)	(61,822.89)	89,257.24	387,307.11
Other Financing Sources (Uses):					
Transfer In	2,200.00	2,200.00	51,372.59	49,172.59	-
Transfer Out	(30,000.00)	(900,000.00)	(108,095.00)	791,905.00	(34,500.00)
Loan Proceeds	-	-	130,000.00	130,000.00	-
Total Other Financing Sources (Uses)	(27,800.00)	(897,800.00)	73,277.59	971,077.59	(34,500.00)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 9,445.10	\$ (1,048,880.13)	11,454.70	\$ 1,060,334.83	352,807.11
Fund Balance - January 1			1,233,416.86		880,609.75
Fund Balance - December 31			\$ 1,244,871.56		\$ 1,233,416.86

Debt Service

The debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

The City currently has one major debt service fund:

2011 GO Parking Lot Fund

CITY OF CANBY
2011 GO BOND FUND PARKING LOT
COMBINING BALANCE SHEET
DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	Totals	
	2011	2010
ASSETS		
Cash, Including Time Deposits	\$ 35,129.83	\$ -
Taxes Receivable	-	-
Special Assessments Receivable	176,627.17	
Due from Other Funds	35,028.18	-
TOTAL ASSETS	\$ 246,785.18	\$ -
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	\$ 75.87	\$ -
Due to other Funds	-	-
Deferred Revenue	176,627.17	
Total Liabilities	176,703.04	-
Fund Balance:		
Assigned	70,082.14	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 246,785.18	\$ -

CITY OF CANBY
2011 GO BOND FUND PARKING LOT
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	Totals	
	2011	2010
Revenues:		
General Property Taxes		
Market Value Assistance		
Interest	6.74	
Special Assessments	51,826.03	
Total Revenues	51,832.77	-
Expenditures:		
Bond Payments		
Interest on bonds & other fees	16,114.55	
Capital Expenses	226,266.08	
Total Expenditures	242,380.63	-
Excess of Revenues Over (Under) Expenditures	(190,547.86)	-
Other Financing Sources (Uses):		
Bond Proceeds	265,000.00	
Bond Discount	(4,370.00)	
Transfers In		
Transfers Out		-
Total Other Financing Sources (Uses):	260,630.00	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	70,082.14	-
Fund Balance, January 1	-	-
Fund Balance, December 31	\$ 70,082.14	\$ -

Enterprise Funds

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

The City currently has three major enterprise funds:

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

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

Storm Sewer Fund – This fund accounts for the storm sewer provided to the city's residents.

**CITY OF CANBY
ENTERPRISE FUNDS
WASTEWATER FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

(With Comparative Totals for the year ended December 31, 2010)

	2011	2010
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 296,915.72	\$ 151,325.93
Investments	141,738.90	141,716.90
Taxes Receivable	2,969.55	1,807.31
Special Assessments Receivable	3,385.27	7,151.90
Accounts Receivable	21,874.15	22,264.68
Prepaid Insurance	4,493.00	4,670.00
Total Current Assets	471,376.59	328,936.72
Non-Current Assets:		
Special Assessments - Deferred	1,114,018.05	1,066,135.04
Bond Discount, net of amortization	5,880.00	6,468.00
Capital Assets:		
Land	79,835.00	79,835.00
Buildings	172,471.50	172,471.50
Improvements Other Than Buildings	386,755.53	377,987.76
Machinery and Equipment	2,795,231.49	2,795,231.49
Construction in Progress	4,333,543.35	2,871,747.28
Less: Accumulated Depreciation	(1,559,869.31)	(1,493,281.39)
Net Capital Assets	6,207,967.56	4,803,991.64
Total Non-Current Assets	7,327,865.61	5,876,594.68
TOTAL ASSETS	\$ 7,799,242.20	\$ 6,205,531.40
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 141,913.38	\$ 28,623.70
Due to Other Funds	26,843.39	2,137.00
Bonds Payable, Current Portion	187,000.00	69,517.00
Total Current Liabilities	355,756.77	100,277.70
Noncurrent Liabilities:		
Deferred Revenue	1,116,501.30	1,074,624.90
Accrued Vacation	6,208.22	6,030.64
Bonds Payable	4,250,564.25	3,113,907.24
Total Noncurrent Liabilities	5,373,273.77	4,194,562.78
TOTAL LIABILITIES	5,729,030.54	4,294,840.48
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	1,770,403.31	609,428.86
Net Assets-Unrestricted, Designated	-	-
Net Assets-Unrestricted	299,808.35	1,301,262.06
TOTAL NET ASSETS	\$ 2,070,211.66	\$ 1,910,690.92

