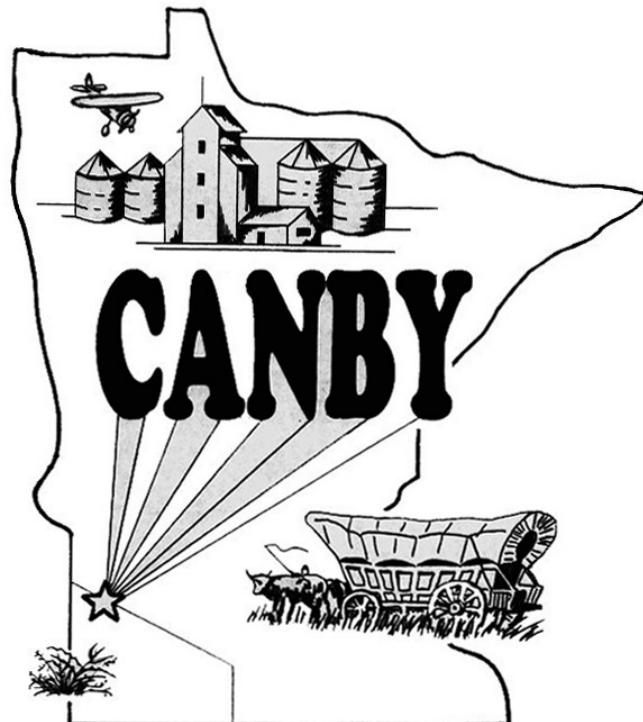
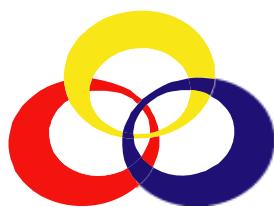


**City of Canby
Audit Report
For the Year Ended
December 31, 2019**



GATEWAY TO THE PRAIRIE



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

City of Canby

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INTRODUCTORY SECTION

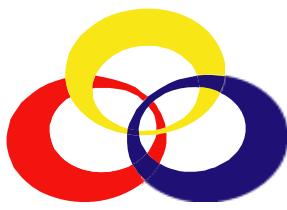
**CITY OF CANBY
CANBY, MINNESOTA**

ELECTED AND APPOINTED OFFICIALS

<u>ELECTED OFFICIALS</u>	<u>POSITION</u>
Nancy Bormann	Mayor
Eugene Bies	Council Member
Ryan Feiock	Council Member (through July 2, 2019)
Casey Namken	Council Member (Aug-Dec 2019)
Denise Hanson	Council Member
Frank Maas	Council Member

CITY ADMINISTRATOR

Rebecca Schrupp



Kinner & Company Ltd Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Canby
Canby, Minnesota 56220

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining non-major fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining non-major fund information of the City of Canby, Minnesota as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canby's basic financial statements. The introductory section, combining nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020, on our consideration of the City of Canby's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canby's internal control over financial reporting and compliance.

Kinner & Company Ltd.

Kinner & Company Ltd
Certified Public Accountants

June 17, 2020

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CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

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, 2019 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, deferred outflows, liabilities and deferred inflows. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary Funds

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, 2019 AND 2018

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 \$18,593,846 and \$15,675,708 at the close of fiscal years 2019 and 2018.

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

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

Governmental activities

The City's governmental activities net position decreased by \$485,718 in 2019 and it increased by \$213,622 in 2018.

Table 1

Net Position

	Governmental Activities		Business-Type Activities	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	4,125,026	4,046,811	7,974,641	6,567,305
Capital assets	7,291,842	7,450,975	28,951,131	23,031,947
Total assets	<u>11,416,868</u>	<u>11,497,786</u>	<u>36,925,772</u>	<u>29,599,252</u>
Deferred Outflows of Resources	231,133	337,144	21,762	44,773
Long-term liabilities outstanding	5,337,639	4,821,831	22,896,995	19,064,207
Other liabilities	403,050	430,711	1,019,628	921,360
Total liabilities	<u>5,740,689</u>	<u>5,252,542</u>	<u>23,916,623</u>	<u>19,985,567</u>
Deferred Inflows of Resources	314,001	503,358	30,376	61,780
Net Position				
Net investment in capital assets	2,556,042	3,242,058	5,525,557	4,493,092
Restricted	2,546,072	2,165,412	0	0
Unrestricted	491,197	671,559	7,474,978	5,103,584
Total Net Position	<u>5,593,311</u>	<u>6,079,029</u>	<u>13,000,535</u>	<u>9,596,676</u>

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

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2019
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>Total</u>
Revenues					
Program Revenues					
Charges for services	196,026	223,640	1,008,429	1,016,264	1,204,455
Operating grants and contributions	112,699	46,096	0	3,011	112,699
Capital grants and contributions	290,367	591,487	1,787,924	681,940	2,078,291
General Revenues					
Property taxes	757,353	692,202	280,229	277,514	1,037,582
Special Assessments	480	3,952	2,288,287	0	2,288,767
Intergovernmental Revenue	719,328	736,136	0	4,435	719,328
Fines and Forfeits	2,659	3,866	0	0	2,659
Licenses and Permits	2,656	2,790	0	0	2,656
Gain on asset	15,500	20,250	0	0	15,500
Unrestricted Investment Earnings	61,611	63,752	97,327	103,186	158,938
Miscellaneous	<u>44,826</u>	<u>129,615</u>	<u>17,554</u>	<u>21,288</u>	<u>62,380</u>
Total Revenues	<u>2,203,505</u>	<u>2,513,786</u>	<u>5,479,750</u>	<u>2,107,638</u>	<u>7,683,255</u>
Expenses					
Governmental activities	2,689,223	2,300,164			2,689,223
Business-type activities			<u>2,075,891</u>	<u>1,771,517</u>	<u>2,075,891</u>
Total Expenses	<u>2,689,223</u>	<u>2,300,164</u>	<u>2,075,891</u>	<u>1,771,517</u>	<u>4,765,114</u>
Transfers In (Out)	0	0	0	0	0
Increase (Decrease) in net position	(485,718)	213,622	3,403,859	336,121	2,918,141
Net position, January 1	<u>6,079,029</u>	<u>5,865,407</u>	<u>9,596,676</u>	<u>9,260,555</u>	<u>15,675,705</u>
Net position, December 31	<u>5,593,311</u>	<u>6,079,029</u>	<u>13,000,535</u>	<u>9,596,676</u>	<u>18,593,846</u>

The City's total net position increased by \$2,918,141 in 2019 and increased by \$549,743 in 2018. The increase was due to the large amount of grant dollars received from the State of MN for various projects in the water, wastewater and storm sewer funds.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

Business-type activities

Business-type activities increased the City's net position by \$3,403,859 in 2019 and increased by \$336,121 in 2018 , accounting for 100 percent of the city's total increase in 2019 and 61 percent of the increase in 2018.

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, unassigned 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 2019 and 2018, the City's governmental funds reported ending balances of \$3,406,219 and \$2,973,311. Twenty five and twenty seven percent of the total amount of \$860,147 and \$807,897 constitutes unassigned 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 Funds

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

Total Net Position in the proprietary funds increased by \$3,403,859.

The Storm Sewer net position increased by \$157,334 in 2019 and decreased \$110,092 in 2018.

Wastewater net position increased by \$1,197,624 in 2019 and increased by \$47,989 in 2018.

Water net position increased by \$2,075,090 in 2019 and increased by \$416,489 in 2018.

Solid Waste net position decreased by \$26,189 in 2019 and decreased by \$18,274 in 2018.

The decreases are mainly due to operating deficits due to depreciation and debt service and the increases are mainly due to the infrastructure project funding.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018 amounts to \$36,242,973 and \$30,482,922 (net of accumulated depreciation). The increase is mainly due to new infrastructure projects. The investment in capital assets includes land, buildings, system improvements, machinery, equipment and park facilities.

More detailed information about the City's capital assets is presented in Note 1 and Note 3.

Long-Term Debt

During 2019, the City issued new debt for TIF's and the infrastructure project and retired \$963,646 of debt. At the end of 2019 and 2018, the City had total bonded debt outstanding of \$28,071,340 and \$23,911,652.

2019 General Fund Budget Variances to Actual

Total general fund budgeted revenues for 2019, including the transfer in, is \$1,500,631. The actual revenues for 2019, including transfer in, is \$1,837,945. The revenues were over budget by \$337,314. The majority of the variance is due to the YMC airport road grant, other small grants and insurance reimbursements not being included in the budget.

Total general fund budgeted expenses for 2019, including the transfer out, was \$1,872,508. The actual expenses for 2019 were \$1,946,626. The expenses were over budget by \$74,118. The city underbudgeted equipment and improvement, repair and maintenance and insurance accounts to cause this budget variance.

Economic Factor and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2019. Overall budget amounts for 2020 will be re-evaluated to make sure the revenues and expenses are consistent with the budget and operations.

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

BASIC FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

Fund Financial Statements:

 Governmental Funds

 Proprietary (Enterprise) Funds

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

City of Canby
Statement of Net Position
December 31, 2019

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit
				Canby HRA
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 2,274,941	\$ 2,579,922	\$ 4,854,863	\$ 399,812
Investments	--	1,586	1,586	
Taxes Receivable	16,215	9,662	25,877	39
Delinquent Taxes Receivable	20,379	9,269	29,648	124
Due from Other Governments	50,194	--	50,194	
Due from Primary Government				17,818
Due from Component Unit- Current	47,754	--	47,754	
Special Assessments Receivable	1,074	34,986	36,060	
Accounts Receivable	9,025	93,444	102,469	
Notes Receivable- Current	16,399	--	16,399	10,568
Prepaid and Other Assets	29,669	16,784	46,453	2,579
Inventory	21,974	--	21,974	
Total Current Assets	2,487,624	2,745,653	5,233,277	430,940
<i>Noncurrent Assets</i>				
Special Assessments - Deferred	84,919	5,228,988	5,313,907	
Non-Depreciable	697,878	126,296	824,174	144,753
Depreciable, Net	6,593,964	28,824,835	35,418,799	570,390
Due from Component Unit- Non Current	1,056,828	--	1,056,828	
Notes Receivable - Non Current	92,987	--	92,987	46,169
Net Pension Asset	150,922	--	150,922	
<i>Internal Balances*</i>	251,746	--	--	
Total Assets	11,416,868	36,925,772	48,242,640	1,192,252
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	231,133	21,762	252,895	-
Total Deferred Outflows of Resources	231,133	21,762	252,895	-
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	100,046	62,128	162,174	9,142
Lease Liability-Current	42,441	--	42,441	
LT Debt -Current	242,745	957,500	1,200,245	
Due to Component Unit	17,818	--	17,818	
Unearned Revenue				38,738
Due to Primary Government- Current				47,754
Total Current Liabilities	403,050	1,019,628	1,422,678	95,634
<i>Noncurrent Liabilities</i>				
Lease Liability-Non Current	89,157	--	89,157	
Compensated Absences	76,227	29,027	105,254	
Net Pension Liability	341,280	145,020	486,300	
Retainage Payable	--	431,989	431,989	
LT Debt - Non Current	4,608,555	22,261,633	26,870,188	
Due to Primary Government- Non Current				1,056,828
<i>Internal Balances*</i>	222,420	29,326	--	
Total Liabilities	5,740,689	23,916,623	29,405,566	1,152,462
DEFERRED INFLOWS OF RESOURCES				
Pension Related	314,001	30,376	344,377	-
Total Deferred Inflows of Resources	314,001	30,376	344,377	-
NET POSITION				
Net Investment in Capital Assets	2,556,042	5,525,557	8,081,599	715,143
Restricted	2,546,072	--	2,546,072	
Unrestricted	491,197	7,474,978	7,966,175	(675,353)
Total Net Position	\$ 5,593,311	\$ 13,000,535	\$ 18,593,846	\$ 39,790

