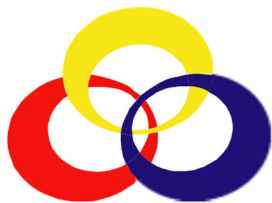
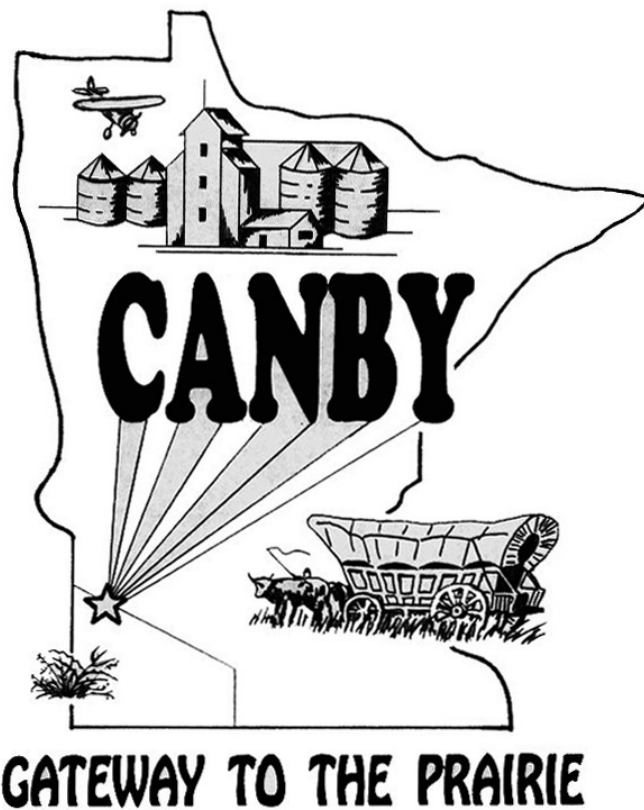


**City of Canby
Audit Report
For the Year Ended
December 31, 2023**



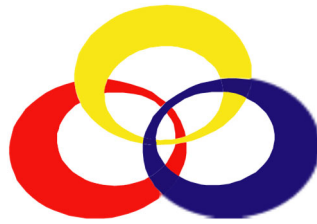
Kinner & Company Ltd
Certified Public Accountants
Taxes, QuickBooks &
Investments

City of Canby Table of Contents

Financial Section

Independent Auditor’s Report	1-3
Required Supplementary Information (unaudited)	
Management’s Discussion and Analysis	4-9
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	10
Statement of Activities	11
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes	
in Fund Balances - Governmental Funds	14
Reconciliation of the Governmental Funds	
Statement of Revenues, Expenditures, and	
Changes in Fund Balances with the Statement	
of Activities	15
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes	
in Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
General Fund - Statement of Revenues, Expenditures,	
and Change in Fund Balance – Budget and Actual	19-24
Notes to Basic Financial Statements	25-68
Required Supplementary Information	
Schedule of City’s Proportionate Share of Net Pension Liability	69
Schedule of City’s Contributions	70
Schedule of Changes in Net Pension Liability and Related Ratios	71
Notes to Required Supplementary Information	72-75
Other Supplemental Information	
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet	76-77
Combining Statement of Revenues, Expenditures, and	
Changes in Fund Balances Special Revenue	78-79
Other Required Reports	
Independent Auditor’s Report on Internal Control over Financial	
Reporting on Compliance and Other Matters Based on an Audit	
of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	80-81
Schedule of Prior and Current Findings and Responses	82-84

FINANCIAL SECTION



Kinner & Company Ltd

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Unmodified Opinion

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, the business-type activities, each major fund and the aggregate remaining fund information of the City of Canby, Minnesota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Canby, Minnesota's basic financial statements as listed in the table of contents

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Canby, Minnesota as of December 31, 2023, 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 accordance with accounting principles generally accepted in the United States of America.

Basis for Unmodified Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Canby, Minnesota and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Canby, Minnesota's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Canby, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Canby, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter- Prior Period Adjustment

As described in Note F, the City reported a prior period adjustment during 2023. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canby, Minnesota's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are 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 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024, 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 18, 2024

CITY OF CANBY

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023 AND 2022

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, 2023 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, 2023 AND 2022

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, 2023 AND 2022

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator over time of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$17,549,821 and \$18,055,695 at the close of fiscal years 2023 and 2022.

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

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

Governmental activities

The City's governmental activities net position increased by \$96,960 in 2023 and it increased by \$282,982 in 2022.

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 3,298,707	\$ 3,788,692	\$ 7,271,415	\$ 7,391,264
Capital assets	8,363,704	8,311,893	25,280,420	26,605,243
Total assets	<u>11,662,411</u>	<u>12,100,585</u>	<u>32,551,835</u>	<u>33,996,507</u>
Deferred Outflows of Resources	<u>537,410</u>	<u>506,215</u>	<u>35,160</u>	<u>59,440</u>
Long-term liabilities outstanding	4,214,426	5,527,332	20,347,265	21,413,343
Other liabilities	848,378	423,160	1,259,762	1,102,368
Total liabilities	<u>5,062,804</u>	<u>5,950,492</u>	<u>21,607,027</u>	<u>22,515,711</u>
Deferred Inflows of Resources	<u>515,090</u>	<u>131,356</u>	<u>52,074</u>	<u>9,495</u>
Net Position				
Net investment in capital assets	4,258,466	3,902,130	4,354,479	4,966,484
Restricted	1,996,519	2,091,006	63,000	7,745
Unrestricted	366,942	531,816	6,510,414	6,556,512
Total Net Position	<u>\$ 6,621,927</u>	<u>\$ 6,524,952</u>	<u>\$ 10,927,894</u>	<u>\$ 11,530,741</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, 2023 AND 2022

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2023
	2023	2022	2023	2022	Total
Revenues					
Program Revenues					
Charges for services	\$ 263,550	242,000	1,260,339	1,188,230	1,523,889
Operating grants and contributions	152,582	81,685	-	-	152,582
Capital grants and contributions	301,126	1,081,981	123,624	8,560	424,750
General Revenues					
Property taxes	919,612	817,417	375,947	360,908	1,295,559
Special Assessments	(1,718)	(399)	72	1,035	(1,646)
Intergovernmental Revenue	855,178	747,811	1,058	-	856,236
Fines and Forfeits	1,672	1,904	-	-	1,672
Licenses and Permits	3,075	73	-	-	3,075
Gain on sale of asset	55,539	8,652	-	10	55,539
Unrestricted Investment Earnings	50,830	54,638	125,686	122,200	176,516
Miscellaneous	117,430	54,684	12,028	13,178	129,458
Total Revenues	2,718,876	3,090,446	1,898,754	1,694,121	4,617,630
Expenses					
Governmental activities	2,621,916	2,807,464			2,621,916
Business-type activities			2,405,518	2,366,730	2,405,518
Total Expenses	2,621,916	2,807,464	2,405,518	2,366,730	5,027,434
Transfers In (Out)	-	-	-	-	-
Increase (Decrease) in net position	96,960	282,982	(506,766)	(672,609)	(409,806)
Net position, January 1, Restated	6,524,967	6,241,970	11,434,660	12,203,352	17,959,610
Net position, December 31	\$ 6,621,927	\$ 6,524,952	\$ 10,927,894	\$ 11,530,741	\$ 17,549,821

The City's total net position decreased by \$409,806 in 2023 and decreased by \$389,627 in 2022. The decrease in 2023 and 2022 was mainly due to the proprietary funds.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022

Business-type activities

Business-type activities decreased the City's net position by \$506,766 in 2023 and decreased by \$672,609 in 2022.

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 2023 and 2022, the City's governmental funds reported ending balances of \$2,378,485 and \$2,777,742. Sixteen percent and thirty percent of the total amount of \$381,996 and \$666,607 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 decreased by \$506,766.

The Storm Sewer net position decreased by \$31,787 in 2023 and decreased \$58,416 in 2022.

Wastewater net position decreased by \$289,847 in 2023 and decreased by \$322,253 in 2022.

Water net position decreased by \$188,846 in 2023 and decreased by \$265,878 in 2022.

Solid Waste net position increased by \$3,714 in 2023 and decreased by \$26,072 in 2022.

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.

Note: There was a restatement to beginning of year fund balance due to write off in special assessments per County confirmation. The restatement totaled \$96,081.

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 amounts to \$33,644,124 and \$34,917,138 (net of accumulated depreciation). The decrease is mainly due to new infrastructure projects depreciation. 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 2023, the City had new debt only in the water and wastewater funds for the end of the MN PFA loan dollars for the infrastructure project. In 2023 the city paid off \$304,527 of governmental debt and \$982,818 of proprietary debt. At the end of 2023 and 2022, the City had total bonded debt outstanding of \$25,032,701 and \$26,203,406.

2023 General Fund Budget Variances to Actual

Total general fund budgeted revenues for 2023, including the transfer in, is \$2,435,174. The actual revenues for 2023, including transfer in and loan proceeds, is \$2,231,606. The revenues were under budget by \$203,568. The majority of the variance is due to over budgeting the fire truck loan proceeds from USDA and Division of Aeronautics.

Total general fund budgeted expenses for 2023, including the transfer out, was \$2,428,611. The actual expenses for 2023 was \$2,481,679. The expenses were under budget by \$53,068.

