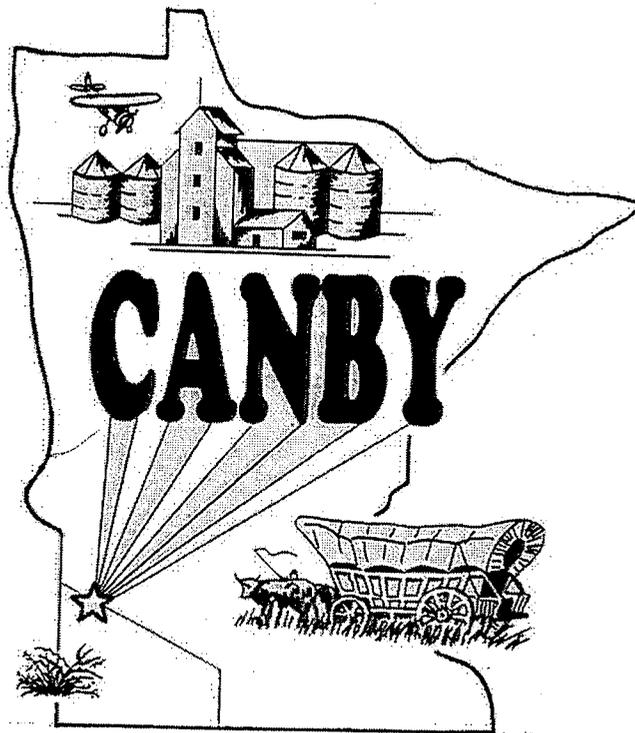
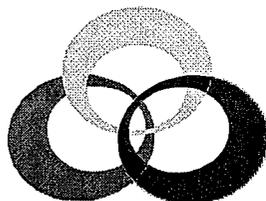


**City of Canby
Audit Report
For the Year Ended
December 31, 2012**



GATEWAY TO THE PRAIRIE



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

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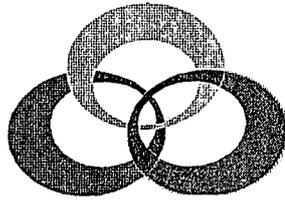
INTRODUCTORY SECTION

**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

<u>ELECTED OFFICIALS</u>	<u>POSITION</u>
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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Canby
Canby, Minnesota 56220

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canby's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations* and the combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Emphasis of Matter

As described in Note 1 D, the City of Canby has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, for the year ended December 31, 2012.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, on our consideration of the City of Canby's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canby's internal control over financial reporting and compliance.

Kinner and Company Ltd
Kinner & Company Ltd
Certified Public Accountants

May 24, 2013

212 3rd Street, Suite 1, Tracy, MN 56175
507-629-3662 or 800-858-5410, fax 507-629-3446
Visit our website at www.kinner.co

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

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, 2012 to meet the required reporting by the Government Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. Statement No. 34 is designed to make the annual reports easier for the public to understand and more useful to stakeholders.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. In addition to the Management's Discussion and Analysis (MD & A), the report consists of government-wide statements, fund financial statements, and notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

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

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

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

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 10-15 of this report.

Proprietary fund

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

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, storm sewer and garbage, all of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$9,358,788 and \$9,034,023 at the close of fiscal years 2012 and 2011.

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

Table 1
Net Position

	Governmental Activities		Business-Type Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	2,675,162	1,789,178	3,828,422	3,896,564
Capital assets	<u>4,849,994</u>	<u>4,455,660</u>	<u>13,266,346</u>	<u>12,788,476</u>
Total assets	<u><u>7,525,156</u></u>	<u><u>6,244,838</u></u>	<u><u>17,094,768</u></u>	<u><u>16,685,040</u></u>
Long-term liabilities outstanding	1,876,517	912,536	10,709,000	10,388,377
Other liabilities	<u>480,620</u>	<u>261,170</u>	<u>2,194,999</u>	<u>2,333,773</u>
Total liabilities	<u><u>2,357,137</u></u>	<u><u>1,173,706</u></u>	<u><u>12,903,999</u></u>	<u><u>12,722,150</u></u>
Net assets				
Net investment in capital assets	2,973,477	3,543,125	2,557,344	2,400,100
Net position -Restricted	240,292	377,596	0	1,562,791
Net position -Unrestricted	<u>1,954,250</u>	<u>1,150,412</u>	<u>1,633,425</u>	<u>0</u>
Total Net Position	<u><u>5,168,019</u></u>	<u><u>5,071,132</u></u>	<u><u>4,190,769</u></u>	<u><u>3,962,891</u></u>

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

Governmental activities

Governmental activities increased the City's net position by \$96,887 and \$442,163 for 2012 and 2011. The increase was due to the Tax Increment District capital expenditures and debt.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2012
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	184,074	185,817	885,604	862,621	1,069,678
Operating grants and contributions	33,100	81,413			33,100
Capital grants and contributions	239,987	835,148			239,987
General Revenues					
Property taxes	606,532	535,841	150,349		606,532
Special Assessments	22,849	62,732	75,965	102,821	98,814
Intergovernmental Revenue	701,946	691,280		142,613	701,946
Fines and Forfeits	3,524	6,045			3,524
Licenses and Permits	3,871				
to specific programs	0	42,200			0
Unrestricted Investment Earnings	21,922	26,233	76,686	87,736	98,608
Miscellaneous	158,500	119,811	9,934	12,856	168,434
Total Revenues	<u>1,976,305</u>	<u>2,586,520</u>	<u>1,198,538</u>	<u>1,208,648</u>	<u>3,174,843</u>
Expenses					
Governmental activities	1,879,418	2,144,356			1,879,418
Business-type activities			970,660	639,441	970,660
Total expenses	<u>1,879,418</u>	<u>2,144,356</u>	<u>970,660</u>	<u>639,441</u>	<u>2,850,078</u>
Transfers In (Out)	0	0	0	0	0
Increase in net position	96,887	442,163	227,878	569,207	324,765
Net position, January 1, restated	<u>5,071,132</u>	<u>4,628,969</u>	<u>3,962,891</u>	<u>3,393,685</u>	<u>9,034,023</u>
Net position, December 31	<u>5,168,019</u>	<u>5,071,132</u>	<u>4,190,769</u>	<u>3,962,891</u>	<u>9,358,788</u>

The City's total net position increased by \$324,765 and \$963,361 for 2012 and 2011. 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, 2012 AND 2011

Business-type activities

Business-type activities increased the City's net position by \$227,878 and \$569,207, accounting for 70 percent and 56 percent of the total growth in the City's net position for 2012 and 2011. The increase is primarily due to utility charge increases from the infrastructure project.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2012 and 2011, the City's governmental funds reported ending balances of \$2,015,805 and \$1,363,985. Fifty-two percent and sixty-six percent of the total amount of \$1,033,148 and \$899,980 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, 2012 and 2011 amounts to \$18,116,340 and \$17,244,136 (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 2012 and 2011, the City had total bonded debt outstanding of \$12,585,517 and \$11,300,912.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Economic Factor and Next Year's Budget and Rates

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

Sincerely,
Nicholas Johnson
City Administrator

BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

Fund Financial Statements:

Governmental Funds

Proprietary (Enterprise) Funds

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

City of Canby
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,662,124	\$ 1,659,335	\$ 3,321,459
Investments	64,713	1,518	66,231
Taxes Receivable	27,489	7,517	35,006
Delinquent Taxes Receivable	10,814	2,304	13,118
Special Assessments Receivable	193,439	11,968	205,407
Accounts Receivable	77,789	80,871	158,660
Notes Receivable Current	20,231	--	20,231
Prepaid and other assets	24,966	12,296	37,262
<i>Internal Balances*</i>	--	--	--
Total Current Assets	2,081,565	1,775,809	3,857,374
<i>Noncurrent Assets</i>			
Special Assessments - Deferred	--	2,052,613	2,052,613
Non-depreciable	805,338	126,296	931,634
Depreciable, net	4,044,656	13,140,050	17,184,706
Notes receivable - Non Current	423,319	--	423,319
<i>Internal Balances*</i>	170,278	--	--
Total Assets	7,525,156	17,094,768	24,449,646
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Deferred Outflows of Resources	--	--	--
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	9,469	112,594	122,063
Accrued wages and benefits	27,873	17,656	45,529
Due to Other Entity	84,502	--	84,502
<i>Internal Balances*</i>	--	--	--
Total Current Liabilities	121,844	130,250	252,094
<i>Noncurrent Liabilities</i>			
Unearned Revenue	198,086	2,055,161	2,253,247
Due Within One Yr.	111,618	465,000	576,618
Due Beyond One Yr.	1,764,899	10,244,000	12,008,899
<i>Internal Balances*</i>	160,690	9,588	--
Total Liabilities	2,357,137	12,903,999	15,090,858
DEFERRED INFLOWS OF RESOURCES			
Aggregated deferred inflows	--	--	--
Total Deferred Inflows of Resources	--	--	--
NET POSITION			
Net Investment in Capital Assets	2,973,477	2,557,344	5,530,821
<i>Restricted for:</i>			
Prepaid expenses	24,966	--	24,966
Notes Receivable	163,319	--	163,319
John Swenson Trust	52,007	--	52,007
<i>Unrestricted</i>	1,954,250	1,633,425	3,587,675
Total Net Position	\$ 5,168,019	\$ 4,190,769	\$ 9,358,788