* Amounts have been eliminated in the 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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Canby HRA Component Unit					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government								
					Governmental Activities	Business-type Activities	Total						
Primary Government													
Governmental Activities:													
General Government and Administration	\$ 542,599	\$ 10,341	\$ --	\$ 66,577	\$ (465,681)	\$ --	\$ (465,681)						
Public Safety	423,437	33,877	77,265	--	(312,295)	--	(312,295)						
Public Works	462,900	16,368	--	--	(446,532)	--	(446,532)						
Culture and Recreation	352,753	42,510	--	--	(310,243)	--	(310,243)						
Economic Development	28,161	--	5,980	--	(22,181)	--	(22,181)						
Miscellaneous	523,345	--	29,454	--	(493,891)	--	(493,891)						
Interest and Other Charges	184,924	--	--	--	(184,924)	--	(184,924)						
Bond Issuance Costs	23,449	--	--	--	(23,449)	--	(23,449)						
Airport	147,655	92,930	--	223,790	169,065	--	169,065						
Total Governmental Activities	2,689,223	196,026	112,699	290,367	(2,090,131)	--	(2,090,131)						
Business-type Activities:													
Solid Waste	150,588	124,365	--	--	--	(26,223)	(26,223)						
Storm Sewer	289,975	146,406	--	--	--	(143,569)	(143,569)						
Wastewater	795,631	307,457	--	556,021	--	67,847	67,847						
Water	739,697	430,201	--	1,231,903	--	822,407	822,407						
Total Business-type Activities	2,075,891	1,008,429	0	1,787,924	--	720,462	720,462						
Total Primary Government	\$ 4,765,114	\$ 1,204,455	\$ 112,699	\$ 2,078,291	\$ (2,090,131)	\$ 720,462	\$ (1,369,669)						
Component Unit													
Canby HRA	295,318	98,166	--	--	--	--	(197,152)						
General Purpose Revenues and Transfers:													
Revenues													
Interest Income				61,611	97,327	158,938	3,887						
Miscellaneous				25,894	--	25,894	54,789						
Property Taxes				757,353	280,229	1,037,582	74,667						
Special Assessments				480	2,288,287	480							
License and Permits				2,656	--	2,656							
Intergovernmental Revenues				719,328	--	719,328							
Fines and Forfeits				2,659	--	2,659							
Refunds and Reimbursements				1,853	8,146	9,999							
Rental Income				--	9,408	9,408							
Donations				17,079	--	17,079							
Gain (Loss) on Sale of Assets				15,500	--	15,500	(44,712)						
Total General Revenues and Transfers	1,604,413	2,683,397	--	1,999,523	--	88,631							
Change in Net Position	(485,718)	3,403,859	--	2,903,141	--	(108,521)							
Net Position at Beginning of Period	6,079,029	9,596,676	--	15,675,705	--	148,311							
Net Position at End of Period	\$ 5,593,311	\$ 13,000,535	\$ 18,578,846	\$ 39,790	\$ 18,578,846	\$ 39,790							

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

**City of Canby
Balance Sheet
Governmental Funds
December 31, 2019**

	Debt Service			
	General	TIF 1-26	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 940,647	\$ 167,969	\$ 1,166,325	\$ 2,274,941
Taxes Receivable	13,767	--	2,448	16,215
Delinquent Taxes Receivable	17,896	--	2,483	20,379
Due from Other Governments	50,194	--	--	50,194
Due from Component Unit- Current	--	--	47,754	47,754
Special Assessments Receivable	300	--	774	1,074
Accounts Receivable	7,242	--	1,783	9,025
Notes Receivable Current	--	--	16,399	16,399
Prepaid and Other Assets	29,669	--	--	29,669
Inventory	21,974	--	--	21,974
Special Assessments - Deferred	--	--	84,919	84,919
Due from Component Unit- Non Current	--	--	1,056,828	1,056,828
Notes Receivable - Non Current	--	--	92,987	92,987
Advances to Other Funds	158,302	3,884	89,560	251,746
<i>Total Assets</i>	<i>1,239,991</i>	<i>171,853</i>	<i>2,562,260</i>	<i>3,974,104</i>
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<i>\$ 1,239,991</i>	<i>\$ 171,853</i>	<i>\$ 2,562,260</i>	<i>\$ 3,974,104</i>
LIABILITIES				
Accounts Payable	\$ 100,046	\$ --	\$ --	\$ 100,046
Due to Component Unit	--	--	17,818	17,818
Advances from Other Funds	--	--	222,420	222,420
<i>Total Liabilities</i>	<i>100,046</i>	<i>--</i>	<i>240,238</i>	<i>340,284</i>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues-Taxes	27,325	--	4,932	32,257
Unavailable Revenues-Special Assessments	300	--	85,659	85,959
Unavailable Revenues-Notes Receivable	--	--	109,385	109,385
<i>Total Liabilities and Deferred Inflows of Resources</i>	<i>127,671</i>	<i>--</i>	<i>440,214</i>	<i>567,885</i>
FUND BALANCE				
Nonspendable	51,643	--	--	51,643
Restricted	63,340	171,853	2,212,802	2,447,995
Assigned	--	--	46,434	46,434
Unassigned	997,337	--	(137,190)	860,147
<i>Total Fund Balance</i>	<i>1,112,320</i>	<i>171,853</i>	<i>2,122,046</i>	<i>3,406,219</i>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<i>\$ 1,239,991</i>	<i>\$ 171,853</i>	<i>\$ 2,562,260</i>	<i>\$ 3,974,104</i>

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

City of Canby
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2019

Total Fund Balance - Governmental Funds	\$ 3,406,219
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.	(76,227)
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.	7,291,842
Tax revenue deferred in governmental fund statements if not received within sixty days	31,507
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.	(4,982,898)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements	109,385
Special assessment revenue deferred in governmental fund statements if not received within sixty days	86,708
Net pension assets are not available to pay for current period expenditures and therefore are deferred in the funds.	150,922
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.	(341,280)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.	(314,000)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.	231,133
Total Net Position-Governmental Funds	\$ 5,593,311

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, 2019

	Debt Service			
	General	TIF 1-26	Other Governmental Funds	Total Governmental Funds
Revenues				
Interest Income	\$ 3,060	\$ 805	\$ 57,746	\$ 61,611
Intergovernmental Revenues	976,172	--	--	976,172
Property Taxes	460,748	11,601	283,697	756,046
Special Assessments	225	--	5,067	5,292
License and Permits	2,656	--	--	2,656
Fines and Forfeits	2,659	--	--	2,659
Charges for Services	104,405	--	--	104,405
Refunds and Reimbursements	68,430	--	--	68,430
Miscellaneous	113,346	1	37,954	151,301
Federal Grants	73,665	--	5,980	79,645
Donations	17,079	--	--	17,079
Total Revenues	1,822,445	12,407	390,444	2,225,296
Expenditures				
General Government and Administration	406,814	--	163	406,977
Public Safety	322,581	--	--	322,581
Public Works	358,966	--	--	358,966
Culture and Recreation	202,403	--	--	202,403
Economic Development	--	--	48,161	48,161
Miscellaneous	90,020	413,833	19,493	523,346
Airport	147,655	--	--	147,655
Capital Outlay	350,507	--	--	350,507
Debt - Principal	56,918	9,793	157,208	223,919
Interest and Other Charges	10,762	8,911	165,251	184,924
Total Expenditures	1,946,626	432,537	390,276	2,769,439
Excess of Revenues Over (Under) Expenditures				
	(124,181)	(420,130)	168	(544,143)
Other Financing Sources (Uses)				
Gain on Sale of Assets	15,500	--	--	15,500
Bond Proceeds	--	615,000	370,000	985,000
Bond Issuance Costs	--	(14,642)	(8,807)	(23,449)
Net Other Financing Sources (Uses)	15,500	600,358	361,193	977,051
Net Change in Fund Balance	(108,681)	180,228	361,361	432,908
Fund Balance at Beginning of Period	1,221,001	(8,375)	1,760,685	2,973,311
Fund Balance at End of Period	\$ 1,112,320	\$ 171,853	\$ 2,122,046	\$ 3,406,219

The notes to the financial statement 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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$ 432,908
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	1,308
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	223,919
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	350,507
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(509,641)
Proceeds of long-term debt treated as revenue in the fund level statements, treated as increases to long-term debt in entity wide statements.	(985,000)
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.	10,323
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements	20,000
Revenues from development loans in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds	(33,786)
Special assessment revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(4,812)
In the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as an element of pension expense. The fund financial statements report pension contributions as expenditures.	8,556
Changes in Net Position-Governmental Funds	\$ <u>(485,718)</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, 2019

Business-type Activities - Enterprise Funds						
	Storm Sewer	Wastewater	Water	Non Major Solid Waste	Total Enterprise Funds	
ASSETS						
<i>Current Assets</i>						
Cash and Cash Equivalents	\$ 722,167	\$ 494,636	\$ 1,363,069	\$ 50	\$ 2,579,922	
Investments	--	795	495	296	1,586	
Taxes Receivable	--	4,686	4,976	--	9,662	
Delinquent Taxes Receivable	--	4,386	4,883	--	9,269	
Special Assessments Receivable	3,564	14,293	17,129	--	34,986	
Accounts Receivable	13,535	29,691	39,053	11,165	93,444	
Prepaid and Other Assets	--	8,325	8,459	--	16,784	
Total Current Assets	739,266	556,812	1,438,064	11,511	2,745,653	
<i>Noncurrent Assets</i>						
Special Assessments - Deferred	514,144	2,355,485	2,359,359	--	5,228,988	
Non-Depreciable	--	79,835	21,345	25,116	126,296	
Depreciable, Net	3,022,037	12,791,868	13,010,930	--	28,824,835	
Total Assets	4,275,447	15,784,000	16,829,698	36,627	36,925,772	
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Pension Resources	--	7,670	9,927	4,165	21,762	
Total Deferred Outflows of Resources	--	7,670	9,927	4,165	21,762	
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	5,236	26,742	30,105	45	62,128	
LT Debt Due Within One Year	160,000	460,000	337,500	--	957,500	
Total Current Liabilities	165,236	486,742	367,605	45	1,019,628	
<i>Noncurrent Liabilities</i>						
Compensated Absences	--	10,965	12,251	5,811	29,027	
Net Pension Liability	--	57,334	74,197	13,489	145,020	
Retainage Payable	36,287	186,619	209,083	--	431,989	
LT Debt Due Beyond One Yr.	3,440,000	10,503,489	8,318,144	--	22,261,633	
Advances from Other Funds	--	8,325	8,459	12,542	29,326	
Total Liabilities	3,641,523	11,253,474	8,989,739	31,887	23,916,623	
DEFERRED INFLOWS OF RESOURCES						
Deferred Pension Resources	--	11,076	14,333	4,967	30,376	
Total Deferred Inflows of Resources	--	11,076	14,333	4,967	30,376	
NET POSITION						
Net Investment in Capital Assets	--	1,538,702	3,961,739	25,116	5,525,557	
Unrestricted	633,924	2,988,418	3,873,814	(21,178)	7,474,978	
Total Net Position	\$ 633,924	\$ 4,527,120	\$ 7,835,553	\$ 3,938	\$ 13,000,535	

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, 2019

Business-type Activities - Enterprise Funds					
	Storm Sewer	Wastewater	Water	Non Major Solid Waste	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ 146,406	\$ 307,457	\$ 430,201	\$ 124,365	\$ 1,008,429
Total Operating Revenues	146,406	307,457	430,201	124,365	1,008,429
Operating Expenses					
Labor	--	74,352	84,073	16,538	174,963
Employee Benefits	--	32,796	36,957	6,474	76,227
Supplies	790	2,449	21,940	1,891	27,070
Repairs	27,517	1,392	14,003	--	42,912
Utilities	--	4,050	20,534	--	24,584
Fuel	--	817	1,549	--	2,366
Telephone	--	460	2,610	--	3,070
Insurance	--	8,164	8,278	--	16,442
Auditing	--	1,750	1,750	1,300	4,800
Miscellaneous	41	388	666	1,512	2,607
Contracted Services	--	5,738	2,876	72,117	80,731
Tipping Expenses	--	--	--	23,131	23,131
Travel	--	711	711	--	1,422
Motor Fuel	--	988	1,105	--	2,093
Water Purchases	--	--	422	--	422
Truck Expense	--	333	896	--	1,229
Dues and License	--	562	5,905	15	6,482
Construction	--	--	--	2,700	2,700
Legal & Professional	5,113	--	--	14,316	19,429
Assessment	--	--	--	348	348
Depreciation	137,184	556,022	561,837	--	1,255,043
Total Operating Expenses	170,645	690,972	766,112	140,342	1,768,071
Operating Income (Loss)	(24,239)	(383,515)	(335,911)	(15,977)	(759,642)
Non-Operating Revenues (Expenses)					
Interest Income	15,133	41,793	40,367	34	97,327
Property Taxes	--	143,541	136,688	--	280,229
Special Assessments	285,770	944,027	1,058,490	--	2,288,287
Refunds and Reimbursements	--	416	7,730	--	8,146
Rental Income	--	--	9,408	--	9,408
State Grant Proceeds	--	556,021	1,231,903	--	1,787,924
Interest Expense	(119,330)	(104,659)	(69,066)	--	(293,055)
Sales Tax Expense	--	--	(4,519)	(10,246)	(14,765)
Net Non-Operating Revenues (Expenses)	181,573	1,581,139	2,411,001	(10,212)	4,163,501
Change In Net Position	157,334	1,197,624	2,075,090	(26,189)	3,403,859
Net Position at Beginning of Period	476,590	3,329,496	5,760,463	30,127	9,596,676
Net Position at End of Period	\$ 633,924	\$ 4,527,120	\$ 7,835,553	\$ 3,938	\$ 13,000,535