CITY OF CANBY
WASTEWATER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Sales	\$ 225,081.33	\$ 223,040.72
Total Operating Revenues	<u>225,081.33</u>	<u>223,040.72</u>
Operating Expenses:		
Labor	65,166.96	63,366.72
Employee Benefits	20,903.18	21,296.25
Supplies	2,059.55	2,579.79
Repairs	4,459.57	7,939.95
Utilities	2,840.12	3,183.34
Fuel	744.30	646.61
Telephone	459.94	459.75
Insurance	4,670.00	4,825.00
Auditing	1,750.00	1,300.00
Miscellaneous	1,460.84	441.16
Contracted Services	5,600.00	5,223.61
Travel	474.59	928.12
Motor Fuel	3,562.34	1,693.55
Water Purchases	139.07	116.41
Truck Expense	1,299.74	100.04
Equipment Purchases	-	-
Dues and Licenses	595.00	1,611.00
Depreciation and Amortization	67,175.92	67,753.62
Total Operating Expenses	<u>183,361.12</u>	<u>183,464.92</u>
Net Operating Income (Loss)	<u>41,720.21</u>	<u>39,575.80</u>
Nonoperating Revenues (Expenses):		
Property Taxes	74,655.78	48,430.54
Market Value Assistance	3,782.00	2,533.00
Special Assessments	39,637.87	79,668.16
Refunds and Reimbursements	-	365.78
Interest Income	46,085.94	1,242.89
Interest Expense	(46,361.06)	(15,452.50)
Sale of Assets	-	-
Total Nonoperating Revenues (Expenses)	<u>117,800.53</u>	<u>116,787.87</u>
Net Income (Loss) Before Transfers	159,520.74	156,363.67
Other Financing Sources (Uses)		
Operating Transfers In	-	1.98
Change in Net Assets	<u>159,520.74</u>	<u>156,365.65</u>
Net Assets - January 1	<u>1,910,690.92</u>	<u>1,754,325.27</u>
Net Assets - December 31	<u>\$ 2,070,211.66</u>	<u>\$ 1,910,690.92</u>

**CITY OF CANBY
ENTERPRISE FUND
WASTEWATER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 225,471.86	\$ 221,126.61
Cash Received from Others	-	365.78
Cash Paid to Suppliers	(132,646.00)	(86,715.45)
Net Cash Flows Provided (Used) by Operating Activities	<u>92,825.86</u>	<u>134,776.94</u>
Cash Flows From Noncapital Financing Activities:		
General Property Taxes	74,638.83	47,961.19
Market Value Assistance	3,782.00	2,533.00
Special Assessments	36,252.60	80,258.20
Transfers from Other Funds	-	1.98
Cash Received from (paid on) Due to Other Funds	(1,426.00)	(2,688.00)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>113,247.43</u>	<u>128,066.37</u>
Cash Flows From Capital and Related Financing Activities:		
Cash Received Bond Proceeds	1,323,657.01	2,843,424.24
Cash Paid for Principal on Debt	(69,517.00)	(25,000.00)
Interest Expense	(46,361.06)	(15,452.50)
Acquisition of Capital Assets	(1,314,326.39)	(2,871,747.28)
Net Cash Flows from Capital and Related Financing Activities	<u>(106,547.44)</u>	<u>(68,775.54)</u>
Cash Flows From Investing Activities:		
Interest Income	46,085.94	1,242.89
Cash received from sale of assets	-	-
Purchase of Investments	(22.00)	(55,051.32)
Net Cash Flows from Investing Activities	<u>46,063.94</u>	<u>(53,808.43)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	145,589.79	140,259.34
Cash and Cash Equivalents - Beginning of Year	<u>151,325.93</u>	<u>11,066.59</u>
Cash and Cash Equivalents - End of Year	<u>\$ 296,915.72</u>	<u>\$ 151,325.93</u>