* Amounts have been eliminated in total column

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

City of Canby
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General Government and Administration	\$ 354,742	\$ --	\$ --	\$ --	\$ (354,742)	\$ --	\$ (354,742)
Public Safety	380,779	39,371	33,100	--	(308,308)	--	(308,308)
Public Works	266,754	--	--	68,800	(197,954)	--	(197,954)
Culture and Recreation	233,238	--	--	--	(233,238)	--	(233,238)
Economic Development	--	60,523	--	--	60,523	--	60,523
Grant Pass-Through	171,187	--	--	171,187	--	--	--
Miscellaneous	322,238	84,180	--	--	(238,058)	--	(238,058)
Interest and Charges on L.T Debt	108,801	--	--	--	(108,801)	--	(108,801)
Depreciation-Unallocated	36,321	--	--	--	(36,321)	--	(36,321)
Bond Discount/Issue Cost	5,358	--	--	--	(5,358)	--	(5,358)
Total Governmental Activities	1,879,418	184,074	33,100	239,987	(1,422,257)	--	(1,422,257)
Business-type Activities:							
Solid Waste	150,955	137,314	--	--	--	(13,641)	(13,641)
Storm Sewer	71,830	122,414	--	--	--	50,584	50,584
Wastewater	364,207	233,930	--	--	--	(130,277)	(130,277)
Water	383,668	391,946	--	--	--	8,278	8,278
Total Business-type Activities	970,660	885,604	--	--	--	(85,056)	(85,056)
General Purpose Revenues and Transfers:							
Revenues							
Interest revenue					21,922		98,608
Gain on sale of assets					--		9,934
Miscellaneous					158,500		158,500
Property Taxes					606,532		756,881
Special Assessments					22,849		98,814
License and Permits					3,871		3,871
Intergovernmental Revenues					701,946		701,946
Fines and Forfeits					3,524		3,524
Transfers					--		--
Total General Revenues and Transfers					1,519,144		1,832,078
Change in Net Position					96,887		324,765
Net Position at Beginning of Period					5,071,132		9,034,023
Net Position at End of Period					\$ 5,168,019		\$ 9,358,788

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

City of Canby
Balance Sheet
Governmental Funds
December 31, 2012

	<u>Debt Service</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>GOIB of 2012A</u>		
ASSETS				
Cash and cash equivalents	\$ 1,032,097	\$ 206,780	\$ 423,247	\$ 1,662,124
Investments	5	--	64,708	64,713
Taxes Receivable	20,419	--	7,070	27,489
Delinquent Taxes Receivable	8,291	--	2,523	10,814
Special Assessments Receivable	8,351	--	185,088	193,439
Accounts Receivable	77,789	--	--	77,789
Notes Receivable Current	--	--	20,231	20,231
Prepaid and other assets	24,966	--	--	24,966
Notes receivable - Non Current	--	--	423,319	423,319
Due from other funds	145,351	--	24,927	170,278
Total Assets	1,317,269	206,780	1,151,113	2,675,162
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 1,317,269	\$ 206,780	\$ 1,151,113	\$ 2,675,162
LIABILITIES				
Accounts payable	\$ 9,469	\$ --	\$ --	\$ 9,469
Due to Other Entity	--	--	84,502	84,502
Unearned Revenue	8,351	--	373,285	381,636
Due to other funds	--	--	160,690	160,690
Total Liabilities	17,820	--	618,477	636,297
DEFERRED INFLOWS OF RESOURCES				
Aggregated deferred inflows	22,326	--	734	23,060
Total Liabilities and Deferred Inflows of Resources	40,146	--	619,211	659,357
FUND BALANCE				
Nonspendable	24,966	--	163,319	188,285
Restricted	52,007	--	--	52,007
Assigned	--	206,780	535,585	742,365
Unassigned	1,200,150	--	(167,002)	1,033,148
Total Fund Balance	1,277,123	206,780	531,902	2,015,805
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,317,269	\$ 206,780	\$ 1,151,113	\$ 2,675,162

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

City of Canby
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2012

Total Fund Balance - Governmental Funds	\$	2,015,805
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as liability on Statement of Net Position		(27,873)
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		4,849,994
Revenue deferred in governmental fund statements if not received within sixty days.		206,610
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(1,876,517)
Total Net Position-Governmental Funds	\$	<u>5,168,019</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012

	<u>Debt Service</u>		Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>GOIB of 2012A</u>		
Revenues				
Interest revenue	\$ 3,851	\$ 914	\$ 17,158	\$ 21,923
Intergovernmental Revenues	975,033	--	--	975,033
Property Taxes	406,373	--	190,651	597,024
Special Assessments	1,801	--	21,048	22,849
License and Permits	3,871	--	--	3,871
Fines and Forfeits	3,524	--	--	3,524
Charges for Services	40,871	--	--	40,871
Loan Income	--	--	53,888	53,888
Gain on sale of assets	8,854	--	--	8,854
Miscellaneous	234,839	--	6,341	241,180
<i>Total Revenues</i>	<u>1,679,017</u>	<u>914</u>	<u>289,086</u>	<u>1,969,017</u>
Expenditures				
General Government and Administration	345,042	--	--	345,042
Public Safety	307,898	--	--	307,898
Public Works	236,712	--	--	236,712
Culture and Recreation	206,858	--	--	206,858
Grant Pass-Through	171,187	--	--	171,187
Miscellaneous	184,966	--	5,108	190,074
Depreciation-Unallocated	--	--	36,321	36,321
Capital outlay	173,234	482,000	17,691	672,925
Interest and Charges on LT Debt	8,850	62,133	45,818	116,801
Debt - principal	12,018	--	101,000	113,018
<i>Total Expenditures</i>	<u>1,646,765</u>	<u>544,133</u>	<u>205,938</u>	<u>2,396,836</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>32,252</u>	<u>(543,219)</u>	<u>83,148</u>	<u>(427,819)</u>
Other Financing Sources (Uses)				
Proceeds from loans	--	750,000	335,000	1,085,000
Transfers from other funds	--	--	18,275	18,275
Bond Discount/Issue Cost	--	--	(5,358)	(5,358)
Transfers to other funds	--	--	(18,275)	(18,275)
<i>Net Other Financing Sources (Uses)</i>	<u>--</u>	<u>750,000</u>	<u>329,642</u>	<u>1,079,642</u>
<i>Net Change in Fund Balance</i>	<u>32,252</u>	<u>206,781</u>	<u>412,790</u>	<u>651,823</u>
<i>Fund Balance at Beginning of Period</i>	<u>1,244,871</u>	<u>(1)</u>	<u>119,112</u>	<u>1,363,982</u>
<i>Fund Balance at End of Period</i>	<u>\$ 1,277,123</u>	<u>\$ 206,780</u>	<u>\$ 531,902</u>	<u>\$ 2,015,805</u>

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

City of Canby
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	651,823
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		16,143
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.		672,925
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(269,737)
Accrued leave is reported in the government-wide statement of activities and changes in net position, but does not required the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.		(1,431)
The issuance of long-term debt (i.e. bonds) provides current resources to government funds, while the repayment of the principal of the long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(963,982)
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.		(8,854)
Changes in Net Position-Governmental Funds	\$	<u>96,888</u>

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

City of Canby
Statement of Net Position
Proprietary Funds
December 31, 2012

Business-type Activities - Enterprise Funds

	Storm Sewer	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 323,173	\$ 448,241	\$ 801,399	\$ 86,522	\$ 1,659,335
Investments	--	761	474	283	1,518
Taxes Receivable	--	4,134	3,383	--	7,517
Delinquent Taxes Receivable	--	1,267	1,037	--	2,304
Special Assessments Receivable	--	4,725	7,243	--	11,968
Accounts Receivable	11,915	25,420	31,007	12,529	80,871
Prepaid and other assets	--	6,707	5,589	--	12,296
Total Current Assets	335,088	491,255	850,132	99,334	1,775,809
<i>Noncurrent Assets</i>					
Special Assessments - Deferred	93,208	1,078,437	880,968	--	2,052,613
Non-depreciable	--	79,835	21,345	25,116	126,296
Depreciable, net	1,294,327	6,490,428	5,355,295	--	13,140,050
Total Assets	1,722,623	8,139,955	7,107,740	124,450	17,094,768
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
Total Deferred Outflows of Resources	--	--	--	--	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	107,725	1,455	352	3,062	112,594
Accrued wages and benefits	--	6,712	9,231	1,713	17,656
Total Current Liabilities	107,725	8,167	9,583	4,775	130,250
<i>Noncurrent Liabilities</i>					
Unearned Revenue	93,208	1,078,211	883,742	--	2,055,161
Due Within One Yr.	50,000	180,000	235,000	--	465,000
Due Beyond One Yr.	1,185,000	4,774,000	4,285,000	--	10,244,000
Due to other funds	--	5,007	4,581	--	9,588
Total Liabilities	1,435,933	6,045,385	5,417,906	4,775	12,903,999
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	--
Total Deferred Inflows of Resources	--	--	--	--	--
NET POSITION					
Net Investment in Capital Assets	59,327	1,616,262	856,639	25,116	2,557,344
<i>Restricted for:</i>					
Assigned	--	--	873,602	--	873,602
<i>Unrestricted</i>	227,363	478,308	(40,407)	94,559	759,823
Total Net Position	\$ 286,690	\$ 2,094,570	\$ 1,689,834	\$ 119,675	\$ 4,190,769