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, 2019

	Business-Type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Non Major Solid Waste	Total Enterprise Funds
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 145,636	\$ 294,772	\$ 409,974	\$ 124,681	\$ 975,063
Other Receipts	-	416	7,730	-	8,146
Payments to Suppliers and Vendors	(37,151)	(82,224)	3,258	(10,789)	(126,906)
Payments to and on Behalf of Employees	-	(134,950)	(209,767)	(140,342)	(485,059)
Net Cash Flows Provided (Used) by Operating Activities	108,485	78,014	211,195	(26,450)	371,244
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	-	700,596	168,956	-	869,552
Special Assessments	60,994	174,853	155,836	-	391,683
Rental Income	-	-	9,408	-	9,408
State Grant Proceeds	-	-	1,231,903		1,231,903
Cash Received from (paid on) Advances to Other Funds	-	165,000	-	12,542	177,542
Cash Received from (paid on) Advances from Other Funds	-	161	181	-	342
Net Cash Flows Provided (Used) by Noncapital Financing Activities	60,994	1,040,610	1,566,284	12,542	2,680,430
Cash Flows from Capital and Related Financing Activities:					
Bond Proceeds	-	2,251,637	2,083,188	-	4,334,825
Cash Paid for Principal on Debt	(125,000)	(384,774)	(270,923)	-	(780,697)
Cash Paid for Interest on Debt	(119,330)	(104,659)	(69,066)	-	(293,055)
Acquisition of Capital Assets	(543,679)	(2,796,375)	(3,370,760)	-	(6,710,814)
Net Cash Flows from Capital and Related Financing Activities	(788,009)	(1,034,171)	(1,627,561)	-	(3,449,741)
Cash Flows From Investing Activities:					
Interest Earned on Investments	15,133	41,793	40,367	34	97,327
Purchase of Investments	-	(16)	(10)	(6)	(32)
Net Cash Flows from Investing Activities	15,133	41,777	40,357	28	97,295
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (603,397)	\$ 126,230	\$ 190,275	\$ (13,880)	\$ (300,772)
Cash and Cash Equivalents - Beginning of Year	1,325,564	368,406	1,172,794	13,930	2,880,694
Cash and Cash Equivalents - End of Year	\$ 722,167	\$ 494,636	\$ 1,363,069	\$ 50	\$ 2,579,922

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

Operating Income (Loss)	\$ (24,239)	\$ (383,515)	\$ (335,911)	\$ (15,977)	\$ (759,642)
Other Income Related to Operations	-	416	7,730	-	8,146
Other Expense	-	-	(4,519)	(10,246)	(14,765)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	137,184	556,022	561,837	-	1,255,043
Change in Pension Expense	260	(57)	61		264
Changes in Assets and Liabilities:					
Accounts Receivable	(770)	(1,399)	(7,586)	316	(9,439)
Due from other Governments	(11,286)	(12,641)			(23,927)
Prepaid Expense	(161)	(181)	-		(342)
Accounts Payable-Operating	(3,690)	(78,949)	7,958	(787)	(75,468)
Accrued Vacation	(3,374)	(5,435)	183		(8,626)
Net Cash Provided (Used) by Operating Activities	\$ 108,485	\$ 78,014	\$ 211,195	\$ (26,450)	\$ 371,244
Noncash Capital and Related Financing Activities					
Construction in Progress in accounts/retainage payable accounts		\$ 213,316	\$ 238,993	\$ -	\$ 452,309

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, 2019

	Budgeted Amounts			Variance	
	Original	Final	Actual	Over (Under)	Final to Actual
Revenues					
General Property Taxes	\$ 413,985	\$ 413,985	\$ 460,748	\$ 46,763	
Special Assessments	2,000	2,000	225	(1,775)	
Business	1,810	1,810	1,450	(360)	
Liquor	1,100	1,100	1,100	--	
Non-Business	120	120	106	(14)	
Local Government Aid	717,016	717,016	717,016	--	
Local Performance Aid & PERA Aid	2,312	2,312	2,312	--	
State Aid - Police	22,000	22,000	28,947	6,947	
Public Safety - Canby & Porter	50,000	50,000	37,000	(13,000)	
Other Grants	--	--	179,579	179,579	
Federal Grant	28,933	28,933	84,983	56,050	
Lot Sales	1,000	1,000	1,625	625	
Perpetual Care	--	--	300	300	
Fire Control Income	7,500	7,500	4,125	(3,375)	
Traffic and Ordinance Fines	4,000	4,000	2,659	(1,341)	
Interest Income	2,350	2,350	3,060	710	
Rents	2,000	2,000	1,880	(120)	
Airport Hangar Rent	18,960	18,960	23,218	4,258	
Airport Farm Rent	16,081	16,081	15,811	(270)	
Airport Gas, Gravel Sales, and Fly-in	65,514	65,514	51,976	(13,538)	
Cable Franchise Fee	42,500	42,500	41,200	(1,300)	
Insurance Refunds & Reimbursements	15,000	15,000	66,577	51,577	
Pop Machine	7,450	7,450	7,981	531	
Donations	10,000	10,000	17,079	7,079	
Other Miscellaneous Revenue	69,000	69,000	71,488	2,488	
Total Revenues	1,500,631	1,500,631	1,822,445	321,764	
Other Financing Sources					
Sale of Assets	--	--	15,500	15,500	
Total Revenues and Other Financing Sources	1,500,631	1,500,631	1,837,945	337,314	
Expenditures					
GENERAL GOVERNMENT					
<i>Mayor and Council:</i>					
Salaries	7,200	7,200	7,050	150	
Payroll Taxes & Benefits	971	971	932	39	
Travel and Conference	500	--	--	--	
Subscriptions and Memberships	60	60	30	30	
General Insurance	100,000	118,900	98,676	20,224	
Election	200	1,080	1,042	38	

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
<i>Administration:</i>				
Salaries	105,797	109,176	109,176	--
Payroll Tax & Benefits	16,063	15,214	15,163	51
Insurance	39,816	27,266	27,315	(49)
Office Supplies	14,100	12,400	8,464	3,936
Maintenance and Repairs	500	500	58	442
Communications	5,000	5,460	5,455	5
Travel, Conference and Schools	4,000	3,900	4,004	(104)
Printing and Publishing	2,100	1,900	1,549	351
Contractual Services	3,000	2,250	2,496	(246)
Miscellaneous	3,000	2,650	2,617	33
Equipment and Improvements	10,000	10,000	8,773	1,227
Assessor	15,770	15,770	15,770	--
Accounting and Legal	29,500	36,640	38,162	(1,522)
Planning and Zoning	13,000	31,000	30,280	720
<i>Municipal Building:</i>				
Maintenance and Repair	4,500	6,700	7,006	(306)
Supplies	1,725	1,325	1,194	131
Utilities	12,750	14,850	14,499	351
Contractual Services	4,500	4,500	5,697	(1,197)
Miscellaneous	10	10	10	--
Public Restroom Service	1,200	850	850	--
Printing and Publishing	10,000	7,000	6,768	232
Utilities	2,500	2,500	2,178	322
Christmas Decorations Utilities	350	350	373	(23)
PUBLIC SAFETY				
<i>Police Protection:</i>				
Wages	166,345	149,345	148,445	900
Payroll Taxes/PERA	31,171	24,971	24,735	236
Insurance	43,904	28,967	28,667	300
Office/General Supplies	11,000	10,200	8,548	1,652
Motor Fuel and Lubes	7,000	4,000	4,072	(72)
Maintenance and Repair	5,000	5,000	3,548	1,452
Communications	4,650	4,510	4,508	2
Travel, Conference, and Schools	1,200	1,000	445	555
Subscription and Memberships	325	325	289	36
Contractual Services	6,000	8,200	8,260	(60)
Professional Services	20,000	14,000	14,971	(971)
Equipment and Improvements	45,000	45,000	--	45,000

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
<i>Fire Protection:</i>				
Wages	18,000	14,900	14,858	42
Payroll Taxes/PERA	1,377	1,137	1,137	--
Interest	4,919	4,919	10,762	(5,843)
Principal	15,949	15,949	56,918	(40,969)
Supplies	2,500	5,500	5,565	(65)
Motor Fuel and Lubes	2,000	2,000	1,125	875
Maintenance and Repair	6,500	4,500	4,199	301
Communications	750	500	460	40
Travel, Conference and Schools	3,500	10,500	10,230	270
Utilities	5,550	6,550	6,366	184
Contracted Services	1,000	3,500	3,533	(33)
Miscellaneous	470	470	469	1
Equipment and Improvements	100,000	--	--	--
<i>Civil Defense:</i>				
Utilities	500	500	441	59
Supplies	200	200	--	200
Supplies	10	10	--	10
PUBLIC WORKS				
<i>Streets:</i>				
Wages	145,133	138,433	138,318	115
Payroll Taxes/PERA	15,368	19,368	19,228	140
Insurance	32,860	43,982	44,295	(313)
Motor Fuel and Lubes	13,000	15,000	16,986	(1,986)
Maintenance and Repair	70,000	31,000	34,631	(3,631)
Travel, Conferences and Schools	300	100	150	(50)
Utilities	600	700	585	115
Supplies	8,000	7,000	8,048	(1,048)
Capital Expenditures	49,061	69,245	19,834	49,411
Miscellaneous	--	--	2,589	(2,589)
Snow Removal	2,500	--	--	--
<i>City Garage:</i>				
Utilities	6,000	6,300	6,132	168
Maintenance and Repair	4,000	20,600	20,244	356
Supplies	1,000	12,000	15,675	(3,675)
Miscellaneous	10	10	10	--
Equipment	--	4,154	--	4,154
Dues and Licenses	10	10	10	--
Street Lighting	32,000	31,300	31,331	(31)
Capital Outlay	0	14,157	14,157	

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
CULTURE AND RECREATION				
<i>Library:</i>				
Communications	1,405	1,405	1,405	--
Contracted Services	75,780	75,780	75,780	--
<i>Recreation Council:</i>				
Wages	58,000	45,160	45,160	--
Payroll Taxes	4,500	3,500	3,455	45
Utilities	1,600	1,100	1,055	45
<i>Parks:</i>				
Salaries and Wages	23,000	24,255	24,255	--
Payroll Taxes/PERA	2,975	2,918	2,918	--
Insurance	4,893	4,193	4,193	--
Motor Fuels & Lubes	3,500	3,500	3,267	233
Maintenance and Repair Building	6,250	6,800	5,593	1,207
Utilities	2,000	3,150	3,133	17
Supplies	7,000	3,000	2,564	436
Contracted Services	600	600	529	71
Subscriptions and Memberships	231	281	257	24
Equipment Purchase	28,000	12,429	151,508	(139,079)
Miscellaneous	100	100	180	(80)
<i>Swimming Pool:</i>				
Communication	800	561	561	--
Utilities	10,000	11,150	11,121	29
Travel	500	--	--	--
Maintenance and Repair Equipment	2,000	1,330	1,329	1
Maintenance and Repair Building	500	550	513	37
Supplies	7,050	9,300	9,228	72
Miscellaneous	820	651	661	(10)
<i>Theatre:</i>				
Communications	900	1,400	1,329	71
Utilities	11,000	11,800	11,599	201
Supplies	--	500	52	448
Contracted Services	--	13,595	14,988	(1,393)
Maintenance and Repairs	1,000	1,600	979	621
Miscellaneous	2,400	2,500	2,472	28
Motor Fuels and Lubes	1,150	2,350	2,170	180
Maintenance and Repairs	3,000	6,800	6,578	222
Communications	3,000	3,120	3,112	8
Utilities	8,700	11,050	10,424	626
Supplies	2,000	3,200	3,050	150
License and Taxes	5,065	5,065	5,055	10

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund (Continued)
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance Over (Under)
	Original	Final	Actual	
<i>Airport:</i>				
Merchandise for Resale	55,000	55,000	40,996	14,004
Contracted Services	25,000	25,200	25,221	(21)
Miscellaneous	1,250	350	311	39
Expansion Project	--	38,604	50,738	(12,134)
Equipment and Improvements	--	178,506	178,506	--
<i>Cemetery:</i>				
Wages	16,000	13,645	13,645	--
Payroll Taxes/PERA	2,022	1,535	1,543	(8)
Utilities	1,500	150	136	14
Maintenance and Repair	200	--	(94)	94
Supplies	500	650	606	44
Insurance	1,560	1,560	1,263	297
Miscellaneous	10	10	62	(52)
Canby Area Business Service	10,667	10,667	10,389	278
Insect and Pest Control	9,600	16,314	16,214	100
Miscellaneous	34,690	35,190	46,256	(11,066)
Total Expenditures	1,730,492	1,872,508	1,946,626	(74,118)
<i>Other Financing Uses</i>				
Total Expenditures and Other Financing Uses	1,730,492	1,872,508	1,946,626	(74,118)
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>				
Net Change in Fund Balance	(229,861)	(357,720)	(108,681)	263,196
<i>Fund Balance at Beginning of Period</i>	1,221,001	1,221,001	1,221,001	--
<i>Fund Balance at End of Period</i>	\$ 991,140	\$ 863,281	\$ 1,112,320	\$ 263,196

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has not chosen to do so.