Economic Factor and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2024 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2023. Overall budget amounts for 2024 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, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Canby HRA
ASSETS				
<i>Current Assets</i>				
Cash and Cash Equivalents	\$ 1,688,530	\$ 2,095,899	\$ 3,784,429	\$ 268,124
Restricted Cash	3,188	63,000	66,188	--
Investments	--	1,696	1,696	--
Due from Other Governments	94,803	210,425	305,228	--
Taxes Receivable	24,479	14,122	38,601	840
Delinquent Taxes Receivable	12,113	8,843	20,956	--
Due from Component Unit- Current	58,514	--	58,514	--
Special Assessments Receivable	60	35,037	35,097	--
Accounts Receivable	8,455	103,254	111,709	--
Notes Receivable Current	16,320	--	16,320	1,235
Prepaid and Other Assets	23,124	25,606	48,730	2,579
Inventory	16,631	--	16,631	--
Total Current Assets	1,946,217	2,557,882	4,504,099	272,778
<i>Noncurrent Assets</i>				
Non-Depreciable	1,088,388	126,296	1,214,684	144,753
Depreciable, Net	7,275,316	25,154,124	32,429,440	441,368
Due from Component Unit - Non Current	827,828	--	827,828	--
Special Assessments - Deferred	58,979	4,250,762	4,309,741	--
Notes Receivable - Non Current	82,099	--	82,099	17,422
Net Pension Asset	189,472	--	189,472	--
<i>Internal Balances*</i>	194,112	462,771	-	--
Total Assets	11,662,411	32,551,835	43,557,363	876,321
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	537,410	35,160	572,570	--
Total Deferred Outflows of Resources	537,410	35,160	572,570	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	25,650	12,850	38,500	-
Security Deposit Payable	-	-	-	5,914
LT Debt Due Within One Year	274,600	997,000	1,271,600	58,514
Accrued Interest Payable	32,164	108,993	141,157	--
Total Current Liabilities	332,414	1,118,843	1,451,257	64,428
<i>Noncurrent Liabilities</i>				
Compensated Absences	45,471	40,626	86,097	--
Net Pension Liability	331,652	139,461	471,113	--
Retainage Payable	6,665	213,158	219,823	--
LT Debt Due Beyond One Yr.	3,830,638	19,930,462	23,761,100	827,829
Bond Premium	--	23,558	23,558	--
<i>Internal Balances*</i>	515,964	140,919	--	--
Total Liabilities	5,062,804	21,607,027	26,012,948	892,257
DEFERRED INFLOWS OF RESOURCES				
Pension Related	515,090	52,074	567,164	--
Total Deferred Inflows of Resources	515,090	52,074	567,164	--
NET POSITION				
Net Investment in Capital Assets	4,258,466	4,354,479	8,612,945	586,119
Restricted	1,996,519	63,000	2,059,519	--
Unrestricted	366,942	6,510,414	6,877,356	-602,055
Total Net Position	\$ 6,621,927	\$ 10,927,894	\$ 17,549,821	\$ (15,936)

* Amounts have been eliminated in total column

**City of Canby
Statement of Activities
For the Year Ended December 31, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit Canby HRA
		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	\$ 552,445	\$ 12,063	\$ --	\$ 3,534	\$ (536,848)	\$ --	\$ (536,848)	
Public Safety	238,816	53,192	152,582	--	(33,042)	--	(33,042)	
Public Works	478,445	6,680	--	--	(471,765)	--	(471,765)	
Culture and Recreation	278,499	39,675	--	--	(238,824)	--	(238,824)	
Economic Development	36,161	--	--	--	(36,161)	--	(36,161)	
Rehabilitation Passthrough Expenses	184,685	--	--	--	(184,685)	--	(184,685)	
Miscellaneous	451,098	--	--	--	(451,098)	--	(451,098)	
Interest and Other Charges	185,385	--	--	--	(185,385)	--	(185,385)	
Airport	178,300	151,940	--	297,592	271,232	--	271,232	
Excess TIF Returned to County	38,082	--	--	--	(38,082)	--	(38,082)	
Total Governmental Activities	2,621,916	263,550	152,582	301,126	(1,904,658)	--	(1,904,658)	
Business-type Activities:								
Solid Waste	157,547	161,191	--	--	--	3,644	3,644	
Storm Sewer	255,062	196,747	--	--	--	-58,315	-58,315	
Wastewater	921,339	380,584	--	8,028	--	-532,727	-532,727	
Water	1,071,570	521,815	--	115,596	--	(434,159)	(434,159)	
Total Business-type Activities	2,405,518	1,260,337	--	123,624	--	(1,021,557)	(1,021,557)	
Total Primary Government	\$ 5,027,434	\$ 1,523,887	\$ 152,582	\$ 424,750	\$ (1,904,658)	\$ (1,021,557)	\$ (2,926,215)	
Component Units								
Canby HRA	\$ 228,895	\$ 99,472	\$ --	\$ --	(129,423)			(129,423)
Total Component Units	\$ 228,895	\$ 99,472	\$ --	\$ --	\$ (129,423)			\$ (129,423)
General Purpose Revenues and Transfers:								
Revenues								
Interest Income					50,830	125,686	176,516	2,785
Miscellaneous					92,511	--	92,511	3,001
Property Taxes					919,612	375,947	1,295,559	105,090
Special Assessments(Forfeited)					(1,718)	72	72	--
License and Permits					3,075	--	3,075	--
Intergovernmental Revenues					855,178	1,058	856,236	--
Fines and Forfeits					1,672	--	1,672	--
Refunds and Reimbursements					12,774	1,491	14,265	--
Rental Income					--	10,537	10,537	--
Donations					12,145	--	12,145	--
Gain on Sale of Assets					55,539	--	55,539	--
Transfers					--	--	--	--
Total General Revenues and Transfers					2,001,618	514,791	2,516,409	110,876
Change in Net Position					96,960	(506,766)	(409,806)	(18,547)
<i>Net Position at Beginning of Period, Restated</i>					6,524,967	11,434,660	17,959,627	2,611
Net Position at End of Period					\$ 6,621,927	\$ 10,927,894	\$ 17,549,821	\$ (15,936)

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

**City of Canby
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 867,090	\$ 821,440	\$ 1,688,530
Taxes Receivable	21,701	2,778	24,479
Delinquent Taxes Receivable	10,782	1,331	12,113
Due from Other Governments	94,803	--	94,803
Due from Component Unit- Current	--	58,514	58,514
Special Assessments Receivable	60	--	60
Accounts Receivable	6,547	1,908	8,455
Restricted Cash	3,188	--	3,188
Notes Receivable Current	--	16,320	16,320
Prepaid and Other Assets	23,124	--	23,124
Inventory	16,631	--	16,631
Special Assessments - Deferred	--	58,979	58,979
Due from Component Unit - Non Current	--	827,828	827,828
Notes Receivable - Non Current	--	82,099	82,099
Advances to Other Funds	51,457	142,655	194,112
Total Assets	<u>1,095,383</u>	<u>2,013,852</u>	<u>3,109,235</u>
DEFERRED OUTFLOWS OF RESOURCES			
Aggregated deferred outflows	--	--	--
Total Assets and Deferred Outflows of Resources	<u>\$ 1,095,383</u>	<u>\$ 2,013,852</u>	<u>\$ 3,109,235</u>
LIABILITIES			
Accounts Payable	\$ 25,650	\$ --	\$ 25,650
Retainage Payable	6,665	--	6,665
Advances from Other Funds	360,000	155,964	515,964
Total Liabilities	<u>392,315</u>	<u>155,964</u>	<u>548,279</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue-Notes Receivable, Taxes and Special Assessments	22,093	160,378	182,471
Total Liabilities and Deferred Inflows of Resources	<u>414,408</u>	<u>316,342</u>	<u>730,750</u>
FUND BALANCE			
Nonspendable	39,755	--	39,755
Restricted	188,000	1,707,647	1,895,647
Assigned	--	61,117	61,117
Unassigned	453,220	(71,254)	381,966
Total Fund Balance	<u>680,975</u>	<u>1,697,510</u>	<u>2,378,485</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,095,383</u>	<u>\$ 2,013,852</u>	<u>\$ 3,109,235</u>

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

City of Canby
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2023

Total Fund Balance - Governmental Funds	\$	2,378,485
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.		(45,471)
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.		8,363,704
Tax revenue deferred in governmental fund statements if not received within sixty days		25,013
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(4,105,238)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements		98,417
Special assessment revenue deferred in governmental fund statements if not received within sixty days		59,038
Net pension assets are not available to pay for current period expenditures and therefore are deferred in the funds.		189,472
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.		(331,652)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.		(515,088)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.		537,410
Accrued interest payable is accrued on Statement of Net Position and expensed on the Statement of Activities. Interest is expensed on a cash basis on the Statement of Revenues, Expenditures, and Changes in Fund Balance.		(32,164)
Total Net Position-Governmental Funds	\$	<u>6,621,927</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	<u>General</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Interest Income	\$ 3,983	\$ 46,847	\$ 50,830
Intergovernmental Revenues	886,507	--	886,507
Property Taxes	580,324	342,792	923,116
Special Assessments(Forfeited)	--	5,747	5,747
License and Permits	3,075	--	3,075
Fines and Forfeits	1,672	--	1,672
Charges for Services	172,344	--	172,344
Refunds and Reimbursements	16,308	--	16,308
Miscellaneous	121,768	19,138	140,906
Federal Grants	210,062	--	210,062
Donations	110,723	--	110,723
Other MN and County Grants	109,440	--	109,440
Total Revenues	<u>2,216,206</u>	<u>414,524</u>	<u>2,630,730</u>
Expenditures			
General Government and Administration	455,363	327	455,690
Public Safety	261,955	--	261,955
Public Works	384,026	--	384,026
Culture and Recreation	225,373	--	225,373
Economic Development	--	36,161	36,161
Rehabilitation Passthrough Expenses	184,685	--	184,685
Miscellaneous	105,234	29,985	135,219
Airport	178,300	--	178,300
Excess TIF Returned to County	--	38,082	38,082
Capital Outlay	653,929	--	653,929
Debt - Principal	27,526	277,001	304,527
Interest and Other Charges	5,301	182,154	187,455
Total Expenditures	<u>2,481,692</u>	<u>563,710</u>	<u>3,045,402</u>
Excess of Revenues Over (Under) Expenditures	<u>(265,486)</u>	<u>(149,186)</u>	<u>(414,672)</u>
Other Financing Sources (Uses)			
Gain on Sale of Assets	15,400	--	15,400
Transfers from Other Funds	--	-	-
Transfers to Other funds	--	-	-
Net Other Financing Sources (Uses)	<u>15,400</u>	<u>--</u>	<u>15,400</u>
Net Change in Fund Balance	<u>(250,086)</u>	<u>(149,186)</u>	<u>(399,272)</u>
<i>Fund Balance at Beginning of Period</i>	931,061	1,846,696	2,777,757
Fund Balance at End of Period	<u>\$ 680,975</u>	<u>\$ 1,697,510</u>	<u>\$ 2,378,485</u>

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

City of Canby
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2023

Total Net Change in Fund Balances - Governmental Funds	\$ (399,272)
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(3,504)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.	304,527
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.	653,929
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.	(595,122)
Accrued leave is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.	34,937
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.	40,139
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	42,811
Special assessment revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.	(7,465)
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.	23,911
Accrued interest expense included in Statement of Activities, expensed as paid in governmental fund statements.	2,070
Changes in Net Position-Governmental Funds	\$ <u>96,960</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, 2023**