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

City of Canby
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 122,414	\$ 233,930	\$ 391,946	\$ 137,314	\$ 885,604
<i>Total Operating Revenues</i>	<u>122,414</u>	<u>233,930</u>	<u>391,946</u>	<u>137,314</u>	<u>885,604</u>
Operating Expenses					
Labor	--	67,607	76,694	13,970	158,271
Employee Benefits	--	21,943	25,059	4,853	51,855
Supplies	--	4,040	26,997	2,567	33,604
Repairs	--	7,622	10,111	--	17,733
Utilities	--	1,835	15,154	--	16,989
Fuel	--	550	509	--	1,059
Telephone	--	460	706	--	1,166
Insurance	--	2,793	3,162	--	5,955
Auditing	--	1,750	1,750	1,300	4,800
Miscellaneous	260	773	968	888	2,889
Contracted Services	--	16,379	2,621	63,688	82,688
Tipping Expenses	--	--	--	16,925	16,925
Travel	--	37	--	--	37
Motor Fuel	--	2,079	2,031	--	4,110
Water Purchases	--	213	278	--	491
Truck Expense	--	832	1,603	--	2,435
Dues and License	--	643	6,002	1,271	7,916
Construction	--	--	--	6,555	6,555
Legal & Professional	450	--	--	27,625	28,075
Assessment	--	--	--	1,650	1,650
Depreciation/Amortization	27,159	164,679	149,582	--	341,420
<i>Total Operating Expenses</i>	<u>27,869</u>	<u>294,235</u>	<u>323,227</u>	<u>141,292</u>	<u>786,623</u>
<i>Operating Income (Loss)</i>	<u>94,545</u>	<u>(60,305)</u>	<u>68,719</u>	<u>(3,978)</u>	<u>98,981</u>
Non-Operating Revenues (Expenses)					
Interest revenue	6,281	37,677	32,612	116	76,686
Property Taxes	--	82,692	67,657	--	150,349
Special Assessments	4,464	40,111	31,390	--	75,965
Gain on sale of assets	--	35	9,899	--	9,934
Interest expense	(43,961)	(69,972)	(56,470)	--	(170,403)
Sales Tax Expense	--	--	(3,971)	(9,663)	(13,634)
<i>Net Non-Operating Revenues (Expenses)</i>	<u>(33,216)</u>	<u>90,543</u>	<u>81,117</u>	<u>(9,547)</u>	<u>128,897</u>
<i>Income Before Contributions and Transfers</i>	61,329	30,238	149,836	(13,525)	227,878
Transfers from other funds	--	--	--	--	--
Transfers to other funds	--	--	--	--	--
<i>Change In Net Position</i>	61,329	30,238	149,836	(13,525)	227,878
<i>Net Position at Beginning of Period</i>	225,361	2,064,332	1,539,998	133,200	3,962,891
<i>Net Position at End of Period</i>	<u>\$ 286,690</u>	<u>\$ 2,094,570</u>	<u>\$ 1,689,834</u>	<u>\$ 119,675</u>	<u>\$ 4,190,769</u>

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

CITY OF CANBY
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2012

	Business-Type Activities				Totals 2012
	Storm Sewer Fund	Wastewater Fund	Water Fund	Non-Major Garbage Fund	
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 121,766	\$ 230,384	\$ 389,647	\$ 137,931	\$ 879,728
Cash Paid to Suppliers	103,210	(204,118)	(143,128)	(136,934)	(380,970)
Cash Paid to Employees		(67,607)	(75,970)	(13,970)	(157,547)
Net Cash Flows Provided (Used) by Operating Activities	\$ 224,976	\$ (41,340)	\$ 170,549	\$ (12,973)	\$ 341,211
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	\$ -	\$ 80,261	\$ 65,667		\$ 145,927
Special Assessments	4,464	36,062	30,657		71,183
Cash Received from (paid on) Due to Other Funds		(21,836)	3,505		(18,331)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	\$ 4,464	\$ 94,486	\$ 99,828	\$ -	\$ 198,778
Cash Flows from Capital and Related Financing Activities:					
Cash Received from Bond Proceeds	\$ -	\$ 693,436	\$ 81,187		\$ 774,623
Cash Paid for Principal on Debt	(45,000)	(177,000)	(232,000)		(454,000)
Cash Paid for Interest on Debt	(43,961)	(69,972)	(56,470)		(170,403)
Acquisition of Capital Assets	(251,971)	(526,974)	(40,343)	-	(819,288)
Net Cash Flows from Capital and Related Financing Activities	\$ (340,932)	\$ (80,510)	\$ (247,626)	\$ -	\$ (669,068)
Cash Flows From Investing Activities:					
Interest Earned on Investments	\$ 6,281	\$ 37,677	\$ 32,612	\$ 116	\$ 76,686
Sale of Investments		141,013	98,885	55,993	295,891
Purchase of Investments		-		-	-
Net Cash Flows from Investing Activities	\$ 6,281	\$ 178,690	\$ 131,497	\$ 56,109	\$ 372,577
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (105,211)	\$ 151,326	\$ 154,249	\$ 43,136	\$ 243,499
Cash and Cash Equivalents - Beginning of Year	428,384	296,916	647,150	43,386	1,415,836
Cash and Cash Equivalents - End of Year	\$ 323,173	\$ 448,241	\$ 801,399	\$ 86,522	\$ 1,659,335

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

Operating Income (Loss)	\$ 73,155	\$ (146,976)	\$ (9,889)	\$ (3,978)	\$ (87,688)
Other Expense			(3,971)	(9,663)	(13,634)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	48,549	251,350	228,189	-	528,088
Changes in Assets and Liabilities:					
Accounts Receivable	(648)	(3,546)	(2,298)	617	(5,875)
Prepaid Expense		(2,214)	(1,419)		(3,633)
Accrued Expenses					-
Accounts Payable-Operating	103,920	(140,458)	(40,787)	(20)	(77,345)
Accrued Vacation		504	724	70	1,298
Net Cash Provided (Used) by Operating Activities	\$ 224,976	\$ (41,340)	\$ 170,549	\$ (12,973)	\$ 341,211

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Actual
Revenues				
Local and County Revenue				
General Property Taxes	\$ 393,490	\$ 455,494	\$ 406,373	\$ (49,121)
Special Assessments	5,000	2,200	1,801	(399)
Total Local and County Revenue	<u>398,490</u>	<u>457,694</u>	<u>408,174</u>	<u>(49,520)</u>
Licenses and Permits				
Business	1,800	1,400	1,510	110
Liquor	2,000	2,100	2,100	--
Non-Business	200	175	225	50
Pet	50	50	36	(14)
Total License and Permits	<u>4,050</u>	<u>3,725</u>	<u>3,871</u>	<u>146</u>
Intergovernmental Revenue				
Local Government Aid	664,915	664,915	664,915	--
Market Value Assistance	--	--	200	200
Local Performance Aid & PERA Aid	2,312	2,312	2,312	--
State Aid - Police	19,000	20,000	20,414	414
State Aid - Fire	14,000	--	14,105	14,105
Public Safety - Canby & Porter	--	--	12,000	12,000
Federal Grant Passthrough	--	125,000	171,187	46,187
Assistance to Firefighter Grant	--	--	21,100	21,100
Airport Improvement Program Grant	164,500	158,000	68,800	(89,200)
Total Intergovernmental Revenue	<u>864,727</u>	<u>970,227</u>	<u>975,033</u>	<u>4,806</u>
Charges for Services				
Cemetery Lot Sales	4,000	5,000	1,500	(3,500)
Fire Control Income	36,000	38,000	39,371	1,371
Total Charges for Services	<u>40,000</u>	<u>43,000</u>	<u>40,871</u>	<u>(2,129)</u>
Fines and Forfeitures				
Traffic and Ordinance Fines	3,500	6,000	3,524	(2,476)
Total Fines and Forfeitures	<u>3,500</u>	<u>6,000</u>	<u>3,524</u>	<u>(2,476)</u>
Miscellaneous				
Interest Income	3,900	4,400	3,851	(549)
Rents	300	300	380	80
Airport Hanger Rent	9,500	8,500	9,000	500
Airport Farm Rent	9,732	11,569	9,390	(2,179)
Airport Gas, Gravel Sales, and Fly-in	70,000	70,000	70,753	753
Airport Utility Reimbursement	200	200	185	(15)
Airport Lot Lease	2,500	2,500	2,514	14
Cable Franchise Fee	5,000	5,000	5,199	199
Insurance Refunds & Reimbursements	15,000	15,000	31,008	16,008
Pop Machine	200	300	372	72
Donations	1,500	1,500	6,773	5,273
Vehicle Forfeiture Sales	--	--	1,205	1,205
Sale of Assets	--	--	8,854	8,854
Other Miscellaneous Revenue	48,800	49,800	98,060	48,260
Total Miscellaneous Revenue	<u>166,632</u>	<u>169,069</u>	<u>247,544</u>	<u>78,475</u>
Total Revenues	<u>1,477,399</u>	<u>1,649,715</u>	<u>1,679,017</u>	<u>29,302</u>
Other Financing Sources				
Transfers from other funds	--	--	--	--
Total Revenues and Other Financing Sources	<u>1,477,399</u>	<u>1,649,715</u>	<u>1,679,017</u>	<u>29,302</u>

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

Expenditures**GENERAL GOVERNMENT**

Mayor and Council

Salaries	7,200	7,200	7,200	--
Payroll Taxes & Benefits	1,001	1,001	881	120
Travel and Conference	500	250	203	47
Subscriptions and Memberships	50	50	30	20
Miscellaneous	50	50	--	50
Total Mayor and Council	<u>8,801</u>	<u>8,551</u>	<u>8,314</u>	<u>237</u>
General Insurance	<u>100,000</u>	<u>106,500</u>	<u>100,706</u>	<u>5,794</u>
Election Expense	<u>2,000</u>	<u>2,500</u>	<u>2,369</u>	<u>131</u>

City Administration

Salaries	88,000	86,000	85,785	215
Payroll Tax & Benefits	13,200	12,450	12,358	92
Insurance	14,750	14,250	14,190	60
Office Supplies	5,200	8,800	2,615	6,185
Maintenance and Repairs	500	500	--	500
Communications	5,500	4,600	4,273	327
Travel, Conference and Schools	1,000	750	667	83
Printing and Publishing	3,700	3,700	2,724	976
Contractual Services	2,000	2,000	1,912	88
Miscellaneous	2,200	2,200	2,179	21
Equipment and Improvements	8,750	7,250	7,215	35
Total City Administration	<u>144,800</u>	<u>142,500</u>	<u>133,918</u>	<u>8,582</u>

Assessor

	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>--</u>
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Accounting and Legal

	<u>24,600</u>	<u>24,600</u>	<u>23,009</u>	<u>1,591</u>
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Planning and Zoning

	<u>10,000</u>	<u>49,000</u>	<u>48,099</u>	<u>901</u>
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Municipal Building