The more significant accounting policies established by GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The City of Canby, Minnesota (the City) is a municipal corporation, incorporated under the laws of the State of Minnesota, and governed under a charter adopted. The City was formed and operates pursuant to applicable Minnesota laws and statutes. The City operates under an elected Mayor and four member council form of government. The council has control over all activities related to the City of Canby. The City provides the following services: sanitation, recreation, public improvements, planning and zoning, and general administrative services.

These financial statements present the City (the primary government) and have no component units. The City follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* to define the reporting entity. The City includes all component units of which the City appointed a voting majority of the unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Unit

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has one discretely presented component unit, Canby Housing and Redevelopment Authority(HRA).

The HRA operates as a local government unit for the purpose of providing housing and redevelopment services to the Canby area. The HRA cannot issue bonds pledging as security the full-faith and credit of the City.

The complete audited financial statements of the HRA may be obtained from the HRA executive director at the following address:

Housing and Redevelopment Authority of Canby
110 Oscar Avenue N
Canby, MN 56220

Related Organization

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

Canby Fire Relief Association – The Association is organized as a non-profit organization by its members to provide pension and other benefits to members in accordance with Minnesota statutes. The Association's Board of Directors consists of seven members elected by the membership of the Association and three ex officio members, the Mayor, Clerk-Treasurer and Fire Chief. All funding is obtained in accordance with Minnesota statutes whereby state aids and tax levies, which are determined by the Association, flow through PERA. The Canby Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan, an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). More information is included in the Note 4.G.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019

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 provider have been met.

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues subject to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column on the fund financial statements.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The city maintains the economic development special revenue fund.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Debt Service Funds - The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Ad valorem taxes are used for the payment of principal and interest on the City's judgment. The city maintains multiple debt service funds.

Capital Projects Funds - Capital Projects Funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments). The City maintains capital project fund TIF 1-25 and Pool project fund.

Proprietary Funds:

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

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.

TIF 1-26 is a debt service fund. It accounts for the financial resources for TIF 1-26.

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Prepays

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

Inventories

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

Restricted Assets

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

Capital Assets

Capital assets are defined by the City in 2019 as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, equipment, infrastructure assets (i.e., roads, bridges, sidewalks, drainage, and similar items), and intangible assets are reported in the application governmental or business-type activities column of the government-wide financial statements.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Obligations

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

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

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

Compensated Absences

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Compensatory Time – Time over 40 hours per week and having received approval will be considered overtime at the rate of time and one-half which may be taken as pay or compensatory time at the employee's discretion. An employee may not exceed 120 hours of compensatory time. Any comp time above the 120 maximum will be dealt with by one of two ways. First, the employee may choose to have their accrued comp time over 120 hours paid out down to the maximum or two, the employee may choose to keep their accrued comp time and use it as time off until the amount reaches 120 hours.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

MAPE (Minnesota Association of Professional Employees) Union Contract

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

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Compensatory Time – Time over 40 hours per week and having received approval will be considered overtime at the rate of time and one-half which may be taken as pay or compensatory time at the employee's discretion. An employee may not exceed 120 hours of compensatory time. Any comp time above the 120 maximum will be dealt with by one of two ways. First, the employee may choose to have their accrued comp time over 120 hours paid out down to the maximum or two, the employee may choose to keep their accrued comp time and use it as time off until the amount reaches 120 hours.

Law Enforcement Labor Services, Inc. Union Contract

Vacation leave - All regular employees who have been employed 10 years or less will accumulate one day's credit for each month worked with a maximum of 12 days which can be earned each year. Any regular employee who has been employed more than ten but less than twenty years by the city will accumulate one and one-half day's credit for each month worked with a maximum of 18 days which can be earned each year. Any regular employee who has been employed more than twenty years by the city will accumulate two day's credit for each month worked with a maximum of 24 days which can be earned each year, and in addition thereto shall be entitled to one additional day for each year of employment over twenty years with a maximum of five additional days which can be earned each year. The maximum vacation leave which can be earned by an employee of more than twenty-five years shall be 25 days.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Sick leave – Sick leave will be earned on the basis of one day for each month worked, for a total of 12 possible days per year. Sick leave may be accrued for a total of 90 days of work allowance. Sick leave may also be transferred from one employee to another as needed for an extended illness. Such situations would be approved by the city administrator when they arise. This would be a maximum of 24 days to be transferred by employees. This is charged to expense in the year paid.

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

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

Compensatory Time – Time over 40 hours per week and having received approval will be considered overtime at the rate of time and one-half which may be taken as pay or compensatory time at the employee's discretion. An employee may not exceed 120 hours of compensatory time. Any comp time above the 120 maximum will be dealt with by one of two ways. First, the employee may choose to have their accrued comp time over 120 hours paid out down to the maximum or two, the employee may choose to keep their accrued comp time and use it as time off until the amount reaches 120 hours.

There is also an administrative contract.

Fund Balance Classifications

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

- Nonspendable fund balance – consists of amounts that cannot be spent because it is not in spendable form, such as inventory; or are legally or contractually required to be maintained intact.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classifications (Continued)

- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council. To be reported as committed, amounts cannot be used for any other purpose unless the City Council removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.
- Unassigned fund balance – consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

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

The City Council has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance between the range of 35%-50% of budgeted operating expenditures for cash flow timing needs. At December 31, 2019, the unassigned fund balance of the General Fund was 48% of the subsequent year's budgeted expenditures.

Net Position Classifications

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

The City of Canby implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65 Items Previously Reported as Assets and Liabilities for the year ended December 31, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City of Canby currently recognizes deferred outflows relating to pensions for reporting in this category. The length of the expense recognition period for deferred amounts related is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time. The City of Canby has two types of items that qualify for reporting in this category; unearned property taxes and deferred inflows relating to pensions. These amounts are deferred and recognized as inflows of resources in the period that the amount is earned. Deferred amounts relating to pensions represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Due from Other Governments

Grant revenues from the federal and state government are recognized as awarded and received. Expenditures are recognized when incurred in accordance with the provisions of the grants and contracts. As of December 31, 2019, due from other governments totaled \$50,194. This amount includes federal and state dollars.

E. USE OF ESTIMATES

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

F. PENSIONS

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets

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

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

1. The department heads submit to the city clerk a budget of estimated expenditures for the ensuing year after which the City Clerk subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.
2. Upon receipt of the budget estimates, the Council holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. BUDGETARY INFORMATION (CONTINUED)

3. At least ten days prior to October 1, the budget is legally enacted through the passage of an ordinance. The City Clerk is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council.
4. Budgeted amounts are as originally adopted by the City Council. All supplemental appropriations require the approval of the City Council. There were no amendments to the original appropriations. The City prepared and adopted a legal budget.
5. All budgeted appropriations lapse at the end of the year. The legal level of budgetary control is at the functional level.

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

Encumbrances

The City does not utilize encumbrance accounting.

B. FUND BALANCE CLASSIFICATION

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

	<u>General Fund</u>	<u>TIF 1-26</u>	<u>Other Govt Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Expenses	29,669			29,669
Inventory	21,974			21,974
Restricted for:				
John Swenson Trust	53,242			53,242
Debt Service		171,853	2,212,802	2,384,655
Humane Society	10,098			10,098
Assigned			46,434	46,434
Unassigned	<u>997,337</u>	<u>0</u>	<u>(137,190)</u>	<u>860,147</u>
Total Fund Balances	<u>1,112,320</u>	<u>171,853</u>	<u>2,122,046</u>	<u>3,406,219</u>

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund, a major fund, had excess expenditures over appropriations.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2019:

Debt Service Funds:	
TIF 1-10	20,335
TIF 1-6	2,372
TIF 1-29	7,985
GO Tax Increment Bonds - 1997	40,579
GO Tax Increment Bonds - 2004	65,919

E. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

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

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

Deposits

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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

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

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, and cash equivalents had a bank balance of \$5,284,741 at December 31, 2019, 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, 2019 was \$4,854,863.

Investment Policy

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

As of December 31, 2019, the City had the following investments:

<u>2019 Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$1,586	*

*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, 2019, 100% of the City's investments are in the 4M Fund.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

Custodial Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2019, all investments were insured or registered or the securities were held by the City or its agent in the City's name.

A reconciliation of cash and investments as shown on the Statement of Net Position as of 12/31/19:

Checking	\$2,436,818
Savings and Money Market	2,364,805
Certificates of Deposit	53,242
Investments	<u>1,585</u>
 Total	 <u>\$4,856,449</u>
 Deposits	 \$4,854,863
Investments	<u>1,585</u>
 Total	 <u>\$4,856,449</u>

B. ACCOUNTS RECEIVABLE

Accounts receivable of the business-type activities consists of utilities receivable. No allowance for uncollectible accounts is deemed necessary at year end.

Accounts receivable of the governmental activities consists almost entirely of delinquent taxes and special assessments. Delinquent taxes and special assessments have been offset by deferred inflows of resources for delinquent taxes and special assessments not received within 60 days after year-end in the governmental fund financial statements. The deferred inflow amount as of December 31, 2019 is \$227,601 for taxes and special assessments.