Business-type Activities - Enterprise Funds

	<u>Storm Sewer</u>	<u>Wastewater</u>	<u>Water</u>	<u>Non Major Solid Waste</u>	<u>Total Enterprise Funds</u>
ASSETS					
<i>Current Assets</i>					
Cash and Cash Equivalents	\$ 202,625	\$ 341,231	\$ 1,547,083	\$ 4,960	\$ 2,095,899
Restricted Cash	--	31,500	31,500	--	63,000
Investments	--	850	530	316	1,696
Taxes Receivable	403	7,085	6,634	--	14,122
Delinquent Taxes Receivable	97	4,516	4,230	--	8,843
Due from Other Governments	--	99,240	111,185	--	210,425
Special Assessments Receivable	4,138	15,664	15,235	--	35,037
Accounts Receivable	17,282	34,110	36,945	14,917	103,254
Prepaid and Other Assets	--	12,803	12,803	--	25,606
Total Current Assets	<u>224,525</u>	<u>546,999</u>	<u>1,766,145</u>	<u>20,193</u>	<u>2,557,882</u>
<i>Noncurrent Assets</i>					
Special Assessments - Deferred	377,952	1,932,863	1,939,947	--	4,250,762
Non-Depreciable	--	79,835	21,345	25,116	126,296
Depreciable, Net	2,673,225	11,090,976	11,389,923	--	25,154,124
Advances to Other Funds	--	102,771	360,000	--	462,771
Total Assets	<u>3,275,723</u>	<u>13,753,444</u>	<u>15,477,360</u>	<u>45,309</u>	<u>32,551,836</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	--	13,842	15,701	5,617	35,160
Total Deferred Outflows of Resources	<u>--</u>	<u>13,842</u>	<u>15,701</u>	<u>5,617</u>	<u>35,160</u>
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	977	4,663	5,210	2,000	12,850
LT Debt Due Within One Year	200,000	445,000	352,000	--	997,000
Accrued Interest Payable	38,988	40,120	29,885	--	108,993
Total Current Liabilities	<u>239,965</u>	<u>489,783</u>	<u>387,095</u>	<u>2,000</u>	<u>1,118,843</u>
<i>Noncurrent Liabilities</i>					
Compensated Absences	--	16,170	20,051	4,405	40,626
Net Pension Liability	--	55,136	71,353	12,972	139,461
Retainage Payable	17,905	92,084	103,169	--	213,158
LT Debt Due Beyond One Yr.	2,670,000	9,620,707	7,639,755	--	19,930,462
Bond Premium	23,558	--	--	--	23,558
Advances from Other Funds	--	12,803	12,803	115,313	140,919
Total Liabilities	<u>2,951,428</u>	<u>10,286,683</u>	<u>8,234,226</u>	<u>134,690</u>	<u>21,607,027</u>
DEFERRED INFLOWS OF RESOURCES					
Pension Related	--	20,529	24,354	7,191	52,074
Total Deferred Inflows of Resources	<u>--</u>	<u>20,529</u>	<u>24,354</u>	<u>7,191</u>	<u>52,074</u>
NET POSITION					
Net Investment in Capital Assets	--	1,013,020	3,316,344	25,116	4,354,480
Restricted	--	31,500	31,500	--	63,000
Unrestricted	324,294	2,415,554	3,886,637	(116,071)	6,510,414
Total Net Position	<u>\$ 324,294</u>	<u>\$ 3,460,074</u>	<u>\$ 7,234,481</u>	<u>\$ (90,955)</u>	<u>\$ 10,927,894</u>

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, 2023

	Business-type Activities - Enterprise Funds				
	<u>Storm Sewer</u>	<u>Wastewater</u>	<u>Water</u>	<u>Non Major Solid Waste</u>	<u>Total Enterprise Funds</u>
Operating Revenues					
Charges for Services	\$ 196,747	\$ 380,584	\$ 521,815	\$ 161,191	\$ 1,260,337
Total Operating Revenues	<u>196,747</u>	<u>380,584</u>	<u>521,815</u>	<u>161,191</u>	<u>1,260,337</u>
Operating Expenses					
Labor	--	72,945	100,621	8,458	182,024
Employee Benefits	--	30,795	43,104	3,398	77,297
Supplies	1,832	13,231	36,538	3,988	55,589
Repairs	2,887	4,865	29,452	--	37,204
Utilities	--	3,377	24,182	--	27,559
Fuel	--	1,842	--	--	1,842
Telephone	--	490	2,938	--	3,428
Insurance	--	11,255	11,255	--	22,510
Auditing	--	2,200	2,200	1,500	5,900
Miscellaneous	1	599	1,688	1,484	3,771
Contracted Services	--	7,291	3,062	80,915	91,268
Tipping Expenses	--	--	--	23,714	23,714
Travel	--	--	1,485	--	1,485
Motor Fuel	--	1,281	1,371	--	2,652
Water Purchases	--	--	29,273	--	29,273
Truck Expense	--	1,141	780	--	1,921
Dues and License	--	1,785	8,790	--	10,575
Legal & Professional	5,794	--	--	20,128	25,922
Depreciation	155,028	655,066	684,740	--	1,494,834
Total Operating Expenses	<u>165,541</u>	<u>808,163</u>	<u>981,479</u>	<u>143,585</u>	<u>2,098,768</u>
Operating Income (Loss)	<u>31,206</u>	<u>(427,579)</u>	<u>(459,664)</u>	<u>17,606</u>	<u>(838,431)</u>
Non-Operating Revenues (Expenses)					
Interest Income	16,027	54,095	55,494	70	125,686
Intergovernmental Revenues	--	--	1,058	--	1,058
Property Taxes	10,501	188,785	176,661	--	375,947
Special Assessments(Forfeited)	--	--	72	--	72
Refunds and Reimbursements	--	--	1,491	--	1,491
Rental Income	--	--	10,537	--	10,537
State Grant Proceeds	--	8,028	115,596	--	123,624
Interest Expense	(89,521)	(113,176)	(84,241)	--	(286,938)
Sales Tax Expense	--	--	(5,850)	(13,962)	(19,812)
Net Non-Operating Revenues (Expenses)	<u>(62,993)</u>	<u>137,732</u>	<u>270,818</u>	<u>(13,892)</u>	<u>331,665</u>
Income Before Contributions and Transfers	<u>(31,787)</u>	<u>(289,847)</u>	<u>(188,846)</u>	<u>3,714</u>	<u>(506,766)</u>
Transfers from Other Funds	--	--	--	--	--
Transfers to Other funds	--	--	--	--	--
Change In Net Position	<u>(31,787)</u>	<u>(289,847)</u>	<u>(188,846)</u>	<u>3,714</u>	<u>(506,766)</u>
<i>Net Position at Beginning of Period, Restated</i>	356,081	3,749,921	7,423,327	(94,669)	11,434,660
Net Position at End of Period	<u>\$ 324,294</u>	<u>\$ 3,460,074</u>	<u>\$ 7,234,481</u>	<u>\$ (90,955)</u>	<u>\$ 10,927,894</u>

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

City of Canby
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2023

	Business-Type Activities				Total Proprietary Funds
	Storm Sewer	Wastewater	Water	Non Major Solid Waste	
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 195,141	\$ 379,154	\$ 518,133	\$ 159,123	\$ 1,251,551
Other Receipts	-	-	1,491	-	1,491
Payments to Suppliers and Vendors	(10,509)	(52,302)	(161,387)	(143,279)	(367,477)
Payments to and on Behalf of Employees	-	(96,267)	(133,437)	(10,989)	(240,693)
Net Cash Flows Provided (Used) by Operating Activities	184,632	230,585	224,800	4,855	644,872
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	10,239	188,116	175,986	-	374,341
Special Assessments	36,609	87,572	86,850	-	211,031
Rental Income	-	-	10,537	-	10,537
Cash Received from sale of asset	-	-	-	-	-
Cash Received from (paid on) Advances to Other Funds	-	-	-	(1)	(1)
Cash Received from (paid on) Advances from Other Funds	-	1,548	1,548	-	3,096
Net Cash Flows Provided (Used) by Noncapital Financing Activities	46,848	285,264	281,147	(1)	613,258
Cash Flows from Capital and Related Financing Activities:					
Bond Proceeds / (Costs)	(3,365)	11,258	10,598	-	18,491
Cash paid to General fund for land acquisition	-	-	-	-	-
Cash Paid for Principal on Debt	(195,000)	(440,000)	(347,818)	-	(982,818)
Cash Paid for Interest on Debt	(92,057)	(114,950)	(85,513)	-	(292,520)
Acquisition of Capital Assets	(104,999)	(31,711)	(26,985)	-	(163,695)
Net Cash Flows from Capital and Related Financing Activities	(395,421)	(575,403)	(449,718)	-	(1,420,542)
Cash Flows From Investing Activities:					
Interest Earned on Investments	16,027	54,095	55,494	70	125,686
Purchase of Investments	-	(41)	(25)	(14)	(80)
Net Cash Flows from Investing Activities	16,027	54,054	55,469	56	125,606
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (147,914)	\$ (5,500)	\$ 111,698	\$ 4,910	\$ (36,806)
Cash and Cash Equivalents - Beginning of Year	350,539	378,231	1,466,885	50	2,195,705
Cash and Cash Equivalents - End of Year	\$ 202,625	\$ 372,731	\$ 1,578,583	\$ 4,960	\$ 2,158,899

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

Operating Income (Loss)	\$ 31,206	\$ (427,579)	\$ (459,666)	\$ 17,606	\$ (838,433)
Other Income Related to Operations	-	-	1,491	-	1,491
Other Expense	-	-	(5,850)	(13,962)	(19,812)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	155,028	655,066	684,740	-	1,494,834
Change in Pension Expense	-	2,130	2,757	502	5,389
Changes in Assets and Liabilities:					
Accounts Receivable	(1,606)	(1,430)	(3,682)	(2,068)	(8,786)
Prepaid Expense	-	(1,548)	(1,548)	-	(3,096)
Accounts Payable-Operating	4	(1,397)	(973)	1,910	(456)
Accrued Vacation	-	5,343	7,531	867	13,741
Net Cash Provided (Used) by Operating Activities	\$ 184,632	\$ 230,585	\$ 224,800	\$ 4,855	\$ 644,872

Supplemental Schedule of Noncash Investing and Financing Activities

Non Cash Loan Proceeds		94,026	757	-	94,783
Non Cash Grant Proceeds		5,214	110,428		115,642
Non Cash Construction in Progress in a Payable Account	18,794	96,656	108,291		223,741