Maintenance and Repair	4,750	5,250	4,587	663
Supplies	1,100	1,600	1,530	70
Utilities	14,000	10,500	9,721	779
Contractual Services	7,000	5,500	4,994	506
Miscellaneous	10	10	10	--
Total Municipal Building	<u>26,860</u>	<u>22,860</u>	<u>20,842</u>	<u>2,018</u>

Public Restroom Service	<u>2,000</u>	<u>2,000</u>	<u>1,910</u>	<u>90</u>
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Advertising and Promotion

Printing and Publishing	7,000	6,000	5,928	72
Utilities	2,200	2,550	2,653	(103)
Total Advertising and Promotion	<u>9,200</u>	<u>8,550</u>	<u>8,581</u>	<u>(31)</u>

Christmas Decorations Utilities

	<u>1,000</u>	<u>1,000</u>	<u>929</u>	<u>71</u>
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TOTAL GENERAL GOVERNMENT	<u>344,261</u>	<u>383,061</u>	<u>363,677</u>	<u>19,384</u>
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PUBLIC SAFETY

Police Protection

Wages	152,000	151,000	151,698	(698)
Payroll Taxes/PERA	23,900	23,900	23,852	48
Insurance	20,650	20,300	20,312	(12)
Office/General Supplies	4,000	4,300	4,331	(31)
Motor Fuel and Lubes	12,000	10,000	10,844	(844)
Maintenance and Repair	5,000	6,500	7,736	(1,236)
Communications	5,000	4,100	4,031	69
Travel, Conference, and Schools	1,800	900	592	308
Subscription and Memberships	325	325	295	30
Contractual Services	6,000	6,000	5,371	629
Professional Services	27,500	17,500	14,730	2,770
Miscellaneous	100	100	--	100
Equipment and Improvements	--	49,500	49,267	233
Total Police Protection	<u>258,275</u>	<u>294,425</u>	<u>293,059</u>	<u>1,366</u>

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

Fire Protection				
Wages	8,000	18,500	19,730	(1,230)
Payroll Taxes/PERA	612	612	1,509	(897)
Interest	8,850	8,850	8,850	--
Principal	12,018	12,018	12,018	--
City Aid to Fire Relief	3,000	3,000	3,000	--
State Aid to Fire Relief	14,000	14,000	14,105	(105)
Supplies	2,225	2,225	2,060	165
Motor Fuel and Lubes	2,500	4,000	3,560	440
Maintenance and Repair	5,150	5,650	6,628	(978)
Communications	600	600	498	102
Travel, Conference and Schools	4,000	3,600	3,600	--
Utilities	5,000	4,000	3,959	41
Contracted Services	12,000	1,500	1,492	8
Miscellaneous	450	550	500	50
Total Fire Protection	<u>78,405</u>	<u>79,105</u>	<u>81,509</u>	<u>(2,404)</u>
Civil Defense				
Utilities	400	500	460	40
Supplies	200	350	282	68
Equipment	7,500	7,500	7,778	(278)
Total Civil Defense	<u>8,100</u>	<u>8,350</u>	<u>8,520</u>	<u>(170)</u>
Animal Control				
Contracted Services	1,250	1,250	1,250	--
Supplies	100	100	--	100
Total Animal Control	<u>1,350</u>	<u>1,350</u>	<u>1,250</u>	<u>100</u>
TOTAL PUBLIC SAFETY	<u>346,130</u>	<u>383,230</u>	<u>384,338</u>	<u>(1,108)</u>
PUBLIC WORKS				
Streets				
Wages	118,500	120,000	119,485	515
Payroll Taxes/PERA	17,700	17,200	17,166	34
Insurance	18,030	18,230	18,035	195
Motor Fuel and Lubes	20,000	13,000	14,403	(1,403)
Maintenance and Repair	46,000	19,000	20,949	(1,949)
Travel, Conferences and Schools	300	200	223	(23)
Utilities	450	450	403	47
Supplies	6,000	6,000	5,776	224
Capital Expenditures	6,500	--	--	--
Miscellaneous	200	200	108	92
Total Streets	<u>233,680</u>	<u>194,280</u>	<u>196,548</u>	<u>(2,268)</u>
Snow Removal	<u>3,000</u>	<u>3,000</u>	<u>1,473</u>	<u>1,527</u>
City Garage				
Utilities	5,000	4,400	3,891	509
Maintenance and Repair	3,500	3,500	3,372	128
Supplies	500	500	465	35
Miscellaneous	10	10	10	--
Equipment	--	46,000	45,436	564
Dues and Licenses	10	10	10	--
Total City Garage	<u>9,020</u>	<u>54,420</u>	<u>53,184</u>	<u>1,236</u>
Street Lighting	<u>30,000</u>	<u>30,000</u>	<u>29,917</u>	<u>83</u>
TOTAL PUBLIC WORKS	<u>275,700</u>	<u>281,700</u>	<u>281,122</u>	<u>578</u>
CULTURE AND RECREATION				
Library				
Communications	600	600	505	95
Contracted Services	72,130	72,130	72,130	--
Total Library	<u>72,730</u>	<u>72,730</u>	<u>72,635</u>	<u>95</u>

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

Recreation Council				
Wages	38,600	38,400	38,359	41
Payroll Taxes	3,000	3,000	2,935	65
Utilities	1,400	1,600	1,525	75
Total Recreation Council	<u>43,000</u>	<u>43,000</u>	<u>42,819</u>	<u>181</u>
Parks				
Salaries and Wages	20,000	19,200	19,185	15
Payroll Taxes/PERA	2,980	2,730	2,648	82
Insurance	3,175	2,875	2,829	46
Motor Fuels & Lubes	4,000	4,300	4,149	151
Maintenance and Repair Building	3,600	4,800	4,810	(10)
Utilities	1,600	1,250	1,479	(229)
Supplies	2,000	11,000	11,202	(202)
Contracted Services	700	700	381	319
Subscriptions and Memberships	200	200	186	14
Equipment Purchase	21,000	65,000	64,597	403
Miscellaneous	100	100	46	54
Total Parks	<u>59,355</u>	<u>112,155</u>	<u>111,512</u>	<u>643</u>
Swimming Pool				
Communication	200	200	189	11
Utilities	12,000	13,300	13,257	43
Travel	600	--	--	--
Maintenance and Repair Equipment	1,500	5,200	5,174	26
Maintenance and Repair Building	7,500	7,500	5,552	1,948
Supplies	10,000	9,000	8,974	26
Miscellaneous	600	800	774	26
Equipment and Improvements	9,000	--	--	--
Total Swimming Pool	<u>41,400</u>	<u>36,000</u>	<u>33,920</u>	<u>2,080</u>
TOTAL CULTURE AND RECREATION	<u>216,485</u>	<u>263,885</u>	<u>260,886</u>	<u>2,999</u>
MISCELLANEOUS				
Airport				
Motor Fuels and Lubes	1,200	1,200	486	714
Maintenance and Repairs	4,300	4,300	1,840	2,460
Communications	2,200	2,200	2,080	120
Utilities	5,250	4,500	4,602	(102)
Supplies	1,300	1,450	950	500
Travel	500	--	--	--
License and Taxes	3,700	4,550	4,509	41
Merchandise for Resale	58,500	64,600	64,584	16
Contracted Services	20,000	23,800	24,946	(1,146)
Miscellaneous	3,300	2,400	2,385	15
Expansion Project	150,000	48,000	47,599	401
Total Airport	<u>250,250</u>	<u>157,000</u>	<u>153,981</u>	<u>3,019</u>
Cemetary				
Wages	10,000	8,700	8,660	40
Payroll Taxes/PERA	1,490	1,490	1,164	326
Utilities	250	150	130	20
Maintenance and Repair	100	100	36	64
Supplies	200	200	142	58
Insurance	970	970	910	60
Miscellaneous	10	10	10	--
Total Cemetary	<u>13,020</u>	<u>11,620</u>	<u>11,052</u>	<u>568</u>
Other				
Canby Area Business Service	9,356	9,356	9,911	(555)
Insect and Pest Control	1,050	650	589	61
Grant Pass-through Expense	10,000	180,000	171,187	8,813
Equipment Replacement Reserve	8,797	8,797	--	8,797
Miscellaneous	2,350	2,950	10,022	(7,072)
Total Other	<u>31,553</u>	<u>201,753</u>	<u>191,709</u>	<u>10,044</u>
TOTAL MISCELLANEOUS	<u>294,823</u>	<u>370,373</u>	<u>356,742</u>	<u>13,631</u>

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

<i>Total Expenditures</i>	<u>1,477,399</u>	<u>1,682,249</u>	<u>1,646,765</u>	<u>35,484</u>
Other Financing Uses				
Transfers to other funds	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>1,477,399</u>	<u>1,682,249</u>	<u>1,646,765</u>	<u>35,484</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>--</u>	<u>(32,534)</u>	<u>32,252</u>	<u>64,786</u>
<i>Net Change in Fund Balance</i>	<u>--</u>	<u>(32,534)</u>	<u>32,252</u>	<u>64,786</u>
<i>Fund Balance at Beginning of Period</i>	<u>1,244,871</u>	<u>1,244,871</u>	<u>1,244,871</u>	<u>--</u>
<i>Fund Balance at End of Period</i>	<u>\$ 1,244,871</u>	<u>\$ 1,212,337</u>	<u>\$ 1,277,123</u>	<u>\$ 64,786</u>

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, and economic development special revenue funds.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, storm sewer and garbage enterprise funds.

Fiduciary Funds:

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

The City reports the following major governmental funds:

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

The *GOIB of 2012A* accounts for the income and expenses relating to the General Obligation Taxable Tax Increment Bonds, Series 2012A.