C. NOTES RECEIVABLE

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

C. NOTES RECEIVABLE (Continued)

The Notes Receivable from the Canby HRA is for its share of the debt of the City's GOIB 2012B, 2014C, 2015A and 2019. 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, 2019:

	<u>Balance 1-1-19</u>	<u>Amount Advanced</u>	<u>Payments Received</u>	<u>Balance 12-31-19</u>
EDA Loans	\$123,171	\$20,000	\$33,786	\$109,385
Canby HRA Note	319,375	0	15,206	304,169
Canby HRA Note	490,982	0	19,509	471,473
Canby HRA Note	221,200	0	7,760	213,440
Canby HRA Note	0	115,500	0	115,500
	<u>\$1,154,728</u>	<u>\$135,500</u>	<u>\$76,261</u>	<u>\$1,213,967</u>

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

The Canby HRA Note Receivables are setup to pay off the bond reimbursement. Since the City holds the debt, the HRA pays the city after the payment has been sent in. These include the GOIB Bonds of 2012B, 2014C, 2015A and 2019.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Balance</u>				<u>Balance</u>
	<u>1/1/2019</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>12/31/2019</u>
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	697,878				697,878
Construction in Progress	372,244		(372,244)		-
Total Capital Assets Not Being Depreciated	<u>1,070,122</u>	<u>-</u>	<u>(372,244)</u>	<u>-</u>	<u>697,878</u>
Capital Assets Being Depreciated:					
Buildings	3,234,781				3,234,781
Improvements Other Than Buildings	5,380,625	138,744	648,896		6,168,265
Infrastructure	1,373,994	550,749	(648,896)		1,275,847
Machinery & Equipment	2,339,254	33,259		10,500	2,362,013
Total Capital Assets Being Depreciated	<u>12,328,654</u>	<u>722,752</u>	<u>-</u>	<u>10,500</u>	<u>13,040,906</u>
Less Accumulated Depreciation for:					
Buildings	2,426,411				2,426,411
Improvements Other Than Buildings	1,523,061				1,523,061
Infrastructure	235,359	509,641			745,000
Machinery & Equipment	1,762,970			10,500	1,752,470
Total Accumulated Depreciation	<u>5,947,801</u>	<u>509,641</u>	<u>-</u>	<u>10,500</u>	<u>6,446,942</u>
Total Capital Assets Being Depreciated, Net	<u>6,380,853</u>	<u>213,111</u>	<u>-</u>	<u>-</u>	<u>6,593,964</u>
Total Capital Assets	<u>7,450,975</u>	<u>213,111</u>	<u>-</u>	<u>-</u>	<u>7,291,842</u>
 Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Land	126,295				126,295
Construction in Progress	3,781,547		(3,781,547)		-
Total Capital Assets Not Being Depreciated	<u>3,907,842</u>	<u>-</u>	<u>(3,781,547)</u>	<u>-</u>	<u>126,295</u>
Capital Assets Being Depreciated:					
Projects	20,469,580	7,125,428	3,781,547		31,376,555
Buildings	2,088,194				2,088,194
Improvements other than Buildings	1,210,771				1,210,771
Equipment	2,996,813	48,799			3,045,612
Total Capital Assets Being Depreciated	<u>26,765,358</u>	<u>7,174,227</u>	<u>3,781,547</u>	<u>-</u>	<u>37,721,132</u>
Less Accumulated Depreciation for:					
Projects	3,854,207	1,112,554			4,966,761
Buildings	1,124,775	48,578			1,173,353
Improvements other than Buildings	964,085	24,291			988,376
Equipment	1,698,186	69,621			1,767,807
Total Accumulated Depreciation	<u>7,641,253</u>	<u>1,255,044</u>	<u>-</u>	<u>-</u>	<u>8,896,297</u>
Total Capital Assets Being Depreciated, Net	<u>19,124,105</u>	<u>5,919,183</u>	<u>-</u>	<u>-</u>	<u>28,824,835</u>
Business-Type Activity Capital Assets, Net	<u>23,031,947</u>	<u>5,919,183</u>	<u>-</u>	<u>-</u>	<u>28,951,130</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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	\$2,781
Public Safety	88,682
Public Works	102,250
Culture & Recreation	52,096
Miscellaneous	<u>263,832</u>
Total Depreciation Expense-	
Governmental Activities	<u>\$509,641</u>

Business-Type Activities:

Water	\$561,837
Wastewater	556,022
Storm Sewer	<u>137,184</u>
Total Depreciation Expense-	
Business-Type Activities	<u>\$1,255,043</u>

E. ACCOUNTS AND RETAINAGE PAYABLES

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2019:

	Original Issuance	Maturity Date	Interest Rate	Balance 12-31-18	Issuances/ Additions	Payments/ Reductions	Balance 12-31-19	Amounts Due in One Year
<u>Governmental Activities</u>								
Bonds Payable:								
1997 TIF Bonds	220,000	12/2023	6.95%	50,000		10,000	40,000	10,000
2001A TIF Note	35,000	8/2018	9.00%	20,000		2,000	18,000	2,000
2011 GO Parking Lot Bond	265,000	7/2023	3.00%	215,000		10,000	205,000	10,000
GO TIF Bond 2014C	600,000	11/2035	3.25%	525,000		25,000	500,000	25,000
2012A GO Tax Increment Bond	750,000	9/2034	3-5%	630,000		30,000	600,000	30,000
2012B GO Tax Increment Bond	335,000	12/2038	5.750%	285,000		10,000	275,000	10,000
2015B Tax Abatement Bond	695,000	12/2036	2.100%	695,000		20,000	675,000	30,000
2015A GO Tax Increment Bond	1,630,000	12/2036	2.500%	1,510,000		60,000	1,450,000	60,000
2019 GO Tax Increment Bond	985,000	12/2039	3-3.25%	0	985,000	0	985,000	49,000
Notes Payable:								
2008 GO Fire Truck	100,000	9/2017	4.125%	40,304		7,413	32,891	7,719
2011 GO Fire Truck	130,000	7/2026	4.125%	78,945		8,536	70,409	9,026
Other Long-Term Liabilities:								
Compensated Absences					<u>86,550</u>	<u>24,306</u>	<u>34,629</u>	<u>76,227</u>
Total Long Term Liabilities Governmental Activities					<u>4,135,799</u>	<u>1,009,306</u>	<u>217,578</u>	<u>4,927,527</u>
								<u>242,745</u>
<u>Business-Type Activities</u>								
Bonds Payable:								
2014D GO Bond - Storm Sewer	1,630,000	2/2035	3.30%	1,435,000		70,000	1,365,000	70,000
2010 GO Revenue Bond - Storm Sewer	1,280,000	2/2031	3.00%	920,000		55,000	865,000	60,000
2018A GO Revenue Bond-Storm Sewer	1,370,000	8/2018	3.62%	1,370,000		0	1,370,000	30,000
Loans Payable:								
2010 Drinking Water Revolving - Water	3,970,711	8/2039	1.088%	3,057,000		130,000	2,927,000	132,000
2014 Drinking Water Revolving - Water	2,667,171	8/2044	1.00%	2,417,000		82,000	2,335,000	83,000
2004 GO Refunding Bonds - Wastewater	540,000	1/2021	1.10%	70,000		35,000	35,000	35,000
2010 Clean Water Revolving - Wastewater	4,860,517	8/2039	1.349%	3,774,000		157,000	3,617,000	159,000
2014 Clean Water Revolving - Wastewater	4,266,964	8/2044	1.00%	3,871,000		131,000	3,740,000	132,000
2018 Drinking Water-B Water	36,718	8/2048	1.00%	5,465	32,654	1,402	36,718	1,500
2018 Drinking Water-C Water	3,357,834	8/2048	1.00%	1,377,462	2,037,893	57,521	3,357,834	121,000
2018 Clean Water-Wastewater	3,571,489	8/2048	1.00%	1,392,910	2,240,353	61,774	3,571,489	134,000
Other Long-Term Liabilities:								
Compensated Absences					<u>37,653</u>	<u>9,212</u>	<u>17,838</u>	<u>29,027</u>
Total Long-Term Liabilities Business-Type Activities					<u>19,727,490</u>	<u>4,320,113</u>	<u>798,535</u>	<u>23,249,068</u>
								<u>957,500</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

General Obligation Bonds

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

General Tax Increment Bonds

In 1997, 2001, 2004, 2012, 2014, 2015 and 2019 the City issued taxable tax increment bonds. General obligation revenue bonds have been issued for governmental activities. These bonds are backed by the full faith, credit and taxing power of the City and are serviced by debt service funds.

Notes Payable

In 2008 and 2011 the City entered into promissory notes with USDA Rural Development for the acquisition of fire trucks. The notes provide for annual payments of \$9,073 and \$11,795 each at 4.125% for 15 years. Payments are made out of the General Fund. The balances at December 31, 2019 were \$32,891 and \$70,409.

General Obligation Revenue and Revenue Refunding Bonds

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

Minnesota Public Facilities Authority Loans

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

Lease Payable

On January 17, 2018 the City entered into a Lease with option to purchase agreement with Kinetic Leasing Inc. for the new 2018 Pelican Street Sweeper. The future lease payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 42,441	\$ 4,369	\$ 46,811
2021	43,850	2,961	46,811
2022	<u>45,307</u>	<u>1,504</u>	<u>46,811</u>
Totals	<u>\$131,598</u>	<u>\$ 8,834</u>	<u>\$140,433</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

F. LONG-TERM DEBT (Continued)

Annual Debt Service Requirements

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2019, 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>Notes Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2020	40,000	31,153	186,000	164,498	16,745
2021	45,000	30,054	202,000	158,580	17,436
2022	50,000	28,809	207,000	151,115	18,155
2023	50,000	27,455	212,000	143,358	18,952
2024	50,000	0	202,000	134,837	10,611
2025-2029	260,000	103,063	1,088,000	541,538	20,901
2030-2034	285,000	47,350	1,220,000	284,656	500
2035-2039	100,000	4,000	555,000	45,784	-
2040-2044	-	-	-	-	-
Totals	<u>\$880,000</u>	<u>\$271,883</u>	<u>\$3,872,000</u>	<u>\$1,624,366</u>	<u>103,300</u>
					<u>14,164</u>

Business-Type Activities			
	<u>GO Water Bonds</u>		<u>Loans Payable</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2020	165,000	72,004	762,500
2021	130,000	139,340	770,500
2022	140,000	131,197	780,000
2023	140,000	63,861	788,000
2024	140,000	59,939	797,000
2025-2029	785,000	228,753	3,276,000
2030-2034	710,000	88,306	4,298,000
2035-2039	806,941	6,913	4,538,100
2040-2044	-	0	4,193,000
Totals	<u>3,016,941</u>	<u>790,311</u>	<u>20,203,100</u>
			<u>2,639,427</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS

Interfund Transfers

There were no transfers between funds of the primary government for the year ended December 31, 2019.

Interfund Balances

At December 31, 2019, the following interfund balances were owed between funds and not expected to be fully repaid within one year:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$8,459	To cover operating
Wastewater Fund	General Fund	8,325	To cover operating
Solid Waste	General Fund	12,542	To cover deficit cash
TIF 1-6	General Fund	5,259	To reimburse TIF expense
TIF 1-10	General Fund	21,000	To reimburse TIF expense
GO Tax Inc 1997	General Fund	28,790	To cover debt service
GOIB 2004	General Fund	65,919	To cover debt service
GOIB 2012B	TIF 1-4	12,905	Bond payment
GOIB 204C	TIF 1-26	433	To cover debt service
GO Bond of 97	TIF 1-25	11,789	To cover TIF expense
GOIB 2015A	General Fund	64,866	To cover debt service
TIF1-29	General Fund	8,009	To cover TIF expense
TIF 1-26	GOIB 2019A	<u>3,451</u>	To cover debt service
Total Interfund Balances		<u>\$251,746</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3. DETAIL NOTES ON ALL FUNDS (Continued)

G. INTERFUND TRANSACTIONS (Continued)

Due to Canby HRA-Component Unit

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

	<u>Amount</u>	<u>Purpose</u>
Due to TIF 1-4 HRA	\$8,000	To cover amount paid for expenses erroneously
Due to TIF 1-4	<u>9,718</u>	To cover amount owed for debt and related items
Total Due to HRA	<u>\$17,818</u>	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, the City did not have any claims which were probable and measurable and therefore no liability is recorded in the financial statements presented. The City has not had any claims which exceeded its deductible during the past three years.

B. COMMITMENTS AND CONTINGENCIES

Grant Program Involvement

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

Litigation

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

C. LEASE AGREEMENT

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

The City of Canby entered into a lease agreement with Tenant, Sherry Kern dba Deputy Registrar. The agreement will continue on a year to year basis unless terminated in writing. This agreement states that the lessor will pay monthly rent of \$150 for the use of some office space at 107 St. Olaf Avenue N. The city received \$1,800 of rent in 2019.

D. TAX ABATEMENTS

The City approved a property tax abatement on December 7, 2010, starting payable 2013 through 2022. The abatement terms shall be for a maximum of 10 years. This property tax abatement agreement is between the Canby Inn & Suites, LLC and the City. This abatement shall be for 100% of the City's share of the increased ad valorem property taxes generated by the property as a result of the proposed development of the property. The City's expense for 2019 is \$23,837.

The City approved a property tax abatement on May 3, 2011, starting payable 2013 and ending 2022. The abatement terms shall be for a maximum of 10 years. This property tax abatement agreement is between Farmers Cooperative Association and the City. This abatement shall be fore 100% of the City's share of the increased ad valorem property taxes generated by the property as a result of the proposed development of the property. The City's expense for 2019 is \$7,350.

E. FEDERAL AIDS – SINGLE AUDIT ACT

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description

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

General Employees Retirement Plan

All full time and certain part time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either Coordinated Plan or covered by Social Security.