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

Operating Income (Loss)	\$ 41,720.21	\$ 39,575.80
Other Revenue	-	365.78
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and Amortization	67,175.92	67,753.62
Changes in Assets and Liabilities:		
Accounts Receivable	390.53	(1,914.11)
Prepays	177.00	155.00
Accounts Payable - Operating	(16,815.38)	28,137.76
Accrued Vacation	177.58	703.09
Net Cash Provided (Used) by Operating Activities	<u>\$ 92,825.86</u>	<u>\$ 134,776.94</u>

**CITY OF CANBY
ENTERPRISE FUNDS
WATER FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

(With Comparative Totals for the year ended December 31, 2010)

ASSETS	2011	2010
Current Assets:		
Cash, Including Time Deposits	\$ 647,150.33	\$ 499,279.36
Investments	89,459.88	89,445.22
Taxes Receivable	2,429.64	1,478.70
Special Assessments Receivable	5,767.30	11,219.13
Accounts Receivable	28,709.37	28,496.74
Prepaid Expense	4,170.00	4,306.00
Total Current Assets	777,686.52	634,225.15
Non-Current Assets:		
Special Assessments - Deferred	911,501.56	872,390.77
Capital Assets:		
Land	21,344.93	21,344.93
Buildings	1,906,443.00	1,906,443.00
Improvements Other Than Buildings	821,107.14	815,582.67
Equipment	71,046.13	71,046.13
Construction in Progress	3,930,368.00	3,042,091.33
Accumulated Depreciation	(1,264,431.00)	(1,195,623.91)
Net Capital Assets	5,485,878.20	4,660,884.15
Total Non-Current Assets	6,397,379.76	5,533,274.92
TOTAL ASSETS	\$ 7,175,066.28	\$ 6,167,500.07
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 41,138.81	\$ 30,961.47
Due to Other Funds	1,076.00	2,233.00
Bonds Payable, Current Portion	232,000.00	148,711.00
Total Current Liabilities	274,214.81	181,905.47
Noncurrent Liabilities:		
Deferred Revenue	913,533.31	883,724.23
Accrued Vacation	8,507.24	8,227.18
Bonds Payable	4,438,812.65	3,793,344.37
Total Noncurrent Liabilities	5,360,853.20	4,685,295.78
TOTAL LIABILITIES	5,635,068.01	4,867,201.25
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	815,065.55	718,828.78
Net Assets-Unrestricted, Designated	873,601.91	873,601.91
Net Assets-Unrestricted	(148,669.19)	(292,131.87)
TOTAL NET ASSETS	\$ 1,539,998.27	\$ 1,300,298.82