The City reports the following major proprietary funds:

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Real property taxes may be paid in two equal installments. The first payment is due on May 15 for both non-agricultural and agricultural property and the second payment is due on October 15 for non-agricultural property and November 15 for agricultural property. Personal property taxes may be paid on May 15 and October 15. The County is the collection agent for the levy. The County provides tax settlements to cities and other taxing districts three times a year in January, June, and December. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Portions of the tax levy paid by the state in the form of market value assistance are included in intergovernmental revenue. Only that portion collected directly from property owners is reflected in tax revenue. Delinquent property taxes are deferred and recognized when received or in the hands of the collection agency in the fund financial statements since they do not constitute "available spendable resources". In the government-wide financial statements, under the accrual basis of accounting, they are recognized as revenues since they are earned. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

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, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation.

GASB No. 34 required that the City report and depreciate new infrastructure assets effective fiscal year ending December 31, 2004. Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to December 31, 2003, were not required to be capitalized by the City. These infrastructure assets are likely to be the largest asset class of the City. Neither the historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required for cities of this size. City has elected not to record infrastructure values retroactively as allowed by accounting principles generally accepted in the United States of America.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the City as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide statement of net position.

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

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

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

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

Compensated Absences

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Fund Balance Classifications

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classifications (Continued)

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

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

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2012, the unassigned fund balance of the General Fund was 73% of the subsequent year's budgeted expenditures.

Net Position Classifications

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The City of Canby has one type of item that qualifies for reporting in this category, unearned property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount is earned.

E. USE OF ESTIMATES

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

F. PRIOR YEAR 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 government wide and proprietary fund financial statements has been restated to be in conformity with the presentation required by GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The total amount of the City's prior year fund balance was restated and reduced by \$42,965 for bond cost that are now expensed under GASB Statement No. 65 rather than amortized over the life of the bond.

	Governmental	Enterprise	Total
Beginning Fund Balance	5,085,031	3,991,959	9,076,991
Adjustment for Bond Cost	<u>(13,899)</u>	<u>(29,069)</u>	<u>(42,968)</u>
New Beginning Balance	<u>5,071,132</u>	<u>3,962,891</u>	<u>9,034,023</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund.

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

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

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

Encumbrances

The City does not utilize encumbrance accounting.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

B. FUND BALANCE CLASSIFICATION

At December 31, 2012, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>GOIB of 2012A</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	24,966			24,966
Notes Receivable			163,319	163,319
Restricted for:				
John Swenson Trust	52,007	0		52,007
Assigned to:				
General	0	0	0	0
Special Revenue	0		121,200	121,200
Debt Service		206,780	480,304	687,084
Unassigned:	<u>1,200,150</u>	<u>0</u>	<u>(232,921)</u>	<u>967,229</u>
Total Fund Balances	<u>1,277,123</u>	<u>206,780</u>	<u>531,902</u>	<u>2,015,805</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had excess expenditures over appropriations:

	<u>2012</u>
Special Revenue Funds:	
TIF 1-5	4,412
TIF 1-6	291
Debt Service Funds:	
GO Fire Hall Bonds-1986	25
GO Tax Increment Bonds - 1997	961
GO Parking Lot Bond – 2011	664

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2012:

Special Revenue Funds:	
TIF District 1-6	5,176
TIF District 1-10	20,336
TIF District 1-11	3,344
TIF District 1-18	5,514
Debt Service Funds:	
GO Tax Increment Bonds - 1997	20,742
GO Improvement Bonds – 2000	5,992
GO Tax Increment Bonds - 2004	65,919

E. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

Deposits

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

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

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

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

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, and cash equivalents had a bank balance of \$3,687,933 at December 31, 2012, 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, 2012 was \$3,387,689.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2012, the City had the following investments:

<u>2012 Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$66,231	*

*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, 2012, 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, 2012, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

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

Deposits	\$3,321,459
Investments	<u>66,231</u>
Total	<u>\$3,387,690</u>

Reconciliation to Statement of Net Position:

Cash, Including Time Deposits	\$3,321,459
Investments	<u>66,231</u>
Total	<u>\$3,387,690</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

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 unearned 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 unearned revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
2012 Property Taxes & Special Assessments	\$198,086	\$0
Deferred Inflow of Resources	23,060	0
Notes Receivable	<u>183,550</u>	<u>0</u>
Total Unearned Revenue for Governmental Funds	<u>\$404,696</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 Notes Receivable from the Canby HRA is for its share of the debt of the City's GOIB 2012B. As payments are due on the bond, the HRA will remit its share to the City and the City will issue one check to the bonding company.

The following is a summary of notes receivable transactions for the year ended December 31, 2012 and 2011:

	<u>Balance</u> <u>1-1-12</u>	<u>Amount</u> <u>Advanced</u>	<u>Payments</u> <u>Received</u>	<u>Adjustments</u>	<u>Balance</u> <u>12-31-12</u>
EDA Loans	\$176,915	\$60,523	\$53,888	\$0	\$183,550
Canby HRA Loan	0	260,000	0	0	260,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

Governmental Activities:	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
Capital Assets Not Being Depreciated				
Land	327,885	0	8,854	319,031
Construction in Progress	<u>245,162</u>	<u>486,307</u>	<u>245,162</u>	<u>486,307</u>
Total Capital Assets Not Being Depreciated	<u>573,047</u>	<u>486,307</u>	<u>254,016</u>	<u>805,338</u>
Capital Assets Being Depreciated:				
Buildings	2,758,570	0	0	2,758,570
Improvements Other Than Buildings	2,904,838	343,842	0	3,248,680
Infrastructure	218,955	0	0	218,955
Machinery & Equipment	<u>1,895,706</u>	<u>87,938</u>	<u>0</u>	<u>1,983,644</u>
Total Capital Assets Being Depreciated	<u>7,778,070</u>	<u>431,780</u>	<u>0</u>	<u>8,209,850</u>
Less Accumulated Depreciation for:				
Buildings	2,136,793	34,460	0	2,171,253
Improvements Other Than Buildings	605,240	124,386	0	729,626
Infrastructure	14,597	15,917	0	30,514
Machinery & Equipment	<u>1,138,826</u>	<u>94,975</u>	<u>0</u>	<u>1,233,801</u>
Total Accumulated Depreciation	<u>3,895,456</u>	<u>269,738</u>	<u>0</u>	<u>4,165,194</u>
Total Capital Assets Being Depreciated, Net	<u>3,882,614</u>	<u>162,042</u>	<u>0</u>	<u>4,044,656</u>
Total Capital Assets	<u>4,455,661</u>	<u>648,349</u>	<u>254,016</u>	<u>4,849,994</u>
	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2012</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	126,295	0	0	126,295
Construction in Progress	<u>9,333,426</u>	<u>794,974</u>	<u>10,128,400</u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>126,295</u>	<u>0</u>	<u>0</u>	<u>126,295</u>
Capital Assets Being Depreciated:				
Projects		10,128,400	0	10,128,400
Buildings	2,078,915	0	0	2,078,915
Improvements other than Buildings	1,208,271	0	0	1,208,271
Equipment	<u>2,871,658</u>	<u>24,314</u>	<u>0</u>	<u>2,895,972</u>
Total Capital Assets Being Depreciated	<u>6,158,844</u>	<u>10,152,714</u>	<u>0</u>	<u>16,311,558</u>
Less Accumulated Depreciation for:				
Buildings	827,398	48,064	0	875,462
Improvements other than Buildings	752,391	214,103	0	966,494
Equipment	<u>1,250,300</u>	<u>79,252</u>	<u>0</u>	<u>1,329,552</u>
Total Accumulated Depreciation	<u>2,830,089</u>	<u>341,419</u>	<u>0</u>	<u>3,171,508</u>
Total Capital Assets Being Depreciated, Net	<u>3,328,755</u>	<u>9,811,295</u>	<u>0</u>	<u>13,140,049</u>
Business-Type Activity Capital Assets, Net	<u>3,455,050</u>	<u>9,811,295</u>	<u>0</u>	<u>13,266,344</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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	\$9,064
Public Safety	72,956
Public Works	29,172
Culture & Recreation	26,380
Miscellaneous	<u>132,166</u>
Total Depreciation Expense- Governmental Activities	<u>\$269,738</u>

Business-Type Activities:

Water	\$149,581
Wastewater	164,679
Storm Sewer	<u>27,159</u>
Total Depreciation Expense- Business-Type Activities	<u>\$341,419</u>

E. ACCOUNTS PAYABLE:

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

F. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2012:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

<u>2012 Issuance</u>	<u>Original Issuance</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12-31-11</u>	<u>Retired</u>	<u>Issued</u>	<u>Balance 12-31-12</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities</u>								
Bonds Payable:								
1986 Fire Hall Bonds-GMAC	165,000	01/2016	6.00%	33,000	8,000		25,000	8,000
1997 TIF Bonds-USBANK	220,000	12/2023	6.95%	120,000	10,000		110,000	10,000
2001 Improvement Bonds-USBANK	150,000	12/2016	5.30%	75,000	15,000		60,000	15,000
TIF Note, Series 2001-A-HRA Canby	35,000	08/2018	9.00%	30,000	1,000		29,000	1,000
2008 GO Fire Truck- USDA Rural Development	100,000	09/2017	4.125%	84,535	5,542		78,993	5,816
2011 GO Fire Truck- USDA Rural Development	130,000	07/2026	4.125%	130,000	6,477		123,523	6,802
2011 GO Parking Lot Bond	265,000	07/2023	3.00%	265,000			265,000	
2009 GO Refunding Bond-USBANK	375,000	03/2014	4.125% 3.00%	175,000	75,000		100,000	65,000
2012A GO Tax Increment Bond	750,000	09/2034	5.00%			750,000	750,000	
2012B GO Tax Increment Bond	75,000	0.01	5.750%			335,000	335,000	
Total Bonds Payable				<u>912,535</u>			<u>1,876,516</u>	<u>111,618</u>
Total Long-Term Liabilities Governmental Activities				<u>912,535</u>			<u>1,876,516</u>	<u>111,618</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%	821,000	111,000		710,000	113,000
2010 Drinking Water Revolving MN PFA		08/2039	1.088%	3,849,813	121,000	81,187	3,810,000	122,000
<u>Wastewater Fund</u>								
2004 GO Refunding Bonds-US Bank	540,000	01/2021	1.10%	315,000	35,000		280,000	35,000
2010 Clean Water Revolving MN PFA		08/2039	1.349%	4,122,564	142,000	693,436	4,674,000	145,000
<u>Storm Sewer Fund</u>								
2010 GO Revenue Bond- Bond Trust Services	1,280,000	02/2031	3.00%	<u>1,280,000</u>	45,000		<u>1,235,000</u>	50,000
Total Long-Term Liabilities Business-Type Activities				<u>10,388,377</u>			<u>10,709,000</u>	<u>465,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital improvements. General obligation revenue bonds have been issued for governmental activities. The bonds are direct obligations and pledge the full faith, credit and taxing power of the City.