Public Employees Police and Fire Fund Plan

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

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested terminated employees who are entitled to benefits, but are not receiving them yet, are bound by provisions in effect at the time they last terminated their public service.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (CONTINUED)

1. General Employees Plan Benefits

General Employees 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. Members hired prior to July 1, 1989, receive the higher of Method 1 and Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for the Coordinated Plan members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age of 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective January 1. Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment announced by SSA, not less than 1.0 percent and not more than 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of increase will receive a full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For retirements on or after January 1, 2024, the increase will be delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefits recipients, or survivors). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning in 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE(CONTINUED)

Contributions

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

General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.50% of their annual covered salary in calendar year 2019. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2019. The City's contributions to the General Employee fund for the years ended December 31, 2019, 2018 and 2017 were \$33,745, \$29,710 and \$28,120, respectively. The City's contributions were equal to the required contributions as set by the state statute.

Police and Fire Fund Contributions

Police and Fire members contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019, 2018 and 2017 were \$21,648, \$26,958 and \$25,548. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$337,255 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of the special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$786. The net pension was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0061%.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2019, the City recognized pension expense of \$29,482 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$786 as pension expense (and grant revenue) for its proportionate share to of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of General Employee's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 8,978	\$ 0
Changes in Actuarial Assumptions	0	24,917
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	30,086
Changes in Proportion	19,835	10,149
Contributions Subsequent to the Measurement Date	<u>16,305</u>	
Totals	<u>\$ 45,118</u>	<u>\$ 65,152</u>

\$16,305 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2020	(\$18,209)
2021	(\$17,932)
2022	(\$741)
2023	\$544

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Police and Fire Pension Costs

At December 31, 2019, the City reported a liability of \$149,044 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0140 which was an decrease of .0011 percent from its proportion measured as of June 30, 2018. The City also recognized \$1,890 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense in the amount of \$1,890 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,861	\$ 26,296
Changes in Actuarial Assumptions	141,352	190,646
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	34,519
Changes in Proportion		21,659
Contributions Subsequent to the Measurement Date	11,692	-
Totals	\$ 159,905	\$ 273,120

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

\$11,692 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense</u>
	<u>Amount</u>
2020	(\$17,488)
2021	(\$29,782)
2022	(\$71,412)
2023	(\$4,144)
2024	(\$2,080)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

	<u>General</u>	<u>Police & Fire</u>
Inflation	2.50% per year	2.50% per year
Active Member Payroll Growth	3.25% after 26 years of service	3.25% after 25 years of service
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four- year experience study in the General Employees Plan was completed in 2019. The most recent four year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

- The mortality projection scale was changed from MP-2017 to MP-2018.
- There have been no changes since the prior valuation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.90%
Private Markets	25%	5.90%
Fixed Income	20%	.75%
International Equity	17.5%	5.90%
Cash Equivalents	<u>2.0%</u> 100%	

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

F. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

PENSION LIABILITY SENSITIVITY

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity of Net Pension Liability at Current Single Discount Rate (in thousands)

	General Employees Fund	Police and Fire Fund		
1% Lower	6.50%	\$554,430	6.50%	\$325,783
Current Discount Rate	7.50%	337,255	7.50%	149,044
1% Higher	8.50%	157,935	8.50%	3

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND

Defined Benefit Pension Plan

Plan Description

The Canby Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2018, the plan covered 24 active firefighters and 8 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

Benefits Provided

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

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. The State of Minnesota contributed \$24,170 in fire state aid to the plan for the year ended December 31, 2018. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2018 were \$20,376. The City's contributions were equal to the required contributions as set by state statute, if applicable.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

G. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND

Pension Costs

At December 31, 2019, the City of Canby reported a net pension asset of \$150,922 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2018. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability/ (Asset)</u>
	(a)	(b)	(a-b)
Beginning Balance 12/31/17	\$366,674	\$602,255	(\$235,581)
Changes for the Year			
Service Cost	20,376	0	20,376
Interest on Pension Liability	23,223	0	23,223
Projected Investment Earnings	0	36,135	(36,135)
Actuarial Experience (Gains)/Losses	(7,631)	0	(7,631)
Changes in Benefit Level	48,159	0	48,159
Contributions (ER/State)	0	24,170	(24,170)
Asset Gain/Loss	0	(59,842)	59,842
Benefit Payouts	0	0	0
PERA Administrative Fee	0	(995)	995
Net Changes	84,127	(532)	47,931
Balance End of Year 12/31/18	\$450,801	\$601,723	(\$150,922)

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

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

There were no provision changes during the measurement period.

For the year ended December 31, 2019, the City of Canby recognized pension expense of \$67,060. At December 31, 2019, the City of Canby reported deferred inflows of resources if contributions were made after the measurement date and for state contributions received by PERA after the measurement date which can be found on a website that was supplied to the relief.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Actuarial Experience Gains/Losses	\$0	\$6,105
Difference between projected and actual investment earnings	47,874	
Total	\$47,874	\$6,105

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

Year ended December 31:	Pension Expense Amount
2019	\$8,631
2020	\$3,570
2021	\$4,498
2022	\$11,970

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

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

Actuarial Assumptions

The total pension liability at December 31, 2018, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Discount Rate

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

Pension Asset Sensitivity

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

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Asset	\$133,626	\$150,922	\$167,320

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

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

Plan Investments

Investment Policy:

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

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

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

Asset Allocation:

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

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

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during 2019 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2019, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

H. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 17, 2020, which is the date the financial statements were available to be issued. No significant, unusual or infrequent events or transactions have occurred after the financial statement date but before the issuance of the financial statements.

I. TAX INCREMENT FINANCING DISTRICTS

The City of Canby is the administering authority for the following tax increment finance districts which were established in various years. During 2019, the City of Canby received \$295,298 from these districts in tax revenue. This revenue is transferred to the General Fund on an annual basis. In 1997, the City created a new municipal development district and merged all existing Districts into the new District. All existing Districts were renamed. Detailed information on these districts is listed below.

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

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

Type of district – Redevelopment/Canby Farmers Grain

Authorizing law – Minnesota Statute #469

Year established – 1999

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

Original tax capacity –	8,837
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Current tax capacity –	59,908
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Captured tax capacity –	51,070
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Retained by authority –	51,070
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Shared with other authorities –	-0-
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Total bonds issued -	224,600
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Total loans incurred -	-0-
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CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Borderline	
Authorizing law – Minnesota Statute #469	
Year established – 2001	
Duration – not to exceed twenty-five (25) years of increment-2026	
Original tax capacity –	28
Current tax capacity –	1,784
Captured tax capacity –	1,756
Retained by authority –	1,756
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	19,000

Tax Increment Financing District No. 1-15 County (TIF 1-9)

Type of district – Redevelopment/Steve Grong Construction	
Authorizing law – Minnesota Statute #469	
Year established – 1999	
Duration – not to exceed twenty-five (25) years of increment	
Original tax capacity –	139
Current tax capacity –	1,731
Captured tax capacity –	1,592
Retained by authority –	1,592
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	25,000

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

Type of district – Redevelopment/John Lair Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	149
Current tax capacity –	1,382
Captured tax capacity –	1,233
Retained by authority –	1,233
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	24,500

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

Type of district – Redevelopment/Clark-Hanson VFW Post 117	
Authorizing law – Minnesota Statute #469	
Year established – 2000	
Duration – not to exceed twenty-five (25) years of increment-2024	
Original tax capacity –	33
Current tax capacity –	1,868
Captured tax capacity –	1,835
Retained by authority –	1,835
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	29,326

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

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

Type of district – Redevelopment/Janiszseski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	41
Current tax capacity –	1,675
Captured tax capacity –	1,634
Retained by authority –	1,634
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/Janiszseski	
Authorizing law – Minnesota Statute #469	
Year established – 2002	
Duration – not to exceed twenty-five (25) years of increment-2027	
Original tax capacity –	25
Current tax capacity –	1,462
Captured tax capacity –	1,437
Retained by authority –	1,437
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2004	
Duration – not to exceed twenty-five (25) years of increment-2028	
Original tax capacity –	261
Current tax capacity –	3,294
Captured tax capacity –	3,033
Retained by authority –	3,033
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-34 County (TIF 1-24)

Type of district – Soils Condition	
Authorizing law – Minnesota Statute #469	
Year established – 2012	
Duration – twenty (20) years from receipt of the first tax increment	
Original tax capacity –	784
Current tax capacity –	29,478
Captured tax capacity –	28,694
Retained by authority –	28,694
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-37 County (TIF 1-25)

Type of district – Economic Development	
Authorizing law – Minnesota Statute #469	
Year established – 2013	
Duration – eight (8) years from first receipt of tax increment	
Original tax capacity –	660
Current tax capacity –	46,914
Captured tax capacity –	46,254
Retained by authority –	46,254
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2015	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2040	
Original tax capacity –	3,104
Current tax capacity –	10,880
Captured tax capacity –	7,776
Retained by authority –	7,776
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2015	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2042	
Original tax capacity –	3,198
Current tax capacity –	9,643
Captured tax capacity –	6,445
Retained by authority –	6,445
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (Continued)

I. TAX INCREMENT FINANCING DISTRICTS (Continued)

Tax Increment Financing District No. 1-46 County (TIF 1-28)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2018	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2043	
Original tax capacity –	809
Current tax capacity –	809
Captured tax capacity –	-0-
Retained by authority –	-0-
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-47 County (TIF 1-29)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2018	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2027	
Original tax capacity –	62
Current tax capacity –	62
Captured tax capacity –	17,518
Retained by authority –	17,518
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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

Fiscal Year <u>Ending</u>	Employer's Proportion (Percentage) of the Net Pension Liability <u>(Asset)</u>	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0066%	\$342,046	\$385,415	88.75%	78.20%
June 30, 2016	0.0061%	\$495,290	\$365,010	135.69%	68.90%
June 30, 2017	0.0056%	\$357,500	\$394,940	90.52%	75.90%
June 30, 2018	0.0057%	\$316,213	\$396,129	79.83%	79.50%
June 30, 2019	0.0061%	\$337,255	\$476,197	70.82%	80.20%

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

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

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

Fiscal Year <u>Ending</u>	Employer's Proportion (Percentage) of the Net Pension Liability <u>(Asset)</u>	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0170%	\$193,160	\$151,377	127.60%	78.20%
June 30, 2016	0.0160%	\$642,108	\$160,585	399.86%	63.90%
June 30, 2017	0.0160%	\$216,019	\$165,814	130.28%	75.90%
June 30, 2018	0.0151%	\$160,950	\$166,410	96.72%	79.50%
June 30, 2019	0.0140%	\$149,044	\$156,739	95.09%	80.20%

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

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

CITY OF CANBY
SCHEDULE OF CITY'S CONTRIBUTIONS

PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

<u>Fiscal Year Ending</u>	Contributions in Relation to the Statutorily Required Contribution			<u>Covered- Employee Payroll (d)</u>	Contributions as a Percentage of <u>Covered-Employee Payroll (b/d)</u>
	<u>Statutorily Required Contribution (a)</u>	<u>Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>		
December 31, 2015	\$28,491	\$28,906	(415)	\$385,415	7.50%
December 31, 2016	\$27,376	\$27,376	-	\$365,010	7.50%
December 31, 2017	\$28,120	\$28,120	-	\$374,877	7.50%
December 31, 2018	\$29,710	\$29,710	-	\$396,129	7.50%
December 31, 2019	\$33,746	\$33,746	-	\$449,942	7.50%

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

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

PUBLIC EMPLOYEES POLICE AND FIRE EMPLOYEES RETIREMENT FUND

<u>Fiscal Year Ending</u>	Contributions in Relation to the Statutorily Required Contribution			<u>Covered- Employee Payroll (d)</u>	Contributions as a Percentage of <u>Covered-Employee Payroll (b/d)</u>
	<u>Statutorily Required Contribution (a)</u>	<u>Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>		
December 31, 2015	\$24,885	\$24,523	362	\$151,377	16.20%
December 31, 2016	\$26,015	\$26,015	-	\$160,585	16.20%
December 31, 2017	\$25,548	\$25,548	-	\$157,702	16.20%
December 31, 2018	\$26,958	\$26,958	-	\$166,410	16.20%
December 31, 2019	\$21,648	\$21,649	(1)	\$133,629	16.20%

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

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

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

-The employer supplemental contribution was changed prospectively, decreasing \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 Changes

Changes in Actuarial Assumptions:

-The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

-The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

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

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

Police and Fire Fund

2019 Changes

No changes

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- Assumed rates of retirement were changed, resulting in fewer retirements.

- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- Assumed percentage of married female members was decreased from 65 percent to 60 percent.

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing Joint and Survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

2016 Changes

Changes in Actuarial Assumptions:

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

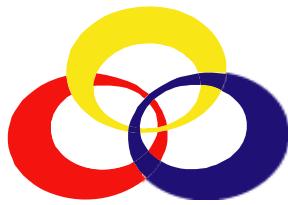
2015 Changes

Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.



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, 2019, and the related notes to the financial statements, which collectively comprise the City of Canby, Minnesota's basic financial statements and have issued our report thereon dated June 17, 2020.

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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Canby, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Canby, Minnesota's internal control.

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses, or significant deficiencies and, therefore, material weaknesses may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, 2019-1 and 2019-3.

Compliance and Other Matters

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

City of Canby's Response to Findings

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Canby, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Prior and Current Findings and Responses as item 2019-2. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Canby's noncompliance with the above referenced provisions.

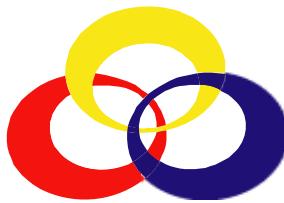
Purpose of Report

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

Kinner & Company Ltd.

Kinner & Company Ltd
Certified Public Accountants

June 17, 2020



Kinner & Company Ltd

Certified Public Accountants

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Canby's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Canby's major federal programs for the year ended December 31, 2019. The City of Canby's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Canby'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 the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Canby's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Canby complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2019-1 and 2019-4. Our opinion on each major federal program is not modified with respect to these matters. City of Canby, Minnesota's responses to the noncompliance findings identified in our audit is described in the accompanying findings and questioned costs. City of Canby, Minnesota's response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Canby, Minnesota's basic financial statements. We issued our report thereon dated June 17, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kinner & Company Ltd.

Kinner & Company Ltd
Certified Public Accountants
June 17, 2020

CITY OF CANBY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Pass Through Grantor and Program Title	Grant Contract Period	Federal CFDA Number	Loan/Grant Number	Federal Expenditures
U.S. Environmental Protection Agency:				
Passsthrough Agency: Minnesota Public Facilities Authority				
Clean Water State Revolving Fund	09/27/18-12/31/19	66.458	*	MPFA-0018-R-FY19 \$ 2,278,333
Drinking Water State Revolving Fund	09/27/18-12/31/19	66.468	*	MPFA-0022R-FY19 2,113,099
Total U.S. Environmental Protection Agency				<u>4,391,432</u>
Disaster Grants Public Assistance		97.036	EMGP-20200429-2569	<u>29,454</u>
Total Department of Homeland Security				<u>29,454</u>
Grand Total				<u>\$ 4,420,886</u>

* donates Major Program

Loan Numbers	12/31/18	Principal Payments	Loans Disbursed	12/31/2019
MPFA-14-0014-R-FY15	\$ 3,871,000	\$ 131,000		\$ 3,740,000
MPFA-14-0032-R-FY15	2,417,000	82,000		2,335,000
MPFA-09-0096-R-FY10	3,774,000	157,000		3,617,000
MPFA-09-0083-R-FY10	3,057,000	130,000		2,927,000
MPFA-018 L FY 19	1,381,627	61,774	2,251,637	3,633,264
MPFA-019 L FY 19	1,364,821	57,521	2,050,534	3,415,355
MPFA-022 L FY 19	5,465	1,402	32,654	36,717
Totals Outstanding Loans	<u>\$ 15,870,913</u>	<u>\$ 620,697</u>	<u>\$ 4,334,825</u>	<u>\$ 19,704,336</u>

1) Major Programs were determined using loan and loan guarantee coverage rules.

2) All programs are Type A.

3) The 10% de-minimus indirect cost rate was not elected by the City of Canby.

4) Basis for Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Canby and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

CITY OF CANBY
NOTES TO SCHEUDLE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Canby and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. SUB-RECIPIENTS

The City of Canby provided no federal awards to sub-recipients.

3. INDIRECT COST RATE

The City of Canby has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiencies identified? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? Yes

Major programs:

- 66.458 Environmental Protection Agency
Pass-through Agency: Minnesota Public Facilities Authority
- 66.468 Environmental Protection Agency
Pass-through Agency: Minnesota Public Facilities Authority

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

Auditee qualified as low-risk auditee: No

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

The current audit contains four financial statement audit findings.

2019-1: The City does not maintain an adequate segregation of duties among its accounting personnel.

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

Criteria: Internal controls can help the City of Canby achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Cause: The City has a limited number of accounting personnel to perform financial reporting duties.

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

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

Corrective Action Plan and Council's Response: 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. The City council and/or other personnel periodically reviews various expenditure reports for amounts, classifications and comparison to budget.

Updated Progress from Prior Year: The City will continue trying to improve to take more of an active role in the oversight of the revenues and expenses.

2019-2: Minnesota Interfund Loan Compliance According to the Minnesota Legal Compliance Manual, the city is not compliant with Minnesota Statute 469.178, subd. 7.

Condition: The city does not have terms and conditions for repayment setup for its interfund loans.

Criteria: Without repayment terms and conditions, interfund loans can remain within funds indefinitely.

CITY OF CANBY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2019-2: Minnesota Interfund Loan Compliance(Continued)

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

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

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

Corrective Action Plan and Management Response: The city will review the guide and statutes, and council will setup a resolution for each interfund loan and payment terms so the city is compliant. A listing of interfund balances is on page 52 of the notes to the financials. The council will review these and comply with the statutes in 2020.

Updated Progress from Prior Year: The City continues to improve their controls in this area.

2019-3: Material Adjustments

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated.

Criteria: Management is responsible for reconciling the accounts at the end of the year and making the proper adjustments.

Cause: The City has a limited number of personnel that could adjust the financials could result in undetected errors or irregularities and misstated interim financial reports.

Recommendation: Improve internal controls to prevent these types of adjustments.

Corrective Action Plan and Management Response: The City of Canby will improve our internal controls to prevent these types of adjustments. The finance department and the administrator will review the financials before submitting to the audit for the 2019 audit. Kinner & Company will provide a listing of entries that was prepared in the prior year at the end of 2019 to make sure that the entries are in the system before the auditor receives the financials.

CITY OF CANBY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

FINDING 2018-1: The City does not maintain an adequate segregation of duties among its accounting personnel- This finding continues to exist and has been restated as finding 2019-1

STATUS: Duties are being separated as much as possible and alternate controls are being implemented to compensate for lack of segregation. The accounting department utilizes their staff to accommodate internal controls as much as possible.

FINDING 2018-2: The City did not follow MN Statutes for payment payoff and terms between TIF districts and the general fund. This finding continues to exist and has been restated as finding 2019-2

STATUS: The Council will setup a resolution for each Tax Increment Financing inter-fund loan and payment terms so the city is compliant with the Minnesota Legal Compliance Guide.

FINDING 2018-3: The City did not follow MN Statutes for the open meeting laws
This finding does not continue to exist.

FINDING 2018-4: Material adjustments were required to prevent the financial statements to be materially misstated. This finding continues to exist and has been restated as finding 2019-3.

STATUS: The Council and bookkeeper will work together to get the financials ready for the auditor when the auditor is ready for them.

**CITY OF CANBY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

FINDING 2019-1:

Name of Contact Person: Rebecca Schrupp, Administrator

Corrective Action: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of segregation. The council is becoming more involved in providing some of the controls and the accounting department is utilizing their staff to accommodate internal control as much as possible.

Proposed Completion Date: December 31, 2020

FINDING 2019-2:

Name of Contact Person: John Meyer and Rebecca Schrupp, Administrator

Corrective Action: The council will setup a resolution for each Tax Increment Financing inter-fund loan and payment terms so the city is compliant with the Minnesota Legal Compliance Guide.

Proposed Completion Date: December 31, 2020

FINDING 2019-3:

Name of Contact Person: Rebecca Schrupp, Administrator and Bonnie Merritt, Accounting Department

Corrective Action: The accounting department will review the financials before presenting them to the auditor for next years audit. The accounting department will review the journal entries received for the December 31, 2019 audit to make the entries before the auditor receives the financials.

Proposed Completion Date: December 31, 2020

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
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Special Revenue						Debt Service					
	EDA	GOIB of 2001	GOIB of 2000	TIF 1-24	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Incr Bond 1997	TIF 1-4	TIF 1-6	TIF 1-8	TIF 1-9
ASSETS												
Cash and Cash Equivalents	\$ 46,434	\$ 23,241	\$ 3,798	\$ 75,519	\$ 7,222	\$ 21,614	\$ 51,610	\$ 380,127	\$ 2,887	\$ 18,393	\$ 17,469	
Taxes Receivable	--	--	--	--	--	--	--	--	503	--	--	--
Delinquent Taxes Receivable	--	317	--	--	--	--	--	--	126	--	--	--
Due from Component Unit- Current	--	--	--	--	7,760	--	--	--	--	--	--	--
Special Assessments Receivable	--	35	--	--	--	--	156	--	--	--	--	--
Accounts Receivable	--	--	--	--	500	--	--	--	--	--	--	--
Notes Receivable Current	16,399	--	--	--	--	--	--	--	--	--	--	--
Special Assessments - Deferred	--	--	--	--	--	--	84,919	--	--	--	--	--
Due from Component Unit- Non Current	--	--	--	--	205,680	--	--	--	--	--	--	--
Notes Receivable - Non Current	92,987	--	--	--	--	--	--	--	--	--	--	--
Advances to Other Funds	--	--	--	--	--	--	--	--	12,905	--	--	--
<i>Total Assets</i>	<i>155,820</i>	<i>23,593</i>	<i>3,798</i>	<i>75,519</i>	<i>221,162</i>	<i>21,614</i>	<i>136,685</i>	<i>--</i>	<i>393,661</i>	<i>2,887</i>	<i>18,393</i>	<i>17,469</i>
DEFERRED OUTFLOWS OF RESOURCES												
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<i>\$ 155,820</i>	<i>\$ 23,593</i>	<i>\$ 3,798</i>	<i>\$ 75,519</i>	<i>\$ 221,162</i>	<i>\$ 21,614</i>	<i>\$ 136,685</i>	<i>\$ --</i>	<i>\$ 393,661</i>	<i>\$ 2,887</i>	<i>\$ 18,393</i>	<i>\$ 17,469</i>
LIABILITIES												
Due to Component Unit	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	8,100	\$ --	\$ --	\$ --
Advances from Other Funds	--	--	--	--	12,905	--	--	40,579	--	5,259	--	--
<i>Total Liabilities</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>12,905</i>	<i>--</i>	<i>--</i>	<i>40,579</i>	<i>8,100</i>	<i>5,259</i>	<i>--</i>	<i>--</i>
DEFERRED INFLOWS OF RESOURCES												
Unavailable Revenues-Taxes		317								629		
Unavailable Revenues- Special Assessments									85,075			
Unavailable Revenues-Notes Receivable												
<i>Total Liabilities and Deferred Inflows of Resources</i>	<i>109,386</i>	<i>317</i>	<i>--</i>	<i>--</i>	<i>12,905</i>	<i>--</i>	<i>85,075</i>	<i>40,579</i>	<i>8,729</i>	<i>5,259</i>	<i>--</i>	<i>--</i>
FUND BALANCE												
Restricted	--	23,276	3,798	75,519	208,257	21,614	51,610	--	384,932	--	18,393	17,469
Assigned	46,434	--	--	--	--	--	--	--	--	--	--	--
Unassigned			--		--	--	(40,579)			(2,372)		0
<i>Total Fund Balance</i>	<i>46,434</i>	<i>23,276</i>	<i>3,798</i>	<i>75,519</i>	<i>208,257</i>	<i>21,614</i>	<i>51,610</i>	<i>(40,579)</i>	<i>384,932</i>	<i>(2,372)</i>	<i>18,393</i>	<i>17,469</i>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<i>\$ 155,820</i>	<i>\$ 23,593</i>	<i>\$ 3,798</i>	<i>\$ 75,519</i>	<i>\$ 221,162</i>	<i>\$ 21,614</i>	<i>\$ 136,685</i>	<i>\$ --</i>	<i>\$ 393,661</i>	<i>\$ 2,887</i>	<i>\$ 18,393</i>	<i>\$ 17,469</i>