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, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues				
General Property Taxes	\$ 542,992	\$ 542,992	\$ 580,324	\$ 37,332
Special Assessments	2,000	2,000	--	(2,000)
Business	1,810	1,810	600	(1,210)
Liquor	1,100	1,100	2,225	1,125
Non-Business	120	120	250	130
Local Government Aid	754,234	754,234	754,234	--
Public Safety and Fire Aid PERA	2,312	2,312	100,944	98,632
State Aid - Police	23,000	23,000	31,329	8,329
Public Safety - Canby & Porter	20,000	20,000	98,578	78,578
State Grant Revenue	53,000	53,000	210,062	157,062
Div of Aeronautics and Fire Dept Grant	277,755	277,755	109,440	(168,315)
Cemetery lot sales	1,000	1,000	2,700	1,700
Fire Control Income	7,500	7,500	13,354	5,854
Traffic and Ordinance Fines	3,570	3,570	1,672	(1,898)
Interest Income	2,506	2,506	3,983	1,477
Rents	1,800	1,800	1,800	--
Airport Hangar Rent	22,000	22,000	27,989	5,989
Airport Farm Rent	15,811	15,811	23,269	7,458
Airport Gas, Gravel Sales, and Fly-in	65,514	65,514	97,982	32,468
Cable Franchise Fee	49,700	49,700	50,737	1,037
Insurance Refunds & Reimbursements	20,000	20,000	3,534	(16,466)
Pop Machine	7,450	7,450	7,412	(38)
Donations	10,000	10,000	12,145	2,145
Other Miscellaneous Revenue	65,000	65,000	81,643	16,643
Total Revenues	<u>1,950,174</u>	<u>1,950,174</u>	<u>2,216,206</u>	<u>266,032</u>
Other Financing Sources				
Sale of Assets	--	--	15,400	15,400
Bond Proceeds	485,000	485,000	-	(485,000)
Total Revenues and Other Financing Sources	<u>2,435,174</u>	<u>2,435,174</u>	<u>2,231,606</u>	<u>(203,568)</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
GENERAL GOVERNMENT				
<i>Mayor and Council:</i>				
Salaries	7,200	7,200	6,000	1,200
Payroll Taxes & Benefits	971	971	887	84
Travel and Conference	350	875	875	--
Subscriptions and Memberships	250	250	235	15
General Insurance	130,000	144,542	122,612	21,930
Election	1,080	--	--	--
<i>Total Mayor and Council</i>	<u>139,851</u>	<u>153,838</u>	<u>130,609</u>	<u>23,229</u>
<i>Administration:</i>				
Salaries	143,566	143,566	143,485	81
Payroll Tax & Benefits	21,750	20,150	20,058	92
Insurance	30,702	29,402	29,282	120
Office Supplies	10,150	9,350	4,980	4,370
Maintenance and Repairs	500	150	124	26
Communications	6,600	8,100	8,094	6
Travel, Conference and Schools	3,000	2,140	2,061	79
Printing and Publishing	2,000	1,700	1,361	339
Contractual Services	15,000	7,500	5,245	2,255
Miscellaneous	3,000	2,421	2,421	--
Equipment and Improvements	--	7,581	8,481	(900)
Assessor	16,465	16,465	16,465	--
Accounting and Legal	31,500	32,900	35,040	(2,140)
Planning and Zoning	11,000	13,200	14,101	(901)
<i>Total Administration</i>	<u>295,233</u>	<u>294,625</u>	<u>291,198</u>	<u>3,427</u>
<i>Municipal Building:</i>				
Maintenance and Repair	4,000	3,400	3,340	60
Supplies	1,725	1,985	2,784	(799)
Utilities	16,000	16,995	17,063	(68)
Contractual Services	5,300	6,000	6,564	(564)
Miscellaneous	28	28	28	--
Equipment and Improvements	--	33,051	32,251	800
Public Restroom Service	850	450	388	62
Printing and Publishing	8,500	9,033	9,033	--
Utilities	2,200	2,700	2,638	62
Christmas Decorations Utilities	400	400	199	201
<i>Total Municipal Building</i>	<u>39,003</u>	<u>74,042</u>	<u>74,288</u>	<u>(246)</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC SAFETY				
<i>Police Protection:</i>				
Wages	174,408	78,579	78,579	--
Payroll Taxes/PERA	30,783	12,317	12,317	--
Insurance	38,621	9,190	9,198	(8)
Office/General Supplies	7,500	23,291	24,109	(818)
Motor Fuel and Lubes	6,500	2,500	2,070	430
Maintenance and Repair	4,000	4,500	4,369	131
Communications	5,000	3,877	3,892	(15)
Travel, Conference, and Schools	2,600	1,869	1,847	22
Subscription and Memberships	900	900	844	56
Contractual Services	6,300	8,754	8,769	(15)
Professional Services	15,000	10,500	14,514	(4,014)
Miscellaneous	--	15	15	--
Equipment and Improvements	--	39,465	39,465	--
<i>Total Police Protection</i>	<u>291,612</u>	<u>195,757</u>	<u>199,988</u>	<u>(4,231)</u>
<i>Fire Protection:</i>				
Wages	18,000	18,395	18,395	--
Payroll Taxes/PERA	1,377	1,407	1,407	--
Interest	5,125	5,301	5,301	--
Principal	27,940	27,526	27,526	--
Supplies	5,000	5,400	5,431	(31)
Motor Fuel and Lubes	2,500	4,300	3,969	331
Maintenance and Repair	11,000	20,000	19,409	591
Communications	750	460	460	--
Travel, Conference and Schools	500	15,179	15,179	--
Utilities	6,500	6,826	6,956	(130)
Contracted Services	5,000	900	771	129
Miscellaneous	550	550	28,834	(28,284)
Equipment and Improvements	395,000	173,146	200,424	(27,278)
<i>Total Fire Protection</i>	<u>479,242</u>	<u>279,390</u>	<u>334,062</u>	<u>(54,672)</u>
<i>Civil Defense:</i>				
Utilities	700	621	621	--
Contracted Services	1,500	--	--	--
Supplies	1,000	--	--	--
<i>Total Civil Defense</i>	<u>3,200</u>	<u>621</u>	<u>621</u>	<u>--</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC WORKS				
<i>Streets:</i>				
Wages	111,384	123,807	123,807	--
Payroll Taxes/PERA	16,875	16,335	16,335	--
Insurance	34,078	32,765	32,558	207
Motor Fuel and Lubes	15,000	13,000	12,915	85
Maintenance and Repair	120,000	136,676	136,321	355
Travel, Conferences and Schools	200	24	24	--
Utilities	700	448	448	--
Supplies	8,000	8,000	10,396	(2,396)
Capital Expenditures	188,500	230,861	230,861	--
Miscellaneous	500	500	396	104
Snow Removal	10	--	--	--
<i>Total Streets</i>	<u>495,247</u>	<u>562,416</u>	<u>564,061</u>	<u>(1645)</u>
<i>City Garage:</i>				
Utilities	6,300	7,825	7,817	8
Maintenance and Repair	1,700	999	799	200
Supplies	2,500	6,500	6,310	190
Miscellaneous	28	28	28	--
Dues and Licenses	10	10	10	--
Street Lighting	35,000	29,470	29,470	--
<i>Total City Garage</i>	<u>45,538</u>	<u>44,832</u>	<u>44,343</u>	<u>398</u>
CULTURE & REC				
<i>Library:</i>				
Communications	1,500	1,865	1,770	95
Contracted Services	78,842	78,842	78,842	--
<i>Total Library</i>	<u>80,342</u>	<u>80,707</u>	<u>80,612</u>	<u>95</u>
<i>Recreation Council</i>				
Wages	48,000	43,184	43,184	--
Payroll Taxes	3,672	3,261	3,261	--
Utilities	1,000	1,544	1,544	--
<i>Total Recreation Council</i>	<u>52,672</u>	<u>47,989</u>	<u>47,989</u>	<u>--</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<i>Parks:</i>				
Salaries and Wages	28,772	29,623	29,623	--
Payroll Taxes/PERA	2,705	3,440	3,440	--
Insurance	5,663	5,688	5,663	25
Motor Fuels & Lubes	3,500	5,000	4,796	204
Maintenance and Repair Building	6,250	11,978	11,975	3
Utilities	3,000	3,215	3,215	--
Supplies	22,000	14,733	14,733	--
Contracted Services	800	150	150	--
Subscriptions and Memberships	250	300	283	17
Equipment Purchase	47,000	52,588	52,588	--
Miscellaneous	100	100	84	16
<i>Total Parks</i>	<u>120,040</u>	<u>126,815</u>	<u>126,550</u>	<u>265</u>
<i>Swimming Pool:</i>				
Communication	800	540	540	--
Utilities	10,000	9,149	9,149	--
Maintenance and Repair Equipment	2,000	1,200	845	355
Maintenance and Repair Building	500	64	64	--
Supplies	11,050	11,414	11,414	--
Miscellaneous	835	700	700	--
Communications	1,400	1,605	1,605	--
<i>Total Swimming Pool</i>	<u>26,585</u>	<u>24,672</u>	<u>24,317</u>	<u>355</u>
<i>Theatre:</i>				
Utilities	11,000	12,003	12,073	(70)
Supplies	1,000	--	--	--
Contracted Services	15,000	9,000	6,877	2,123
Maintenance and Repairs	1,000	5,604	8,294	(2,690)
Miscellaneous	2,700	2,700	2,452	248
Motor Fuels and Lubes	2,150	950	680	270
Maintenance and Repairs	6,000	5,200	5,621	(421)
Communications	3,000	2,892	2,892	--
Utilities	10,200	14,400	13,214	1,186
Supplies	2,000	2,050	2,035	15
License and Taxes	5,265	5,428	5,388	40
Capital Outlay	40,000	37,378	30,889	6,489
<i>Total Theatre</i>	<u>99,315</u>	<u>97,605</u>	<u>90,415</u>	<u>7,190</u>

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Continued)
General Fund
For the Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance to Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<i>Cemetery:</i>				
Wages	19,859	20,632	20,632	--
Payroll Taxes/PERA	1,354	2,180	2,179	1
Utilities	180	180	157	23
Maintenance and Repair	300	100	91	9
Supplies	700	2,101	2,101	--
Insurance	2,862	2,862	2,832	30
Miscellaneous	15	28	28	--
<i>Total Cemetery</i>	<u>25,270</u>	<u>28,083</u>	<u>28,020</u>	<u>63</u>
MISCELLANEOUS				
<i>Airport:</i>				
Merchandise for Resale	55,000	80,967	84,383	(3,416)
Contracted Services	25,000	24,200	62,774	(38,574)
Miscellaneous	1,250	1,320	1,313	7
Expansion Project	--	79,082	40,460	38,622
Equipment and Improvements	215,000	--	25,000	(25,000)
<i>Total Airport</i>	<u>296,250</u>	<u>185,569</u>	<u>213,930</u>	<u>(28,361)</u>
<i>Other Miscellaneous:</i>				
Canby Area Business Service	10,000	14,064	10,564	3,500
Insect and Pest Control	9,100	--	--	--
Grant Pass-through Expense	--	184,686	184,685	1
Miscellaneous	558	32,900	35,349	(2,449)
<i>Total Other Miscellaneous</i>	<u>19,658</u>	<u>231,650</u>	<u>230,598</u>	<u>1,052</u>
Total Expenditures	<u>2,509,058</u>	<u>2,428,611</u>	<u>2,481,692</u>	<u>(53,081)</u>
Other Financing Uses				
Total Expenditures and Other Financing Uses				
	<u>2,509,058</u>	<u>2,428,611</u>	<u>2,481,692</u>	<u>(53,081)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	<u>(73,884)</u>	<u>6,563</u>	<u>(250,086)</u>	<u>(256,649)</u>
Net Change in Fund Balance	<u>(73,884)</u>	<u>6,563</u>	<u>(250,086)</u>	<u>(256,649)</u>
<i>Fund Balance at Beginning of Period</i>	931,048	931,048	931,061	13
Fund Balance at End of Period	<u>\$ 857,164</u>	<u>\$ 937,611</u>	<u>\$ 680,975</u>	<u>\$ (256,636)</u>

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023

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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

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

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

The funds of the financial reporting entity are described below:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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.