General Tax Increment Bonds

In 1997, 2001, 2004 and 2012 the City issued taxable tax increment bonds. General obligation revenue bonds have been issued for governmental activities. These bonds are backed by the full faith, credit and taxing power of the City and are serviced by debt service funds.

Notes Payable

In 2008 and 2011 the City entered into promissory notes with USDA Rural Development for the acquisition of fire trucks. The notes provide for annual payments of \$9,073 and \$11,795 each at 4.125% for 15 years. The balance at December 31, 2012 was \$78,993 and 123,523.

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, 2012, excluding compensated absences over the life of the debt, are summarized as follows:

Governmental-Type Activities	<u>GO Bonds</u>		<u>GO Tax Increment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	88,000	21,104	11,000	60,463
2014	68,000	17,175	21,000	59,648
2015	34,000	14,020	51,000	88,258
2016	25,000	11,886	52,000	85,963
2017	10,000	10,283	52,000	83,578
2018-2022	60,000	43,275	275,000	391,908
2023-2027	75,000	28,688	280,000	350,440
2028-2032	90,000	10,800	292,000	310,805
2033-2037	0	0	175,000	124,750
2038-2042	0	0	15,000	863
Totals	<u>\$450,000</u>	<u>\$157,230</u>	<u>\$1,224,000</u>	<u>\$1,556,673</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

	Governmental Activities		Business-Type Activities	
	<u>Notes Payable</u>		<u>GO Water Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	12,618	8,250	465,000	172,053
2014	13,139	7,729	470,000	163,847
2015	13,681	7,187	476,000	155,567
2016	14,245	6,623	487,000	146,988
2017	14,833	6,035	493,000	138,242
2018-2022	83,863	20,477	1,977,000	570,232
2023-2027	50,138	3,897	1,896,000	410,786
2028-2032	0	0	1,971,000	240,493
2033-2037	0	0	1,745,000	110,046
2038-2042	<u>0</u>	<u>0</u>	<u>729,000</u>	<u>13,522</u>
Totals	<u>202,517</u>	<u>60,198</u>	<u>10,709,000</u>	<u>2,121,774</u>

G. INTERFUND TRANSACTIONS

Interfund Transfers

Transfers between funds of the primary government for the year ended December 31, 2012 were as follows:

<u>Transfers To:</u>	<u>Transfer From:</u>		
	<u>General</u>	<u>Non-Major Gov't</u>	<u>Total</u>
Major Funds:			
General Fund	\$ 0	\$0	\$0
Non-Major Gov't Funds	<u>0</u>	<u>18,275</u>	<u>18,275</u>
Total	<u>\$0</u>	<u>\$18,275</u>	<u>\$18,275</u>

All transfers between funds were for bond payments.

Reconciliation to Fund Financial Statements:	Transfers <u>In</u>	Transfers <u>Out</u>
Governmental Funds	18,275	(18,275)
Enterprise Funds	<u>0</u>	<u>(0)</u>
Total Transfers	<u>18,275</u>	<u>(18,275)</u>

Reconciliation to Statement of Activities:	Transfers <u>In</u>	Transfers <u>Out</u>	<u>Net Transfers/ Internal Activity</u>
Net Transfers for Governmental Activities			
Governmental Funds	18,275	(18,275)	(0)
Net Transfers for Business-Type Activities	0	0	0

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

Interfund Balances

At December 31, 2012, 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	\$4,581	To cover operating
Wastewater Fund	General Fund	5,007	To cover operating
TIF 1-4	Tax Inc Bond	3,031	To reimburse TIF expense
TIF 1-6	General Fund	5,259	To reimburse TIF expense
TIF 1-10	General Fund	21,000	To reimburse TIF expense
TIF 1-11	General Fund	6,804	To reimburse TIF expense
TIF 1-18	General Fund	7,991	To reimburse TIF expense
GO Tax Inc 1997	General Fund	28,790	To cover debt service
GOIB 2000	GOIB 2011	8,896	To cover debt service
GOIB 2004	General Fund	65,919	To cover debt service
GOIB 2012B	TIF-4	13,000	Capitalized interest, bond discount, accrued interest
GOIB 2012B	Other entity	84,502	Capitalized interest, bond discount, accrued interest
		<u>\$254,780</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4. OTHER INFORMATION

A. RISK MANAGEMENT

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

As of December 31, 2012, 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, 2012

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, 2012

NOTE 4. OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

1. Plan Description (continued)

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4. OTHER INFORMATION (Continued)

C. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued)

2. Defined Benefit Pension Plans – Statewide

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

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

3. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25% of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. PECF members are required to contribute 5.83% of their annual covered salary. In 2012, 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, 2012, 2011, and 2010 were \$22,440, \$21,913, and \$19,888. The City's contributions to the Public Employees Police and Fire Fund or the Public Employees Correctional Fund for the years ending December 31, 2012, 2011 and 2010 were \$13,649, \$13,266, and \$12,642. 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, 2012

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 2012, the City of Canby received \$77,432 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 –	11,308
Current tax capacity –	22,968
Captured tax capacity –	11,660
Retained by authority –	11,660
Shared with other authorities –	-0-
Total bonds issued -	146,587
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 –	1,364
Captured tax capacity –	1,318
Retained by authority –	1,318
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 –	1,638
Captured tax capacity –	1,407
Retained by authority –	1,407
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-16 County (TIF 1-10)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2001	
Duration – not to exceed twenty-five (25) years of increment	
Original tax capacity –	55
Current tax capacity –	2,755
Captured tax capacity –	2,700
Retained by authority –	2,700
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred - 25,000	

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

Type of district – Redevelopment/John Lair Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	149
Current tax capacity –	1,350
Captured tax capacity –	1,201
Retained by authority –	1,201
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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	177
Current tax capacity –	1,646
Captured tax capacity –	1,469
Retained by authority –	1,469
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	20,000

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

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	95
Current tax capacity –	1,598
Captured tax capacity –	1,503
Retained by authority –	1,503
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Type of district – Redevelopment/Janiszeski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	57
Current tax capacity –	1,435
Captured tax capacity –	1,378
Retained by authority –	1,378
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 OTHER INFORMATION (Continued)

E. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

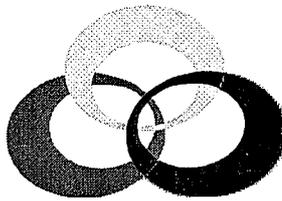
Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2004	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	348
Current tax capacity –	3,641
Captured tax capacity –	3,293
Retained by authority –	3,293
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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 –	1,565
Captured tax capacity –	1,445
Retained by authority –	1,445
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-28 County (TIF 1-21)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2006	
Duration – not to exceed twenty-five (25) years of increment-2031	
Original tax capacity –	355
Current tax capacity –	801
Captured tax capacity –	446
Retained by authority –	446
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-



Kinner & Company Ltd
Certified Public Accountants

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

Honorable Mayor and Members of the Council
City of Canby
Canby, Minnesota 56220

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Canby, Minnesota's basic financial statements and have issued our report thereon dated May 24, 2013.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 2012-2 and 2012-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2012-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canby, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

Purpose of Report

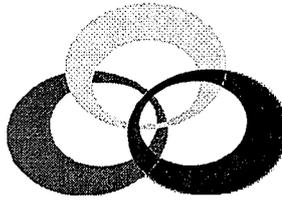
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of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



Kinner & Company Ltd
Certified Public Accountants

May 24, 2013

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Kinner & Company Ltd
Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Canby, Minnesota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Canby, Minnesota's major federal programs for the year ended December 31, 2012. The City of Canby, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Canby, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

Kinner & Company Ltd

Kinner & Company, Ltd
Certified Public Accountants

May 24, 2013

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CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012

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? No

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: unmodified

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

Major Programs:

66.468 Drinking Water State Revolving Fund

66.458 Clean Water State Revolving Fund

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

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

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

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

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

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, 2012

2012-2 Finding: Year end closing procedures

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

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 position 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.

2012-3 Finding: Financial Statement Preparation

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

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, 2012**

**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, 2012

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.

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 2012-1.

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.

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 2012-2.

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.

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 2012-3.

**CITY OF CANBY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

**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, 2012

Federal Grantor/Pass Through Grantor and Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S Department of Agriculture-Rural Development Community Facility Grant	10.780		<u>18,000.00</u>
Total U.S. Department of Agriculture			<u>18,000.00</u>
U.S. Department of Urban Development Community Development Block Grant	14.228	CDAP-11-0041-0-FY12	<u>\$ 171,187.00</u>
Total U.S Department of Urban Development			<u>171,187.00</u>
U.S. Department of Transportation: Airport Improvement Program	20.106	3-27-0144-08-10	2,469.73
Airport Improvement Program	20.106	3-27-0144-09-11	<u>\$ 45,129.00</u>
Total U.S Department of Transportation			<u>47,598.73</u>
U.S. Environmental Protection Agency: Drinking Water State Revolving Fund	66.468		\$ 81,187.35
Clean Water State Revolving Fund	66.458		<u>693,435.75</u>
Total U.S. Environmental Protection Agency			<u>774,623.10</u>
Grand Total			<u><u>\$ 1,011,408.83</u></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.