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Debt Service												Pool-GO Tax 2015B	
	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-18	TIF 1-19	GOIB of 2004	TIF 1-25	GOIB of 2014C	GOIB of 2015A	TIF 1-27			
ASSETS														
Cash and Cash Equivalents	\$ 665	\$ 9,030	\$ 18,366	\$ 16,544	\$ 319	\$ --	\$ 285,362	\$ --	\$ --	\$ 86,791	\$ 43,150			
Taxes Receivable	--	--	--	--	--	--	--	--	--	--	--			1,945
Delinquent Taxes Receivable	--	--	--	--	--	--	--	--	--	--	--			707
Due from Component Unit- Current	--	--	--	--	--	--	--	--	15,208	19,509	--			--
Special Assessments Receivable	--	--	--	--	--	--	--	--	--	--	--			--
Accounts Receivable	--	--	--	--	--	--	--	--	433	--	--			--
Notes Receivable Current	--	--	--	--	--	--	--	--	--	--	--			--
Special Assessments - Deferred	--	--	--	--	--	--	--	--	--	--	--			--
Due from Component Unit- Non Current	--	--	--	--	--	--	--	--	288,962	451,963	--			--
Notes Receivable - Non Current	--	--	--	--	--	--	--	--	--	--	--			--
Advances to Other Funds	--	--	--	--	--	--	--	76,655	--	--	--			--
<i>Total Assets</i>	665	9,030	18,366	16,544	319	--	362,017	304,603	471,472	86,791	45,802			
DEFERRED OUTFLOWS OF RESOURCES														
Aggregated deferred outflows	--	--	--	--	--	--	--	--	--	--	--			--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 665	\$ 9,030	\$ 18,366	\$ 16,544	\$ 319	\$ --	\$ 362,017	\$ 304,603	\$ 471,472	\$ 86,791	\$ 45,802			
LIABILITIES														
Due to Component Unit	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,718	\$ --	\$ --			--
Advances from Other Funds	21,000	--	--	--	--	--	65,919	--	433	64,866	--			--
<i>Total Liabilities</i>	21,000	--	--	--	--	--	65,919	--	433	74,584	--			--
DEFERRED INFLOWS OF RESOURCES														
Unavailable Revenues-Taxes														2,653
Unavailable Revenues- Special Assessments														
Unavailable Revenues-Notes Receivable														
<i>Total Liabilities and Deferred Inflows of Resources</i>	21,000	--	--	--	--	--	65,919	--	433	74,584	--			2,653
FUND BALANCE														
Restricted	--	9,030	18,366	16,544	319	--	--	362,017	304,170	396,888	86,791			43,149
Assigned	--	--	--	--	--	--	--	--	--	--	--			--
Unassigned	(20,335)							(65,919)						
<i>Total Fund Balance</i>	(20,335)	9,030	18,366	16,544	319	--	(65,919)	362,017	304,170	396,888	86,791			43,149
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 665	\$ 9,030	\$ 18,366	\$ 16,544	\$ 319	\$ --	\$ 362,017	\$ 304,603	\$ 471,472	\$ 86,791	\$ 45,802			

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2019

	Debt Service					Total Nonmajor Governmental Funds
	TIF 1-28	TIF 1-29	GOIB of 2019A	2009 Impr Bond	Pool	
ASSETS						
Cash and Cash Equivalents	\$ 2,241	\$ 24	\$ --	\$ 39,717	\$ 15,802	\$ 1,166,325
Taxes Receivable	--	--	--	--	--	2,448
Delinquent Taxes Receivable	--	--	--	1,333	--	2,483
Due from Component Unit- Current	--	--	5,277	--	--	47,754
Special Assessments Receivable	--	--	--	583	--	774
Accounts Receivable	--	--	850	--	--	1,783
Notes Receivable Current	--	--	--	--	--	16,399
Special Assessments - Deferred	--	--	--	--	--	84,919
Due from Component Unit- Non Current	--	--	110,223	--	--	1,056,828
Notes Receivable - Non Current	--	--	--	--	--	92,987
Advances to Other Funds	--	--	--	--	--	89,560
<i>Total Assets</i>	2,241	24	116,350	41,633	15,802	2,562,260
DEFERRED OUTFLOWS OF RESOURCES						
Aggregated deferred outflows	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 2,241	\$ 24	\$ 116,350	\$ 41,633	\$ 15,802	\$ 2,562,260
LIABILITIES						
Due to Component Unit	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 17,818
Advances from Other Funds	--	8,009	3,450	--	--	222,420
<i>Total Liabilities</i>	--	8,009	3,450	--	--	240,238
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues-Taxes				1,333		
Unavailable Revenues- Special Assessments				583		
Unavailable Revenues-Notes Receivable						
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	8,009	3,450	1,916	--	440,214
FUND BALANCE						
Restricted	2,241	--	112,900	39,717	15,802	2,212,802
Assigned	--	--	--	--	--	46,434
Unassigned	(7,985)				--	(137,190)
<i>Total Fund Balance</i>	2,241	(7,985)	112,900	39,717	15,802	2,122,046
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 2,241	\$ 24	\$ 116,350	\$ 41,633	\$ 15,802	\$ 2,562,260

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

	Special Revenue						Debt Service								
	EDA	GOIB of 2001	GOIB of 2000	TIF 1-24	GOIB of 2012B	Municipal Bond	Parking Lot Bond	Tax Incr Bond 1997	TIF 1-4	TIF 1-6	TIF 1-8	TIF 1-9			
Revenues															
Interest Income	\$ 3,212	\$ 84	\$ --	\$ 145	\$ 12,733	\$ 2	\$ 5,017	\$ --	\$ --	\$ --	\$ 1	\$ 1			
Property Taxes	--	113	--	47,531	--	--	--	76,405	2,973	2,803		2,637			
Special Assessments	--	83	--	--	--	--	4,812	--	--	--	--	--			
Miscellaneous	33,786	1	--	--	500	--	--	--	--	--	--	--			
Federal Grants	5,980	--	--	--	--	--	--	--	--	--	--	--			
Total Revenues	42,978	281	--	47,676	13,233	2	9,829	--	76,405	2,973	2,804	2,638			
Expenditures															
General Government and Administration	--	--	--	--	--	--	--	--	--	--	--	--			
Economic Development	48,161	--	--	--	--	--	--	--	--	--	--	--			
Miscellaneous	--	--	--	1,145	--	--	--	274	10,634	270	207	206			
Debt - Principal	--	--	--	30,000	7,760	--	10,000	1,900	9,040	1,300	--	--			
Interest and Other Charges	--	--	--	26,925	13,656	--	10,052	701	6,180	480	--	--			
Total Expenditures	48,161	--	--	58,070	21,416	--	20,052	2,875	25,854	2,050	207	206			
Excess of Revenues Over (Under) Expenditures	(5,183)	281	--	(10,394)	(8,183)	2	(10,223)	(2,875)	50,551	923	2,597	2,432			
Other Financing Sources (Uses)															
Bond Proceeds	--	--	--	--	--	--	--	--	--	--	--	--			
Transfers from Other Funds	--	--	--	--	--	--	--	--	--	--	--	--			
Bond Issuance Costs	--	--	--	--	--	--	--	--	--	--	--	--			
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--	--			
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--	--	--	--			
Net Change in Fund Balance	(5,183)	281	--	(10,394)	(8,183)	2	(10,223)	(2,875)	50,551	923	2,597	2,432			
Fund Balance at Beginning of Period	51,617	22,995	3,798	85,913	216,440	21,612	61,833	(37,704)	334,381	(3,295)	15,796	15,037			
Fund Balance at End of Period	\$ 46,434	\$ 23,276	\$ 3,798	\$ 75,519	\$ 208,257	\$ 21,614	\$ 51,610	\$ (40,579)	\$ 384,932	\$ (2,372)	\$ 18,393	\$ 17,469			

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

Debt Service												
	TIF 1-10	TIF 1-11	TIF 1-12	TIF 1-14	TIF 1-18	TIF 1-19	GOIB of 2004	TIF 1-25	GOIB of 2014C	GOIB of 2015A	TIF 1-27	Pool-GO Tax 2015B
Revenues												
Interest Income	\$ --	\$ --	\$ 1	\$ 1	\$ --	\$ --	\$ --	\$ --	\$ 13,839	\$ 22,001	\$ 233	\$ --
Property Taxes	--	2,042	2,707	2,380	5,024	--	--	73,285	--	--	10,225	54,959
Special Assessments	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--	310	2,507	--	--	--
Federal Grants	--	--	--	--	--	--	--	--	--	--	--	--
Total Revenues	--	2,042	2,708	2,381	5,024	--	--	73,595	16,346	22,001	10,458	54,959
Expenditures												
General Government and Administration	--	--	--	--	--	--	--	--	--	163	--	--
Economic Development	--	--	--	--	--	--	--	--	--	--	--	--
Miscellaneous	--	206	206	205	206	--	--	982	2,506	--	361	--
Debt - Principal	--	--	--	--	2,000	--	--	40,491	15,208	19,509	--	20,000
Interest and Other Charges	--	--	--	--	1,800	--	--	45,662	13,839	22,002	--	23,955
Total Expenditures	--	206	206	205	4,006	--	--	87,135	31,553	41,674	361	43,955
Excess of Revenues Over (Under) Expenditures	--	1,836	2,502	2,176	1,018	--	--	(13,540)	(15,207)	(19,673)	10,097	11,004
Other Financing Sources (Uses)												
Bond Proceeds	--	--	--	--	--	--	--	--	--	180,000	--	--
Transfers from Other Funds	--	--	--	--	--	--	--	--	--	--	--	--
Bond Issuance Costs	--	--	--	--	--	--	--	--	--	(4,284)	--	--
Transfers to other funds	--	--	--	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--	175,716	--	--
Net Change in Fund Balance	--	1,836	2,502	2,176	1,018	--	--	(13,540)	(15,207)	(19,673)	185,813	11,004
Fund Balance at Beginning of Period	(20,335)	7,194	15,864	14,368	(699)	--	(65,919)	375,557	319,377	416,561	(99,022)	32,145
Fund Balance at End of Period	\$ (20,335)	\$ 9,030	\$ 18,366	\$ 16,544	\$ 319	\$ --	\$ (65,919)	\$ 362,017	\$ 304,170	\$ 396,888	\$ 86,791	\$ 43,149

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2019

Debt Service						
	TIF 1-28	TIF 1-29	GOIB of 2019A	2009 Impr Bond	Pool	Total Nonmajor Govt Funds
Revenues						
Interest Income	\$ 96	\$ --	\$ 150	\$ 230	\$ --	\$ 57,746
Property Taxes	--	138	--	475	--	283,697
Special Assessments	--	--	--	172	--	5,067
Miscellaneous	--	--	850	--	--	37,954
Federal Grants	--	--	--	--	--	5,980
Total Revenues	96	138	1,000	877	--	390,444
Expenditures						
General Government and Administration	--	--	--	--	--	163
Economic Development	--	--	--	--	--	48,161
Miscellaneous	1,029	206	850	--	--	19,493
Debt - Principal	--	--	--	--	--	157,208
Interest and Other Charges	--	(1)	--	--	--	165,251
Total Expenditures	1,029	205	850	--	--	390,276
<i>Excess of Revenues Over (Under) Expenditures</i>	<i>(933)</i>	<i>(67)</i>	<i>150</i>	<i>877</i>	<i>--</i>	<i>168</i>
Other Financing Sources (Uses)						
Bond Proceeds	74,500	--	115,500	--	--	370,000
Transfers from Other Funds	--	--	--	--	--	--
Bond Issuance Costs	(1,773)	--	(2,750)	--	--	(8,807)
Transfers to other funds	--	--	--	--	--	--
Net Other Financing Sources (Uses)	72,727	--	112,750	--	--	361,193
Net Change in Fund Balance	71,794	(67)	112,900	877	--	361,361
Fund Balance at Beginning of Period	(69,553)	(7,918)	--	38,840	15,802	1,760,685
Fund Balance at End of Period	\$ 2,241	\$ (7,985)	\$ 112,900	\$ 39,717	\$ 15,802	\$ 2,122,046