**CITY OF CANBY
ENTERPRISE FUNDS
WATER FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	2011	2010
Operating Revenues:		
Water Revenue	\$ 366,084.00	\$ 360,485.68
Miscellaneous Income	3,285.76	3,010.59
Total Operating Revenues	369,369.76	363,496.27
Operating Expenses:		
Production Expenses		
Salaries and Wages	37,814.46	36,806.52
Supplies	12,964.47	15,351.73
Repairs	546.63	4,461.87
Utilities	15,671.27	15,080.91
Total Production Expenses	66,996.83	71,701.03
Distribution Expenses:		
Salaries and Wages	37,534.27	36,806.30
Supplies	52.88	673.63
Repairs	2,049.60	3,559.27
Total Distribution Expenses	39,636.75	41,039.20
General Expenses:		
Supplies	8,430.82	8,017.30
Insurance	4,306.00	4,453.00
Travel	1,094.20	345.39
Auditing	1,750.00	1,300.00
Fuel	3,218.29	2,311.65
Telephone	578.82	534.63
Contractual Services	2,446.52	2,519.65
Truck Expense	349.15	911.09
Miscellaneous Expense	1,175.21	402.35
Repairs	1,954.21	1,308.50
Employee Benefits	22,968.51	25,222.94
Dues and Licenses	6,202.50	6,186.15
Depreciation and Amortization	68,807.09	71,618.05
Total General Expenses	123,281.32	125,130.70
Total Operating Expenses	229,914.90	237,870.93
Net Operating Income (Loss)	139,454.86	125,625.34
Nonoperating Revenues (Expenses):		
Property Taxes	61,081.29	39,564.96
Market Value Assistance	3,094.00	2,073.00
Special Assessments	36,842.31	66,568.42
Interest Income	39,736.89	4,038.10
Refunds and Reimbursements	639.00	13,652.00
Rental Income	6,152.84	5,859.84
Sales Tax Expense	(3,512.00)	(3,328.00)
Interest Expense	(43,789.74)	(18,580.20)
Total Nonoperating Revenues (Expenses)	100,244.59	109,848.12
Change in Net Assets	239,699.45	235,473.46
Net Assets - January 1	1,300,298.82	1,064,825.36
Net Assets - December 31	\$ 1,539,998.27	\$ 1,300,298.82

**CITY OF CANBY
ENTERPRISE FUND
WATER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 375,948.97	\$ 381,822.89
Cash Paid to Suppliers	(78,957.74)	(65,342.26)
Cash Paid to Employees	(75,068.67)	(72,648.12)
Net Cash Flows Provided (Used) by Operating Activities	<u>221,922.56</u>	<u>243,832.51</u>
Cash Flows From Noncapital Financing Activities:		
General Property Taxes	61,067.41	39,180.95
Market Value Assistance	3,094.00	2,073.00
Special Assessments	32,055.37	66,512.42
Cash Received from (paid on) Due to Other Funds	(1,157.00)	(2,220.00)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>95,059.78</u>	<u>105,546.37</u>
Cash Flows From Capital and Related Financing Activities:		
Cash Received Bond Proceeds	877,468.28	3,012,055.37
Cash Paid for Principal on Debt	(148,711.00)	(108,000.00)
Interest Expense	(43,789.74)	(18,580.20)
Acquisition of Capital Assets	(893,801.14)	(3,069,613.88)
Net Cash Flows from Capital and Related Financing Activities	<u>(208,833.60)</u>	<u>(184,138.71)</u>
Cash Flows From Investing Activities:		
Interest Earned on Investments	39,736.89	4,038.10
Purchase of Investments	(14.66)	(39.27)
Net Cash Flows from Investing Activities	<u>39,722.23</u>	<u>3,998.83</u>
Net Increase (Decrease) in Cash and Cash Equivalents	147,870.97	169,239.00
Cash and Cash Equivalents - Beginning of Year	<u>499,279.36</u>	<u>330,040.36</u>
Cash and Cash Equivalents - End of Year	<u>\$ 647,150.33</u>	<u>\$ 499,279.36</u>

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

Operating Income (Loss)	\$ 139,454.86	\$ 125,625.34
Other Revenue	6,791.84	19,511.84
Other Expense	(3,512.00)	(3,328.00)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	68,807.09	71,618.05
Changes in Assets and Liabilities:		
Accounts Receivable	(212.63)	(1,185.22)
Prepaid Expense	136.00	147.00
Accounts Payable	10,177.34	30,478.80
Accrued Vacation	280.06	964.70
Net Cash Provided (Used) by Operating Activities	<u>\$ 221,922.56</u>	<u>\$ 243,832.51</u>