City of Canby
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Canby HRA	Duplex	Apartment Projects	TIF 1-1	TIF 1-2	TIF 1-3	Other Fiduciary Funds	Total Fiduciary Funds
ASSETS								
Cash	\$ 26,061	\$ 76,997	\$ 61,683	\$ --	\$ --	\$ --	\$ 1,385	\$ 166,126
Investments	578	40,381	96,372	--	--	--	41,613	178,944
Accounts Receivable	--	--	808	--	--	--	--	808
Grant Receivable	5,940	--	--	--	--	--	--	5,940
Notes Receivable - Due after one year	30,542	--	--	--	--	--	--	30,542
Prepaid Insurance	142	28	1,638	--	--	--	1,181	2,989
Taxes Receivable	--	--	--	257	--	--	--	257
Due from Other Entity	--	--	--	--	39,741	44,761	--	84,502
Due from Other Funds	84,090	--	189,778	--	58,858	17,705	--	350,431
<i>Total Assets</i>	<u>147,353</u>	<u>117,406</u>	<u>350,279</u>	<u>257</u>	<u>98,599</u>	<u>62,466</u>	<u>44,179</u>	<u>820,539</u>
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 147,353</u>	<u>\$ 117,406</u>	<u>\$ 350,279</u>	<u>\$ 257</u>	<u>\$ 98,599</u>	<u>\$ 62,466</u>	<u>\$ 44,179</u>	<u>\$ 820,539</u>
LIABILITIES								
Accounts Payable	\$ 5,941	\$ --	\$ 31	\$ --	\$ --	\$ --	\$ --	\$ 5,972
Security Deposit Payable	--	482	2,979	--	--	--	2,191	5,652
Unearned Revenue	30,543	--	17,390	--	--	--	--	47,933
Current due to other funds	266,341	--	--	79,564	--	--	4,526	350,431
Note Payable - Due after one year	--	--	--	--	135,000	125,000	--	260,000
<i>Total Liabilities</i>	<u>302,825</u>	<u>482</u>	<u>20,400</u>	<u>79,564</u>	<u>135,000</u>	<u>125,000</u>	<u>6,717</u>	<u>669,988</u>
DEFERRED INFLOWS OF RESOURCES								
Aggregated deferred inflows	--	--	--	10	--	--	--	10
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>302,825</u>	<u>482</u>	<u>20,400</u>	<u>79,574</u>	<u>135,000</u>	<u>125,000</u>	<u>6,717</u>	<u>669,998</u>
FUND BALANCE								
Nonspendable	68,673	28	10,602	--	--	--	1,181	80,484
Restricted	5,940	--	--	--	--	--	--	5,940
Assigned	--	116,896	319,277	--	--	--	40,807	476,980
Unassigned	(230,085)	--	--	(79,317)	(36,401)	(62,534)	(4,526)	(412,863)
<i>Total Fund Balance</i>	<u>(155,472)</u>	<u>116,924</u>	<u>329,879</u>	<u>(79,317)</u>	<u>(36,401)</u>	<u>(62,534)</u>	<u>37,462</u>	<u>150,541</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 147,353</u>	<u>\$ 117,406</u>	<u>\$ 350,279</u>	<u>\$ 257</u>	<u>\$ 98,599</u>	<u>\$ 62,466</u>	<u>\$ 44,179</u>	<u>\$ 820,539</u>

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

City of Canby
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	General	Duplex	Apartment Projects	TIF 1-1	TIF 1-2	TIF 1-3	Other Fiduciary Funds	Total Fiduciary Funds
Revenues								
Grant Share Agreement Revenue	\$ 30,978	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 30,978
Grant Loan Income	158,538	--	--	--	--	--	--	158,538
Program Income	2,583	--	7,964	--	--	--	--	10,547
Revenue Note Reimbursement	2,700	--	8,964	--	--	--	--	11,664
Rent Income	--	9,600	53,900	--	--	--	26,023	89,523
Laundry Income	--	--	1,531	--	--	--	--	1,531
Property Tax	--	--	--	494	--	--	--	494
Miscellaneous Income	1,874	--	1,192	--	--	--	868	3,934
Interest Income	437	228	2,042	--	--	--	134	2,841
Total Revenues	197,110	9,828	75,593	494	--	--	27,025	310,050
Expenditures								
Interest Expense	--	--	459	1,591	4,561	10,451	1,521	1,521
General and Administrative	98	338	4,603	--	--	--	608	17,768
Insurance	505	1,140	1,487	--	--	1,140	3,302	8,748
Professional Fees	16,664	--	14,881	--	--	--	5,069	25,500
Utilities	--	--	--	--	--	--	1,026	15,907
Housing Initiatives	(200)	--	--	--	--	42,311	--	(200)
Demolition/Acquisition	377	--	--	953	5,808	8,633	--	42,688
Redevelopment	--	--	--	--	--	--	--	15,394
Small Cities Grant Program Expenses	201,271	111	270	--	--	--	--	201,271
Supplies	102	1,963	14,305	--	--	--	109	592
Repairs and Maintenance	2,387	--	4,560	--	--	--	7,579	26,234
Capital Outlay	--	480	3,335	--	--	--	6,100	10,660
Taxes	--	--	--	--	--	--	1,320	5,135
Total Expenditures	221,204	4,032	43,900	2,544	10,369	62,535	26,634	371,218
Excess of Revenues Over (Under) Expenditures	(24,094)	5,796	31,693	(2,050)	(10,369)	(62,535)	391	(61,168)
Other Financing Sources (Uses)								
Gain (Loss) on Assets	1	--	--	--	--	--	--	1
Transfers from other funds	--	--	--	--	--	--	--	--
Loan Repayment	--	--	--	--	--	--	(7,964)	(7,964)
Transfers to other funds	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	1	--	--	--	--	--	(7,964)	(7,963)
Net Change in Fund Balance	(24,093)	5,796	31,693	(2,050)	(10,369)	(62,535)	(7,573)	(69,131)
Fund Balance at Beginning of Period	(131,379)	111,128	298,186	(77,267)	(26,032)	1	45,035	219,672
Fund Balance at End of Period	\$ (155,472)	\$ 116,924	\$ 329,879	\$ (79,317)	\$ (36,401)	\$ (62,534)	\$ 37,462	\$ 150,541

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

City of Canby
 Combining Balance Sheet
 Nonmajor Governmental Special Revenue Funds
 December 31, 2012

	Special Revenue											Total Special Revenue				
	EDA	TIF 1-2	TIF 1-4	TIF 1-5	TIF 1-6	TIF 1-7	TIF 1-8	TIF 1-9	TIF 1-10	TIF 1-11	TIF 1-12		TIF 1-14	TIF 1-15	TIF 1-18	TIF 1-19
ASSETS																
Cash and cash equivalents	\$ 57,021	\$ -	\$ 92,443	\$ 2,863	\$ 83	\$ 5,509	\$ 1,713	\$ 1,919	\$ 664	\$ 3,460	\$ 981	\$ 2,080	\$ 1,757	\$ 2,477	\$ 1,966	
Investments	-	-	-	-	-	-	-	-	-	-	1,053	-	-	-	-	
Taxes Receivable	-	-	306	-	-	-	-	-	-	-	-	-	-	-	-	
Delinquent Taxes Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special Assessments Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Notes Receivable Current	20,231	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Notes receivable - Non Current	163,319	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due from other funds	-	-	13,000	-	-	-	-	-	-	-	-	-	-	-	-	
Total Assets	240,971		105,749	2,863	83	5,509	1,713	1,919	664	3,460	2,034	2,080	1,757	2,477	1,966	373,245
DEFERRED OUTFLOWS OF RESOURCES																
Aggregated deferred outflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Assets and Deferred Outflows of Resources	\$ 240,971		\$ 105,749	\$ 2,863	\$ 83	\$ 5,509	\$ 1,713	\$ 1,919	\$ 664	\$ 3,460	\$ 2,034	\$ 2,080	\$ 1,757	\$ 2,477	\$ 1,966	\$ 373,245
LIABILITIES																
Due to Other Entity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Unearned Revenue	181,550	-	306	-	-	-	-	-	-	-	1,053	-	-	-	-	
Due to other funds	-	-	3,021	-	5,259	-	-	-	21,000	6,804	-	-	-	7,991	-	
Total Liabilities	181,550		3,337		5,259				21,000	6,804	1,053			7,991		228,994
DEFERRED INFLOWS OF RESOURCES																
Aggregated deferred inflows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities and Deferred Inflows of Resources	181,550		3,337		5,259				21,000	6,804	1,053			7,991		228,994
FUND BALANCE																
Nonspendable	163,319	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Assigned	-	-	102,412	2,863	(5,176)	-	1,713	1,919	(20,336)	(3,344)	981	2,080	1,757	(5,514)	1,966	
Unassigned	(105,898)	-	-	-	-	-	-	-	(20,336)	(3,344)	-	-	-	(5,514)	-	
Total Fund Balance	57,421		102,412	2,863	(5,176)		1,713	1,919	(20,336)	(3,344)	981	2,080	1,757	(5,514)	1,966	144,251
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 240,971		\$ 105,749	\$ 2,863	\$ 83	\$ 5,509	\$ 1,713	\$ 1,919	\$ 664	\$ 3,460	\$ 2,034	\$ 2,080	\$ 1,757	\$ 2,477	\$ 1,966	\$ 373,245

City of Canby
 Combining Balance Sheet
 Nonmajor Governmental Debt Service Funds
 December 31, 2012