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, 2023

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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Prepays

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

Inventories

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

Restricted Assets

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

Capital Assets

Capital assets are defined by the City as assets with an initial individual cost of \$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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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
(January 1, 2022-December 31, 2024)

Vacation leave

An employee may carry a maximum of one year’s worth of their yearly accrual of vacation days plus an additional twenty (20) vacation days into the next year. In the event an employee terminates employment with the Employer, the employee shall receive the value of their vacation as severance pay.

Years of Service	Yearly Accrual
0 – 5	10 days
6-10	15 days
11-15	20 days
16 or more	25 days

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, 2023

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 current hourly pay rate. 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 comp time. Any time accrued as comp time must be paid out if the 120 hour max is reached.

American Federation of State, County and Municipal Employees Council 65 Union Contract AFSCME
(January 1, 2022- December 31, 2024)

Vacation leave

Employees shall earn vacation based on the following schedule:

<u>Years of Service</u>	<u>Maximum</u>
Less than 10 years	10 days
Less than 20 years	15 days
20 years	20 days
21 years	21 days
22 years	22 days
23 years	23 days
24 years	24 days
25 or more	25 days

An employee may carry over a maximum of 20 days of vacation into the next year. An employee wishing to accrue a longer vacation may, with consent of the Council, allow his or her credits to accumulate for not more than two years.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Compensatory Time

An employee may not exceed 120 hours of compensatory time. Any time accrued as compensatory time must be paid out if the 120 hour maximum is reached

Law Enforcement Labor Services, Inc. Union Contract LELS(January 1, 2022-December 31, 2024)

Vacation leave

Vacation will be accrued at the following rates:

0-10 years	12 days/year
11-20 years	18 days/year
21+ years	24 days/year

Each year beyond 21 earns an additional 1 day per year, not to exceed 5 days beyond. Up to five days beyond annual accrued unused vacation days may be banked and carried over from year to year. When employee terminates, 100% of vacation time earned but not used will be paid as a severance pay.

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.

Years of Service	Payment - % of Unused Sick Leave
5-9	10 %
10-14	25 %
15-19	40 %
20-25	55 %
Over 25	70 %

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.
- 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, 2023, the unassigned fund balance of the General Fund was 17% of the subsequent year’s budgeted expenditures.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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”.

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.

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, 2023, due from other governments totaled \$305,228. This amount includes federal and state dollars.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.
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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund	Non Major Govt Funds	Total
Nonspendable:			
Prepaid /Inventory	\$ 39,755	\$	\$ 39,755
Restricted for:			
John Swenson Trust	54,180		54,180
ARPA	45,992		45,992
Debt Service		1,707,647	1,707,647
Humane Society	10,098		10,098
Public Safety	77,730		77,730
Assigned		61,117	61,117
Unassigned:	453,220	(71,254)	381,995
Total Fund Balances	\$ 680,975	\$ 1,697,510	\$ 2,378,485

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The general fund, a major fund, did not have excess expenditures over appropriations.

D. DEFICIT FUND BALANCES

The following funds had deficit fund balances as of December 31, 2023:

Debt Service Funds:	
GO Tax Increment Bonds - 1997	4,326
TIF 1-18	9,446
TIF 1-28	8,717
TIF 1-29	8,603
TIF 1-31	1,654
TIF 1-32	38,509

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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.

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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Deposits in financial institutions, reported as components of cash, and cash equivalents had a bank balance of \$4,204,759 at December 31, 2023, 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, 2023 was \$3,852,315.

Investment Policy

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

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

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, the City had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
4M Fund	\$1,696	*

*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, 2023, 100% of the City’s investments are in the 4M Fund.

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, 2023, all investments were insured or registered or the securities were held by the City or its agent in the City’s name.

Restricted Cash

Starting in 2023 the PFA requested a replacement fund restricted account based on the number of gallons billed for the year. At December 31, 2023, the minimum deposit for Water and Sewer was \$31,500 each.

Starting in 2021, the USDA requested a restricted account for equipment maintenance and replacement. At December 31, 2023 this balance is \$3,188 in the general fund.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

A reconciliation of cash and investments as shown on the Statement of Net Position as of December 31, 2023:

Checking	\$ 1,591,733
Savings and Money Market	2,138,518
Restricted Cash	66,188
Certificates of Deposit	54,180
Investments	1,696
Total	\$ 3,852,315
Deposits	\$ 3,850,619
Investments	1,696
Total	\$ 3,852,315

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, 2023 is \$182,471 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.

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

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

The following is a summary of notes receivable transactions for the year ended December 31, 2023:

	Balance 1-1-2023	Amount Advanced	Payments Received	Balance 12-31-2023
EDA Loans	\$ 55,606	\$ 56,412	\$ 13,601	\$ 98,417
Canby HRA Note	252,464		18,250	234,214
Canby HRA Note	406,442		22,761	383,681
Canby HRA Note	186,280		11,640	174,640
Canby HRA Note	99,670		5,863	93,807
	<u>\$ 1,000,462</u>	<u>\$ 56,412</u>	<u>\$ 72,115</u>	<u>\$ 984,760</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 to \$300 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 2019A.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 1,043,248	\$ -	\$ -	\$ 1,043,248
Construction in Progress	594,028		548,888	45,140
Total Capital Assets Not Being Depreciated	<u>1,637,276</u>	<u>-</u>	<u>548,888</u>	<u>1,088,388</u>
Capital Assets Being Depreciated:				
Buildings	3,234,781			3,234,781
Improvements Other Than Buildings	6,980,352	624,574	15,030	7,589,897
Infrastructure	1,347,150			1,347,150
Machinery & Equipment	2,963,657	651,061	219,656	3,395,062
Total Capital Assets Being Depreciated	<u>14,525,940</u>	<u>1,275,635</u>	<u>234,686</u>	<u>15,566,890</u>
Less Accumulated Depreciation for:				
Buildings	2,426,411	47,266		2,473,677
Improvements Other Than Buildings	2,004,957	331,384		2,336,341
Infrastructure	1,250,978	50,002		1,300,980
Machinery & Equipment	2,168,976	166,322	154,726	2,180,572
Total Accumulated Depreciation	<u>7,851,327</u>	<u>594,974</u>	<u>154,726</u>	<u>8,291,575</u>
Total Capital Assets Being Depreciated, Net	<u>6,674,618</u>	<u>680,662</u>	<u>79,960</u>	<u>7,275,315</u>
Total Capital Assets	<u>\$ 8,311,894</u>	<u>\$ 680,662</u>	<u>\$ 628,848</u>	<u>\$ 8,363,703</u>
	<u>Balance</u> <u>1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 126,295	\$ -	\$ -	\$ 126,295
Construction in Progress				
Total Capital Assets Not Being Depreciated	<u>126,295</u>	<u>-</u>	<u>-</u>	<u>126,295</u>
Capital Assets Being Depreciated:				
Projects	33,296,648	142,663		33,439,311
Buildings	2,124,484			2,124,484
Improvements other than Buildings	1,210,771	12,422		1,223,193
Equipment	3,137,893	11,220		3,149,113
Total Capital Assets Being Depreciated	<u>39,769,796</u>	<u>166,305</u>	<u>-</u>	<u>39,936,101</u>
Less Accumulated Depreciation for:				
Projects	7,905,602	1,344,818		9,250,420
Buildings	2,548,112	619		2,548,731
Improvements other than Buildings	992,541	65,213		1,057,754
Equipment	1,844,592	80,480		1,925,072
Total Accumulated Depreciation	<u>13,290,847</u>	<u>1,494,834</u>	<u>-</u>	<u>14,781,977</u>
Total Capital Assets Being Depreciated, Net	<u>26,478,949</u>	<u>(1,324,825)</u>	<u>-</u>	<u>25,154,124</u>
Business-Type Activity Capital Assets, Net	<u>\$ 26,605,244</u>	<u>\$ (1,324,825)</u>	<u>\$ -</u>	<u>\$ 25,280,419</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Depreciation Expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 8,204
Public Safety	100,204
Public Works	118,062
Culture & Recreation	52,625
Miscellaneous	315,878
Total Depreciation Expense Governmental Activities	\$ 594,974
Business-Type Activities:	
Water	\$ 684,740
Wastewater	655,066
Storm Sewer	155,028
Total Depreciation Expense Business-Type Activities	\$ 1,494,834

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, 2023

F. LONG-TERM DEBT

The following is a summary of the changes in long-term debt obligations:

	Original Issuance	Maturity Date	Interest Rate	Balance 1-1-23	Issuances/ Additions	Payments/ Reductions	Balance 12-31-23	Amounts Due in One Year
Governmental Activities								
Bonds Payable:								
1997 TIF Bonds	220,000	12/2023	6.95%	10,000		10,000	-	-
2001A TIF Note	35,000	8/2018	9.00%	12,000		12,000	-	-
2011 GO Parking Lot Bond	265,000	7/2023	3.00%	165,000		15,000	150,000	15,000
GO TIF Bond 2014C	600,000	11/2035	3.25%	415,000		30,000	385,000	30,000
2012A GO Tax Increment Bond	750,000	9/2034	3-5%	500,000		35,000	465,000	35,000
2012B GO Tax Increment Bond	335,000	12/2038	5.750%	240,000		15,000	225,000	15,000
2015B Tax Abatement Bond	695,000	12/2036	2.100%	580,000		35,000	545,000	35,000
2015A GO Tax Increment Bond	1,630,000	12/2036	2.500%	1,250,000		70,000	1,180,000	70,000
2019 GO Tax Increment Bond	985,000	12/2039	3-3.25%	850,000		50,000	800,000	50,000
2022A GO Tax Increment Bond	200,000	1/2022	3-3.25%	195,000		5,000	190,000	5,000
Notes Payable:								
2008 GO Fire Truck	100,000	9/2017	4.125%	8,774		8,774	-	-
2011 GO Fire Truck	130,000	7/2026	4.125%	42,474		10,075	32,399	10,726
2021 USDA Truck Loan	150,000	8/2036	2.250%	141,516		8,677	132,839	8,874
Other Long-Term Liabilities:								
Compensated Absences				80,408	28,658	63,595	45,471	-
Total Long Term Liabilities Governmental Activities				<u>4,618,661</u>	<u>28,658</u>	<u>368,121</u>	<u>4,150,709</u>	<u>274,600</u>
Business-Type Activities								
Bonds Payable:								
2014D GO Bond - Storm Sewer	1,630,000	2/2035	3.30%	1,150,000		75,000	1,075,000	75,000
2018A GO Revenue Bond-Storm Sewer	1,370,000	8/2018	3.62%	1,240,000		55,000	1,185,000	55,000
2020A GO Storm Sewer Revenue Refund Bonds	805,000	3/2020	2.50%	675,000		65,000	610,000	70,000
Loans Payable:								
2010 Drinking Water Revolving - Water	3,970,711	8/2039	1.088%	2,527,000		136,000	2,391,000	138,000
2014 Drinking Water Revolving - Water	2,667,171	8/2044	1.00%	2,085,000		85,000	2,000,000	86,000
2010 Clean Water Revolving - Wastewater	4,860,517	8/2039	1.349%	3,134,000		166,000	2,968,000	168,000
2014 Clean Water Revolving - Wastewater	4,266,964	8/2044	1.00%	3,339,000		136,000	3,203,000	138,000
2018 Drinking Water-B Water	36,718	8/2048	1.00%	31,718		1,818	29,900	2,000
2018 Drinking Water-C Water	3,357,834	8/2048	1.00%	3,684,501	11,355	125,000	3,570,856	126,000
2018 Clean Water-Wastewater	3,571,489	8/2048	1.00%	3,927,423	105,284	138,000	3,894,707	139,000
Other Long-Term Liabilities:								
Compensated Absences				26,884	13,742		40,626	-
Total Long-Term Liabilities Business-Type Activities				<u>22,766,753</u>	<u>130,381</u>	<u>982,818</u>	<u>20,968,089</u>	<u>997,000</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 and 2022 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, 2011 and 2021 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, \$11,795 and \$11,894 at 4.125%, 4.125% and 2.25% for 15 years. Payments are made out of the General Fund. The balances at December 31, 2023 were \$-0-, \$32,399 and \$132,839.

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.

GO Storm Sewer Revenue Refunding Bonds, Series 2020A

The City refunded GO Storm Sewer Revenue Bond of 2010A in March 2020. Gross PV Debt Service Savings is \$67,120. The refunding had a total savings of \$73,848. Bond will end February 1, 2031. The average coupon is 2.51%

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. This was paid off in 2023.

Annual Debt Service Requirements

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2023, excluding compensated absences over the life of the debt, are summarized as follows:

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Governmental-Type Activities						
	GO Bonds		GO Tax Increment Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 50,000	\$ 25,888	\$ 205,000	\$ 140,587	\$ 19,600	\$ 4,204
2025	50,000	24,163	215,000	132,162	29,977	3,565
2026	50,000	22,438	225,000	123,525	10,054	2,612
2027	50,000	20,713	225,000	113,963	9,493	2,401
2028	55,000	18,913	225,000	104,100	9,709	2,185
2029-2033	290,000	59,188	1,240,000	360,900	51,958	7,512
2034-2038	150,000	9,000	810,000	90,253	34,447	1,586
2039-2043	-	-	100,000	4,600	-	-
Totals	<u>\$695,000</u>	<u>\$180,300</u>	<u>\$3,245,000</u>	<u>\$1,070,091</u>	<u>\$165,238</u>	<u>\$24,064</u>
Business-Type Activities						
	GO Water Bonds		Loans Payable			
	Principal	Interest	Principal	Interest		
2024	\$ 145,000	\$ 48,091	\$ 852,000	\$ 234,922		
2025	155,000	43,873	866,000	223,944		
2026	155,000	39,223	880,000	212,668		
2027	160,000	34,498	887,000	201,194		
2028	170,000	29,480	898,000	189,887		
2029-2033	705,000	80,456	4,678,000	775,571		
2034-2038	195,000	6,913	4,933,900	467,583		
2039-2043	-	-	3,358,000	190,176		
2044-2048			1,889,563	52,690		
2049-2053			-	-		
Totals	<u>\$ 1,685,000</u>	<u>\$ 282,533</u>	<u>\$19,242,463</u>	<u>\$ 2,548,635</u>		

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

G. INTERFUND TRANSACTIONS

Interfund Transfers

There were no transfers between funds of the primary government for the year ended December 31, 2023:

Interfund Balances

At December 31, 2023, the following interfund balances were owed between funds and not expected to be fully repaid within one year:

	<u>General Fund</u>	<u>Non Major Govt</u>	<u>Total Govt</u>	<u>Water</u>	<u>Non Major Business-type</u>	<u>Total Business-type</u>	<u>Government Wide</u>
General	5,300		5,300	360,000		360,000	365,300
Non Major Governmental		150,664	150,664				150,664
Business Type:							
Water	12,803		12,803				12,803
Wastewater	12,803		12,803				12,803
Solid Waste	<u>12,542</u>		<u>12,542</u>		<u>102,771</u>	<u>102,771</u>	<u>115,313</u>
Total Government Wide	<u>38,148</u>	<u>150,664</u>	<u>194,112</u>	<u>360,000</u>	<u>102,771</u>	<u>462,771</u>	<u>656,884</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	General Fund	\$12,803	To cover operating
Wastewater Fund	General Fund	12,803	To cover operating
Solid Waste	General Fund	12,542	To cover deficit cash
TIF 1-29	General Fund	8,009	To cover TIF expense
GOIB 2011	General Fund	5,300	To cover deficit cash
GO Tax Inc 1997	TIF 1-4	4,326	To cover debt service
GOIB 2012B	TIF 1-4	63,265	Bond payment
TIF 1-18	TIF 1-25	9,446	To cover deficit cash
TIF 1-28	TIF 1-25	8,717	To cover deficit cash
TIF 1-31	TIF 1-25	4,243	To cover deficit cash
TIF 1-32	TIF 1-25	38,509	To cover deficit cash
TIF 1-29	TIF 1-25	594	To cover TIF expense
GOIB 2015A	TIF 1-25	10,105	To cover debt service
GOIB 2019A	TIF 1-26	3,450	To cover debt service
General	Water	360,000	To cover cap purchase
Solid Waste	Wastewater	<u>102,772</u>	To cover deficit cash
Total Inter-fund Balances		<u>\$656,884</u>	

NOTE 4. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. 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 the Coordinated Plan. Coordinated Plan members are 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

B. 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.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0 percent and a maximum of 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 the increase will receive the 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.

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.

Benefit increases are provided to benefit recipients each January. 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, 2023

C. 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 2023. The City was required to contribute 7.50% for Coordinated Plan members in calendar year 2023. The City's contributions to the General Employee fund for the years ended December 31, 2023, 2022 and 2021 were \$32,843, \$33,834 and \$33,623, 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 to 11.8 percent and employer rates increased to 17.7 percent. The City's contributions to the Police and Fire Fund for the year ended December 31, 2023, 2022 and 2021 were \$10,234, \$28,674 and \$26,685. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$324,330 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. 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 \$8,542. The net pension was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the City's proportion was 0.0058% decreasing by 0.0001% from 2022.

Entity's proportionate share of the net pension liability	\$ 324,330
State of Minnesota's proportionate share of the net pension liability associated with the City	8,542
Total	\$ 332,872

For the year ended December 31, 2023, the City recognized pension expense of \$6,562 for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional \$2,056 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

At December 31, 2023, 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	\$ 10,695	\$ 2,388
Changes in Actuarial Assumptions	56,017	88,896
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	17,471
Changes in Proportion	-	12,346
Contributions Subsequent to the Measurement Date	15,057	-
Totals	<u>\$ 81,769</u>	<u>\$121,101</u>

\$15,057 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, 2023. 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>
2024	\$3,409
2025	(\$57,071)
2026	\$6,309
2027	(\$7,036)

Police and Fire Pension Costs

At December 31, 2023, the City reported a liability of \$146,786 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2021, through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the City's proportion was 0.0085 which was a decrease of .0056 percent from its proportion measured as of June 30, 2022. The City also recognized \$1,269 for the year ended December 31, 2023 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. October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Entity's proportionate share of the net pension liability	\$ 146,786
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>40,615</u>
Total	<u>\$ 187,401</u>

For the year ended December 31, 2023, the City recognized pension expense in the amount of \$3,848 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2023, 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	\$ 51,795	\$ -
Changes in Actuarial Assumptions	283,230	206,984
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,806
Changes in Proportion	3,955	206,965
Contributions Subsequent to the Measurement Date	<u>7,169</u>	<u>-</u>
Totals	<u>\$ 346,148</u>	<u>\$ 415,755</u>

\$7,169 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2024	(\$5,249)
2025	(\$10,932)
2026	\$46,712
2027	(\$30,274)
2028	(\$77,033)

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

	General	Police & Fire
Inflation	2.25 % per year	2.25 % 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%

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, 2.25 percent for the Police and Fire Plan, and 2.25 percent for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2 percent for the Correction Plan through December 31, 2054 and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2020. The assumption changes were adopted by the Board and became effective with the July 1, 2021 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2021 were adopted by the Board and became effective with the July 1, 2022 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.40%.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous 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	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25%	5.90%
Fixed Income	25%	.75%
Cash Equivalents	2.0%	
	100%	

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2023 was 7.0%. 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060 and June 30, 2061 respectively. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

G. 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	
1.00% Lower	6.00%	\$573,765	4.40%	\$291,237
Current Discount Rate	7.00%	\$324,330	5.40%	\$146,784
2.00% Higher	8.00%	\$119,159	6.40%	\$28,024

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

H. 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.

**NOTE 5. DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER
FIREFIGHTERS FUND**

Defined Benefit Pension Plan

A. 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, 2021, the plan covered 24 active firefighters and 6 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

B. 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%.

C. CONTRIBUTIONS

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*. The State of Minnesota contributed \$26,841 in fire state aid to the plan for the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily contributions to the Volunteer Firefighter Fund for the year ended December 31, 2022 was \$0. 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, 2023

D. PENSION COSTS

At December 31, 2023, the City of Canby reported a net pension asset of \$189,472 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2022. 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.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)
	(a)	(b)	(a-b)
Beginning Balance 12/31/21	\$ 545,193	\$ 859,356	\$ (314,163)
Changes for the Year			
Service Cost	24,936	-	24,936
Interest on Pension Liability	34,208	-	34,208
Projected Investment Earnings	0	51,561	(51,561)
Actuarial Experience (Gains)/Losses	(37,882)	-	(37,882)
Changes in Benefit Level	-	-	-
Contributions (ER/State)	-	26,841	(26,841)
Asset Gain/Loss	-	(180,818)	180,818
Benefit Payouts	-	-	-
PERA Administrative Fee	-	(1,013)	1,013
Net Changes	<u>21,262</u>	<u>(103,429)</u>	<u>124,691</u>
Balance End of Year 12/31/22	<u>\$ 566,455</u>	<u>\$ 755,927</u>	<u>\$ (189,472)</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2023, the City of Canby recognized pension expense of \$37,184. At December 31, 2023, 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	\$ 144,654	\$ 54,826
Difference between projected and actual investment earnings	4,126	38,973
Total	<u>\$ 148,780</u>	<u>\$ 93,798</u>

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Year ended June 30:	Pension Expense Amount
2023	(\$7,879)
2024	\$9,939
2025	\$24,335
2026	\$28,587

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability at December 31, 2023, 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%

F. 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.

G. 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	(\$164,858)	(\$189,472)	(\$212,997)

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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%
	100%	

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

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during 2023 for the Statewide Volunteer Firefighter Retirement Plan.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2022, 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.