**CITY OF CANBY
STORM SEWER FUND
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

(With Comparative Totals for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash, Including Time Deposits	\$ 428,383.99	\$ 381,114.45
Accounts Receivable	11,266.65	11,236.01
Total Current Assets	<u>439,650.64</u>	<u>392,350.46</u>
Non-Current Assets:		
Special Assessments - Deferred	97,441.50	-
Capital Assets:		
Construction in Progress	1,069,515.14	964,498.90
Accumulated Depreciation		
Net Capital Assets	<u>1,069,515.14</u>	<u>964,498.90</u>
Bond Discount, net of amortization	23,188.92	24,477.19
Total Non-Current Assets	<u>1,190,145.56</u>	<u>988,976.09</u>
TOTAL ASSETS	<u>\$ 1,629,796.20</u>	<u>\$ 1,381,326.55</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,804.74	\$ -
Bonds Payable, Current Portion		
Total Current Liabilities	<u>3,804.74</u>	<u>-</u>
Noncurrent Liabilities:		
Deferred Revenue	97,441.50	-
Bonds Payable	1,280,000.00	1,280,000.00
Total Noncurrent Liabilities	<u>1,377,441.50</u>	<u>1,280,000.00</u>
TOTAL LIABILITIES	<u>1,381,246.24</u>	<u>1,280,000.00</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	(210,484.86)	(315,501.10)
Net Assets-Unrestricted	<u>459,034.82</u>	<u>416,827.65</u>
TOTAL NET ASSETS	<u>\$ 248,549.96</u>	<u>\$ 101,326.55</u>

**CITY OF CANBY
STORM SEWER FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Storm Sewer Receipts	\$ 120,179.87	\$ 99,730.25
Miscellaneous Income	1,123.68	468.07
Total Operating Revenues	<u>121,303.55</u>	<u>100,198.32</u>
Operating Expenses:		
Dues and Licenses	-	-
Miscellaneous	-	-
Legal & Professional	972.50	-
Amortization	1,288.27	1,288.27
Depreciation	-	-
Total Operating Expenses	<u>2,260.77</u>	<u>1,288.27</u>
Net Operating Income (Loss)	<u>119,042.78</u>	<u>98,910.05</u>
Nonoperating Revenues (Expenses):		
Special Assessments	26,341.07	-
Interest Income	1,839.56	2,416.50
Interest Expense	-	-
Total Nonoperating Revenues (Expenses)	<u>28,180.63</u>	<u>2,416.50</u>
Change in Net Assets	147,223.41	101,326.55
Net Assets - January 1	<u>101,326.55</u>	-
Net Assets - December 31	<u><u>\$ 248,549.96</u></u>	<u><u>\$ 101,326.55</u></u>

**CITY OF CANBY
ENTERPRISE FUND
STORM SEWER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for the year ended December 31, 2010)**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 121,272.91	\$ 88,962.31
Cash Paid to Suppliers	(450.00)	-
Net Cash Flows Provided (Used) by Operating Activities	<u>120,822.91</u>	<u>88,962.31</u>
Cash Flows From Noncapital Financing Activities:		
Special Assessments	26,341.07	-
Net Cash Flows Provided (Used) by Noncapital Financing Activ	<u>26,341.07</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:		
Cash Received Bond Proceeds	-	1,280,000.00
Cash Paid for Bond Issue Costs	-	(25,765.46)
Cash Paid for Interest	-	-
Acquisition of Capital Assets	(101,734.00)	(964,498.90)
Net Cash Flows from Capital and Related Financing Activities	<u>(101,734.00)</u>	<u>289,735.64</u>
Cash Flows From Investing Activities:		
Interest Earned on Investments	1,839.56	2,416.50
Net (Increases) Decreases in Investments		
Net Cash Flows from Investing Activities	<u>1,839.56</u>	<u>2,416.50</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>47,269.54</u>	<u>381,114.45</u>
Cash and Cash Equivalents - Beginning of Year	381,114.45	-
Cash and Cash Equivalents - End of Year	<u><u>\$ 428,383.99</u></u>	<u><u>\$ 381,114.45</u></u>

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

Operating Income (Loss)	\$ 119,042.78	\$ 98,910.05
Other Expenses		
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Amortization	1,288.27	1,288.27
Changes in Assets and Liabilities:		
Accounts Receivable	(30.64)	(11,236.01)
Accounts Payable - Operating	522.50	-
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 120,822.91</u></u>	<u><u>\$ 88,962.31</u></u>