	Debt Service									
	GOIB of 2004	Fire Hall Bond	GOIB of 2001	GOIB of 2000	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Incr Bond 1997	2009 Impr Bond	Total Debt Service
ASSETS										
Cash and cash equivalents	\$	380	\$ 13,990	\$ 2,904	\$ 94,002	\$ 183	\$ 60,522	\$ 5,017	\$ 70,913	247,911
Investments	--	21,986	21,351	--	--	21,371	--	--	--	64,708
Taxes Receivable	--	500	1,002	--	--	--	--	--	4,209	5,711
Delinquent Taxes Receivable	--	227	356	136	--	53	--	--	1,751	2,523
Special Assessments Receivable	--	--	9,298	7,964	--	--	159,606	--	8,220	185,088
Notes Receivable Current	--	--	--	--	--	--	--	--	--	--
Notes receivable - Non Current	--	--	--	--	260,000	--	--	--	--	260,000
Due from other funds	--	--	--	--	--	--	8,896	3,031	--	11,927
Total Assets		23,093	45,997	11,004	354,002	21,607	229,024	8,048	85,093	777,868
DEFERRED OUTFLOWS OF RESOURCES										
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources		\$ 23,093	\$ 45,997	\$ 11,004	\$ 354,002	\$ 21,607	\$ 229,024	\$ 8,048	\$ 85,093	777,868
LIABILITIES										
Due to Other Entity	\$	--	\$ 9,760	\$ 7,964	\$ 84,502	\$ --	\$ --	\$ --	\$ 11,046	84,502
Unearned Revenue	--	--	--	8,896	13,000	--	159,606	--	--	188,376
Due to other funds	65,919	--	--	--	--	--	--	28,790	--	116,605
Total Liabilities	65,919	--	9,760	16,860	97,502	--	159,606	28,790	11,046	389,483
DEFERRED INFLOWS OF RESOURCES										
Aggregated deferred inflows	--	545	--	136	--	53	--	--	--	734
Total Liabilities and Deferred Inflows of Resources	65,919	545	9,760	16,996	97,502	53	159,606	28,790	11,046	390,217
FUND BALANCE										
Nonspendable	--	--	--	--	--	--	--	--	--	--
Assigned	(65,919)	22,548	36,237	--	256,500	21,554	69,418	--	74,047	414,385
Unassigned	--	22,548	36,237	(5,992)	256,500	21,554	69,418	(20,742)	--	(26,734)
Total Fund Balance	(65,919)	22,548	36,237	(5,992)	256,500	21,554	69,418	(20,742)	74,047	387,651
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ --	\$ 23,093	\$ 45,997	\$ 11,004	\$ 354,002	\$ 21,607	\$ 229,024	\$ 8,048	\$ 85,093	777,868

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

City of Canby
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2012

	Special Revenue														Total Special Revenue	
	EDA	TIF 1-2	TIF 1-4	TIF 1-5	TIF 1-6	TIF 1-7	TIF 1-8	TIF 1-9	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-15	TIF 1-18		TIF 1-19
Revenues																
Interest revenue	\$ 4,284	\$ 24	\$ 51,128	\$ 1,672	\$ 156	\$ 2,667	\$ 1,869	\$ 2,075	\$ 2,075	\$ 2,109	\$ 1,137	\$ 2,237	\$ 1,913	\$ 4,923	\$ 2,122	\$ 4,311
Property Taxes	2,887	51,128			2,366	2,667	1,869	2,075		2,108	1,137	2,237	1,913	4,923	2,122	77,432
Special Assessments																
Loan Income	53,888															53,888
Miscellaneous	6,341															6,341
Total Revenues	64,212	2,887	51,152	1,672	2,566	2,668	1,869	2,075	2,075	2,109	1,137	2,237	1,913	4,923	2,122	141,972
Expenditures																
Miscellaneous	36,321	156	1,672	1,720	156	156	156	156		156	156	156	156	156	156	5,108
Depreciation-Unallocated			4,307													36,321
Capital outlay																4,307
Interest and Charges on LT Debt		2,731												2,700		5,431
Debt - principal		2,887	5,279	1,720	156	156	156	156		156	156	156		3,856		1,000
Total Expenditures	36,321	2,887	5,279	1,720	156	156	156	156	156	156	156	156	156	3,856	156	52,167
Excess of Revenues Over (Under) Expenditures	28,192	--	45,173	-1,719	2,210	2,512	1,713	1,919	--	1,953	981	2,081	1,757	1,067	1,966	89,805
Other Financing Sources (Uses)																
Proceeds from loans			75,000													75,000
Transfers from other funds			(1,856)													(1,856)
Bond Discount/Issue Cost			(13,081)													(13,081)
Transfers to other funds			60,063	(2,693)	(2,501)											54,869
Net Other Financing Sources (Uses)	28,192	--	105,236	(4,412)	(291)	2,512	1,713	1,919	--	1,953	981	2,081	1,757	1,067	1,966	144,674
Net Change in Fund Balance	29,229	--	(2,824)	7,275	(4,885)	2,997	1,713	(20,336)	(3,297)	(3,297)	(1)	(1)	(1)	(6,581)	--	(493)
Fund Balance at Beginning of Period	\$ 57,421	\$ --	\$ 102,412	\$ 2,863	\$ (5,176)	\$ 5,509	\$ 1,713	\$ 1,919	\$ (20,336)	\$ (3,244)	\$ 981	\$ 2,080	\$ 1,757	\$ (6,581)	\$ 1,966	\$ 144,251
Fund Balance at End of Period																

City of Canby
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
 Nonmajor Governmental Debt Service Funds
 For the Year Ended December 31, 2012

	Debt Service									
	GOIB of 2004	Fire Hall Bond	GOIB of 2001	GOIB of 2000	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Incr Bond 1997	2009 Impr Bond	Total Debt Service
Revenues										
Interest revenue	\$ --	\$ 4	\$ 869	\$ 688	\$ 2	\$ 4	\$ 10,220	\$ --	\$ 1,060	12,847
Property Taxes	--	9,951	19,890	--	--	--	--	--	83,378	113,219
Special Assessments	--	--	1,991	1,582	--	--	13,790	--	3,685	21,048
Loan Income	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	--	--	--
Total Revenues	--	9,955	22,750	2,270	2	4	24,010	--	88,123	147,114
Expenditures										
Miscellaneous	--	--	--	--	--	--	--	--	--	--
Depreciation-Unallocated	--	--	--	--	--	--	--	--	--	--
Capital outlay	--	--	--	--	--	--	13,384	--	--	13,384
Interest and Charges on LT Debt	--	9,980	4,551	12	--	--	11,290	9,236	5,318	40,387
Debt - principal	--	--	15,000	--	--	--	--	10,000	75,000	100,000
Total Expenditures	--	9,980	19,551	12	--	--	24,674	19,236	80,318	153,771
Excess of Revenues Over (Under) Expenditures	--	(25)	3,199	2,258	2	4	(664)	(19,236)	7,805	(6,657)
Other Financing Sources (Uses)										
Proceeds from loans	--	--	--	--	260,000	--	--	--	--	260,000
Transfers from other funds	--	--	--	--	--	--	--	18,275	--	18,275
Bond Discount/Issue Cost	--	--	--	--	(3,502)	--	--	--	--	(3,502)
Transfers to other funds	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	(25)	3,199	2,258	256,498	4	(664)	18,275	7,805	274,773
Net Change in Fund Balance	--	(65,919)	33,038	(8,250)	256,500	21,550	70,082	(19,781)	66,242	119,535
Fund Balance at Beginning of Period	\$ (65,919)	\$ 22,573	\$ 36,237	\$ (5,992)	\$ 256,500	\$ 21,554	\$ 69,418	\$ (20,742)	\$ 74,047	\$ 387,651
Fund Balance at End of Period	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

City of Canby
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2012

	Enterprise	
	Solid Waste	Total Enterprise Funds
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 86,522	\$ 86,522
Investments	283	283
Accounts Receivable	12,529	12,529
Total Current Assets	99,334	99,334
<i>Noncurrent Assets</i>		
Non-depreciable	25,116	25,116
Total Assets	124,450	124,450
DEFERRED OUTFLOWS OF RESOURCES		
Aggregated deferred outflows	--	--
Total Deferred Outflows of Resources	--	--
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	3,062	3,062
Accrued wages and benefits	1,713	1,713
Total Current Liabilities	4,775	4,775
<i>Noncurrent Liabilities</i>		
Total Liabilities	4,775	4,775
DEFERRED INFLOWS OF RESOURCES		
Aggregated deferred inflows	--	--
Total Deferred Inflows of Resources	--	--
NET POSITION		
Net Investment in Capital Assets	25,116	25,116
<i>Unrestricted</i>	94,559	94,559
Total Net Position	\$ 119,675	\$ 119,675

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

City of Canby
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2012

	<u>Enterprise</u>	
	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
Operating Revenues		
Charges for Services	\$ 137,314	\$ 137,314
Total Operating Revenues	<u>137,314</u>	<u>137,314</u>
Operating Expenses		
Labor	13,970	13,970
Employee Benefits	4,853	4,853
Supplies	2,567	2,567
Auditing	1,300	1,300
Miscellaneous	888	888
Contracted Services	63,688	63,688
Tipping Expenses	16,925	16,925
Dues and License	1,271	1,271
Construction	6,555	6,555
Legal & Professional	27,625	27,625
Assessment	1,650	1,650
Total Operating Expenses	<u>141,292</u>	<u>141,292</u>
Operating Income (Loss)	<u>(3,978)</u>	<u>(3,978)</u>
Non-Operating Revenues (Expenses)		
Interest revenue	116	116
Sales Tax Expense	(9,663)	(9,663)
Net Non-Operating Revenues (Expenses)	<u>(9,547)</u>	<u>(9,547)</u>
Income Before Contributions and Transfers	<u>(13,525)</u>	<u>(13,525)</u>
Transfers from other funds	--	--
Transfers to other funds	--	--
Change In Net Position	<u>(13,525)</u>	<u>(13,525)</u>
Net Position at Beginning of Period	<u>133,200</u>	<u>133,200</u>
Net Position at End of Period	<u>\$ 119,675</u>	<u>\$ 119,675</u>

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