NOTE 6. 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, 2023, 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, 2023

C. LEASE AGREEMENT

The City of Canby entered into a lease agreement with Tenant, Ferguson Entertainment. 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, 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 2023.

D. TAX ABATEMENTS

There are currently no property tax abatement agreements.

E. FEDERAL AIDS – SINGLE AUDIT ACT

The City did not expend more than \$750,000 of federal financial assistance and a Single Audit under Uniform Guidance is not required.

F. PRIOR PERIOD ADJUSTMENT

During 2023, the following prior period adjustment was made resulting in a net decrease of \$96,081 to the beginning net position in the Business Type Activities. When confirming the special assessments with the County, there were some assessments that had been removed prior to this year from the original amount that needed to be adjusted off the balances.

Business- type Activities	
Previously Stated, 12/31/2022:	\$ 11,530,741
Less Special Assessment write off	<u>(96,081)</u>
As Restated, 12/31/2022:	<u><u>\$ 11,434,660</u></u>

G. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 18, 2024, 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.

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

H. 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 2023, the City of Canby received \$342,792 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 –	8,586
Current tax capacity –	50,952
Captured tax capacity –	42,366
Retained by authority –	42,366
Shared with other authorities –	-0-
Total bonds issued -	224,600
Total loans incurred -	-0-

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, 2023

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 –	200
Current tax capacity –	3,600
Captured tax capacity –	3,400
Retained by authority –	3,400
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 –	30,394
Captured tax capacity –	29,610
Retained by authority –	29,610
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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 –	44,168
Captured tax capacity –	43,508
Retained by authority –	43,508
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 –	3,602
Current tax capacity –	51,698
Captured tax capacity –	48,096
Retained by authority –	48,096
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 –	9,725
Captured tax capacity –	6,527
Retained by authority –	6,527
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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 –	3,070
Captured tax capacity –	2,261
Retained by authority –	2,261
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

CITY OF CANBY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

Tax Increment Financing District No. 1-49 County (TIF 1-31)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2021	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2047	
Original tax capacity –	246
Current tax capacity –	3,600
Captured tax capacity –	3,354
Retained by authority –	3,354
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

Tax Increment Financing District No. 1-50 County (TIF 1-32)

Type of district – Redevelopment	
Authorizing law – Minnesota Statute #469	
Year established – 2022	
Duration – twenty-five (25) years from the receipt of the first tax increment - 2048	
Original tax capacity –	2,421
Current tax capacity –	1,217
Captured tax capacity –	-0-
Retained by authority –	-0-
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 Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b)	Employer's Proportionate Share (Amount) of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0066%	\$342,046	\$0	\$342,046	\$385,415	88.75%	78.20%
June 30, 2016	0.0061%	\$495,290	\$6,490	\$501,780	\$365,010	137.47%	68.90%
June 30, 2017	0.0056%	\$357,500	\$4,498	\$361,998	\$394,940	91.66%	75.90%
June 30, 2018	0.0057%	\$316,213	\$10,395	\$326,608	\$396,129	82.45%	79.50%
June 30, 2019	0.0061%	\$337,255	\$10,500	\$347,755	\$476,197	73.03%	80.20%
June 30, 2020	0.0062%	\$371,718	\$11,478	\$383,196	\$443,249	86.45%	79.10%
June 30, 2021	0.0062%	\$264,768	\$8,099	\$272,867	\$448,310	60.87%	87.00%
June 30, 2022	0.0059%	\$467,282	\$13,760	\$481,042	\$441,293	109.01%	76.70%
June 30, 2023	0.0058%	\$324,330	\$9,001	\$333,331	\$461,549	72.22%	83.10%

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

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

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0170%	\$193,160	\$151,377	127.60%	86.60%
June 30, 2016	0.0160%	\$642,108	\$160,585	399.86%	63.90%
June 30, 2017	0.0160%	\$216,019	\$165,814	130.28%	85.40%
June 30, 2018	0.0151%	\$160,950	\$166,410	96.72%	88.80%
June 30, 2019	0.0140%	\$149,044	\$156,739	95.09%	89.30%
June 30, 2020	0.0136%	\$179,263	\$164,560	108.93%	87.20%
June 30, 2021	0.0142%	\$109,609	\$167,189	65.56%	93.70%
June 30, 2022	0.0141%	\$613,576	\$171,861	357.02%	70.50%
June 30, 2023	0.0085%	\$146,784	\$111,607	131.52%	86.50%

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

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

**CITY OF CANBY
SCHEDULE OF CITY'S CONTRIBUTIONS**

PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
December 31, 2015	\$28,491	\$28,906	(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%
December 31, 2020	\$33,244	\$33,244	-	\$443,249	7.50%
December 31, 2021	\$32,957	\$32,957	-	\$439,431	7.50%
December 31, 2022	\$33,097	\$33,835	(738)	\$451,124	7.50%
December 31, 2023	\$32,842	\$32,842	-	\$437,893	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>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered-Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered-Employee Payroll (b/d)</u>
December 31, 2015	\$24,885	\$24,523	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%
December 31, 2020	\$26,659	\$26,659	-	\$164,560	16.20%
December 31, 2021	\$27,688	\$27,688	(0)	\$170,912	16.20%
December 31, 2022	\$30,419	\$31,329	(910)	\$177,001	17.70%
December 31, 2023	\$11,181	\$11,181	-	\$63,169	17.70%

* 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 CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - FIRE RELIEF ASSOCIATION

Total Pension Liability	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service Cost	24,936	26,326	26,822	22,857
Interest	34,208	30,898	25,986	26,250
Difference between expected and actual experience	(37,882)	6,876	(13,702)	(15,931)
Changes of assumptions	-	-	-	-
Changes of benefit terms	-	-	56,201	-
Benefit payments	-	(15,080)	(10,811)	(72,300)
Net change in total pension liability	<u>21,262</u>	<u>49,020</u>	<u>84,496</u>	<u>(39,124)</u>
Beginning of year	<u>545,193</u>	<u>496,173</u>	<u>411,677</u>	<u>450,801</u>
End of year	<u><u>566,455</u></u>	<u><u>545,193</u></u>	<u><u>496,173</u></u>	<u><u>411,677</u></u>
 Plan Fiduciary Net Position				
Contributions - State and local	26,840	26,751	26,139	24,196
Contributions - donations and other income	-	-	-	-
Asset Transfer	-	-	-	-
Projected Investment Earnings	-	-	-	-
Net investment income	(129,257)	74,584	97,987	109,259
Benefit payments	-	(15,080)	(10,811)	(72,300)
Administrative expense	(960)	(974)	(1,060)	(1,058)
Other	(53)	-	-	-
Net change in plan fiduciary net position	<u>(103,430)</u>	<u>85,281</u>	<u>112,255</u>	<u>60,097</u>
Beginning of year	<u>859,357</u>	<u>774,076</u>	<u>661,820</u>	<u>601,723</u>
End of year	<u><u>755,927</u></u>	<u><u>859,357</u></u>	<u><u>774,075</u></u>	<u><u>661,820</u></u>
 Net Pension Liability (Asset)	 <u><u>(189,472)</u></u>	 <u><u>(314,164)</u></u>	 <u><u>(277,902)</u></u>	 <u><u>(250,143)</u></u>
 Plan Fiduciary Net Position as Percentage of the Total Pension Liability	 133.4%	 157.6%	 156%	 160.8%
 Covered Employee Payroll	 N/A	 N/A	 N/A	 N/A
 Net Pension Liability as a Percentage of Covered Payroll	 N/A	 N/A	 N/A	 N/A

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

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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.

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

- No changes

2020 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019 Changes

- No changes

2018 Changes

Changes in Actuarial Assumptions:

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

CITY OF CANBY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023

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

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.

**City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023**

	Special Revenue		Debt Service					
	EDA	TIF 1-24 GOIB of 2012A Helena 1	GOIB of 2012B	Parking Lot Bond	Tax Incr Bond 1997	TIF 1-4	TIF 1-6 Decertified	TIF 1-18
ASSETS								
Cash and Cash Equivalents	\$ 61,117	\$ 38,676	\$ 54,928	\$ 7,553	\$ --	\$ 199,969	\$ 690	\$ --
Taxes Receivable	--	--	--	--	--	514	--	--
Delinquent Taxes Receivable	--	--	--	--	--	32	--	--
Due from Component Unit- Current	--	--	11,640	--	--	--	--	--
Accounts Receivable	--	--	990	--	--	--	--	--
Notes Receivable Current	16,320	--	--	--	--	--	--	--
Special Assessments - Deferred	--	--	--	58,979	--	--	--	--
Due from Component Unit - Non Current	--	--	163,000	--	--	--	--	--
Notes Receivable - Non Current	82,099	--	--	--	--	--	--	--
Advances to Other Funds	--	--	--	--	--	67,591	--	--
Total Assets	159,536	38,676	230,558	66,532	--	268,106	690	--
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 159,536	\$ 38,676	\$ 230,558	\$ 66,532	\$ --	\$ 268,106	\$ 690	\$ --
LIABILITIES								
Advances from Other Funds	\$ --	\$ --	\$ 63,265	\$ 5,300	\$ 4,326	\$ --	\$ --	\$ 9,446
Total Liabilities	--	--	63,265	5,300	4,326	--	--	9,446
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue-Notes Receivable, Taxes and Special Assessments	98,419	--	--	58,979	--	512	--	--
Total Liabilities and Deferred Inflows of Resources	98,419	--	63,265	64,279	4,326	512	--	9,446
FUND BALANCE								
Restricted	--	38,676	167,293	2,253	--	267,594	690	--
Assigned	61,117	--	--	--	--	--	--	--
Unassigned	--	--	--	--	(4,326)	--	--	(9,446)
Total Fund Balance	61,117	38,676	167,293	2,253	(4,326)	267,594	690	(9,446)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 159,536	\$ 38,676	\$ 230,558	\$ 66,532	\$ --	\$ 268,106	\$ 690	\$ --

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

**City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023**

Debt Service

TIF 1-25	GOIB of 2014C	TIF 1-26	GOIB of 2015A	TIF 1-27	Pool-GO Tax 2015B	TIF 1-28	TIF 1-29 Decertified	GOIB of 2019A	TIF 1-31	TIF 1-32	Total Nonmajor Governmental Funds
\$ 142,040	\$ 307	\$ 158,670	\$ --	\$ 70,123	\$ 84,629	\$ --	\$ --	\$ 148	\$ 2,590	\$ --	\$ 821,440
--	--	--	--	--	2,264	--	--	--	--	--	2,778
--	--	--	--	--	1,299	--	--	--	--	--	1,331
--	18,250	--	22,761	--	--	--	--	5,863	--	--	58,514
--	268	--	145	--	--	--	--	505	--	--	1,908
--	--	--	--	--	--	--	--	--	--	--	16,320
--	--	--	--	--	--	--	--	--	--	--	58,979
--	215,964	--	360,920	--	--	--	--	87,944	--	--	827,828
--	--	--	--	--	--	--	--	--	--	--	82,099
71,614	--	3,450	--	--	--	--	--	--	--	--	142,655
<u>213,654</u>	<u>234,789</u>	<u>162,120</u>	<u>383,826</u>	<u>70,123</u>	<u>88,192</u>	<u>--</u>	<u>--</u>	<u>94,460</u>	<u>2,590</u>	<u>--</u>	<u>2,013,852</u>
<u>\$ 213,654</u>	<u>\$ 234,789</u>	<u>\$ 162,120</u>	<u>\$ 383,826</u>	<u>\$ 70,123</u>	<u>\$ 88,192</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 94,460</u>	<u>\$ 2,590</u>	<u>\$ --</u>	<u>\$ 2,013,852</u>
\$ --	\$ --	\$ --	\$ 10,105	\$ --	\$ --	\$ 8,717	\$ 8,603	\$ 3,450	\$ 4,244	\$ 38,509	\$ 155,964
--	--	--	10,105	--	--	8,717	8,603	3,450	4,244	38,509	155,964
--	--	--	--	--	2,468	--	--	--	--	--	160,378
--	--	--	10,105	--	2,468	8,717	8,603	3,450	4,244	38,509	316,342
213,654	234,789	162,120	373,721	70,123	85,724	--	--	91,010	--	--	1,707,647
--	--	--	--	--	--	--	--	--	--	--	61,117
213,654	234,789	162,120	373,721	70,123	85,724	(8,717)	(8,603)	91,010	(1,653)	(38,509)	(71,254)
<u>213,654</u>	<u>234,789</u>	<u>162,120</u>	<u>373,721</u>	<u>70,123</u>	<u>85,724</u>	<u>(8,717)</u>	<u>(8,603)</u>	<u>91,010</u>	<u>-1,653</u>	<u>(38,509)</u>	<u>1,697,510</u>
<u>\$ 213,654</u>	<u>\$ 234,789</u>	<u>\$ 162,120</u>	<u>\$ 383,826</u>	<u>\$ 70,123</u>	<u>\$ 88,192</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 94,460</u>	<u>\$ 2,590</u>	<u>\$ --</u>	<u>\$ 2,013,852</u>

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

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2023

	Special Revenue	Debt Service							
	EDA	TIF 1-24 GOIB of 2012A Helena 1	GOIB of 2012B	Parking Lot Bond	Tax Incr Bond 1997	TIF 1-4	TIF 1-6 Decertified	TIF 1-18	TIF 1-25
Revenues									
Interest Income	\$ 1,647	\$ 125	\$ 10,731	\$ 3,571	\$ --	\$ 6	\$ --	\$ --	\$ 3
Property Taxes	--	49,819	--	--	--	63,678	2,973	5,720	68,934
Special Assessments(Forfeited)	--	--	--	5,747	--	--	--	--	--
Miscellaneous	13,601	--	990	--	--	--	--	--	--
Total Revenues	15,248	49,944	11,721	9,318	--	63,684	2,973	5,720	68,937
Expenditures									
General Government and Administration	--	--	--	--	--	--	--	--	--
Economic Development	36,161	--	--	--	--	--	--	--	--
Miscellaneous	--	1,633	--	--	--	4,314	868	1,505	11,995
Excess TIF Returned to County	--	--	--	--	--	38,082	--	--	--
Debt - Principal	--	35,000	11,640	15,000	1,900	10,160	1,300	12,000	47,239
Interest and Other Charges	--	23,025	13,199	8,098	141	3,594	96	1,080	40,010
Total Expenditures	36,161	59,658	24,839	23,098	2,041	56,150	2,264	14,585	99,244
Excess of Revenues Over (Under) Expenditures	(20,913)	(9,714)	(13,118)	(13,780)	(2,041)	7,534	709	(8,865)	(30,307)
Other Financing Sources (Uses)									
Transfers from Other Funds	--	--	--	--	--	--	--	--	--
Transfers to Other funds	--	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--	--
Net Change in Fund Balance	(20,913)	(9,714)	(13,118)	(13,780)	(2,041)	7,534	709	(8,865)	(30,307)
<i>Fund Balance at Beginning of Period</i>	82,030	48,390	180,411	16,033	(2,285)	260,060	(19)	(581)	243,961
Fund Balance at End of Period	\$ 61,117	\$ 38,676	\$ 167,293	\$ 2,253	\$ (4,326)	\$ 267,594	\$ 690	\$ (9,446)	\$ 213,654

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

City of Canby
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2023

Debt Service										Total Nonmajor Governmental Funds
GOIB of 2014C	TIF 1-26	GOIB of 2015A	TIF 1-27	Pool-GO Tax 2015B	TIF 1-28	TIF 1-29 Decertified	GOIB of 2019A	TIF 1-31	TIF 1-32	
\$ 11,482	\$ 4	\$ 19,278	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 46,847
--	71,742	--	10,353	60,318	3,612	--	--	5,643	--	342,792
--	--	--	--	--	--	--	--	--	--	5,747
602	--	327	--	--	--	--	3,618	--	--	19,138
<u>12,084</u>	<u>71,746</u>	<u>19,605</u>	<u>10,353</u>	<u>60,318</u>	<u>3,612</u>	<u>--</u>	<u>3,618</u>	<u>5,643</u>	<u>--</u>	<u>414,524</u>
--	--	327	--	--	--	--	--	--	--	327
--	--	--	--	--	--	--	--	--	--	36,161
602	2,076	--	824	--	718	--	602	1,168	3,680	29,985
--	--	--	--	--	--	--	--	--	--	38,082
18,250	42,969	22,761	9,137	35,000	3,782	--	5,863	2,000	3,000	277,001
11,482	23,970	19,278	4,852	21,383	2,008	--	3,113	2,730	4,095	182,154
<u>30,334</u>	<u>69,015</u>	<u>42,366</u>	<u>14,813</u>	<u>56,383</u>	<u>6,508</u>	<u>--</u>	<u>9,578</u>	<u>5,898</u>	<u>10,775</u>	<u>563,710</u>
(18,250)	2,731	(22,761)	(4,460)	3,935	(2,896)	--	(5,960)	(255)	(10,775)	(149,186)
--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--
(18,250)	2,731	(22,761)	(4,460)	3,935	(2,896)	--	(5,960)	(255)	(10,775)	(149,186)
253,039	159,389	396,482	74,583	81,789	(5,821)	(8,603)	96,970	(1,399)	(27,734)	1,846,696
<u>\$ 234,789</u>	<u>\$ 162,120</u>	<u>\$ 373,721</u>	<u>\$ 70,123</u>	<u>\$ 85,724</u>	<u>\$ (8,717)</u>	<u>\$ (8,603)</u>	<u>\$ 91,010</u>	<u>\$ (1,654)</u>	<u>\$ (38,509)</u>	<u>\$ 1,697,510</u>

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



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, 2023, 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 18, 2024.

Report on 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.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Prior and Current Findings and Responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in *internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Prior and Current Findings and Responses, as item 2023-1 and 2023-3, to be a material weakness.

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

Report on 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 Prior and Current Findings and Responses. 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 2023-2. 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, insofar as they relate to accounting matters.

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 18, 2024

CITY OF CANBY
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
DECEMBER 31, 2023

PRIOR FINDINGS

Finding 2022-001: A material weakness was reported due to the lack of segregation of duties within the organization. This finding continues to exist and has been restated as Finding 2023-001.

Finding 2022-002: A material weakness was reported due to lack of repayment setup of the interfund loans according to Minnesota Statutes. This finding continues to exist and has been restated as Finding-2023-002

Finding 2022-003: A material weakness was reported due to the auditor proposing material journal entries that resulted in significant changes to the financials. This finding continues to exist and has been restated as Finding 2023-003.

2023-001: Segregation of Duties

Condition: Due to the limited number of accounting office personnel within the City, segregation of the accounting functions necessary to ensure adequate internal accounting controls is not always possible. The City does not segregate the duties of cash receipting and disbursing from one employee. The same employee also maintains the general ledger and prepares bank reconciliations.

Effect: This could affect the City’s ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The City has limited staff in the accounting department. The same employee is performing multiple accounting functions.

Criteria: One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and maintain responsibility for custody of the asset resulting from the transaction.

Recommendation: Since we acknowledge that it is not economically feasible for the City to hire additional staff, we recommend the Mayor and City Council continue to monitor financial activity, and review and approve invoices. As an added control we would also recommend the Mayor or designated City Council Member continue to monitor and approve bank reconciliations. This review and approval should be evidenced by a signature on the bank reconciliation.

Views of Responsible Officials: Management agrees with the finding

CITY OF CANBY
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

2023-002: Minnesota Interfund Loan Compliance

Condition: According to the Minnesota Legal Compliance Manual, the city is not compliant with Minnesota Statute 469.178, subd. 7. 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.

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.

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 2024.

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

CITY OF CANBY
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

2023-003: Preparation of Financial Statements and Footnotes and Proposed Material Audit Adjustments to the Financial Statements

Condition: Material audit adjustments were required to prevent the City's financial statements from being materially misstated. Kinner & Company also prepared the necessary financial statements and footnotes.

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.

Effect: The City has limited number of personnel that can make the adjustments

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

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 2024 audit. Kinner & Company will provide a listing of entries that was prepared in the prior year at the end of 2024 to make sure that the entries are in the system before the auditor receives the financials.

Views of Responsible Officials: Management agrees with the finding