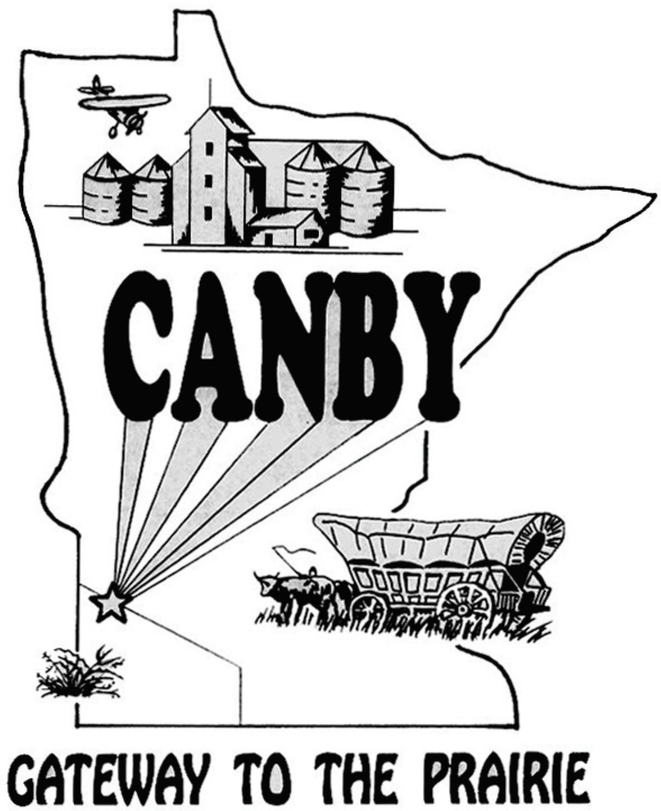
City of Canby
Audit Report
For the Year Ended
December 31, 2025



Kinner & Company Ltd
Certified Public Accountants
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City of Canby
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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, 2025, 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, 2025, 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.

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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.

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 9, 2026, 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 9, 2026

CITY OF CANBY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024

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, 2025 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.

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.

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 $17,173,983 and $17,477,339 at the close of fiscal years 2025 and 2024.

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 $219,848 in 2025 and it increased by $463,994 in 2024.

Table 1

Net Position

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Current and other assets	3,610,903	3,656,765	6,853,082	6,935,833
Capital assets	8,993,626	8,473,093	22,335,842	23,831,269
Total assets	12,604,529	12,129,858	29,188,924	30,767,102
Deferred Outflows of Resources	183,028	391,348	22,733	15,366
Long-term liabilities outstanding	4,737,747	3,988,753	18,148,845	19,055,652
Other liabilities	388,943	855,741	1,135,029	1,258,650
Total liabilities	5,126,690	4,844,494	19,283,874	20,314,302
Deferred Inflows of Resources	355,098	590,791	59,569	76,756
Net Position				
Net investment in capital assets	4,706,951	4,408,268	3,424,842	4,053,836
Restricted	2,369,268	1,560,672	184,745	119,000
Unrestricted	229,550	1,116,981	6,258,627	6,218,574
Total Net Position	7,305,769	7,085,921	9,868,214	10,391,410

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, 2025 AND 2024

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		2025
	2025	2024	2025	2024	Total
Revenues					
Program Revenues					
Charges for services	273,746	230,426	1,355,832	1,290,975	1,629,578
Operating grants and contributions	79,834	183,710	-	-	79,834
Capital grants and contributions	480,914	364,071	-	-	480,914
General Revenues					
Property taxes	949,702	1,069,828	360,818	376,375	1,310,520
Special Assessments	0	0	293	5,200	293
Intergovernmental Revenue	867,641	871,405	28,208	17,782	895,849
Fines and Forfeits	317	1,243	-	-	317
Licenses and Permits	3,470	3,245	-	-	3,470
Gain on asset	2,740	62,881	-	16,425	2,740
Unrestricted Investment Earnings	49,926	51,657	109,445	115,793	159,371
Miscellaneous	174,013	118,113	400	587	174,413
Total Revenues	2,882,303	2,956,579	1,854,996	1,823,137	4,737,299
Expenses					
Governmental activities	2,662,455	2,492,585	-	-	2,662,455
Business-type activities	-	-	2,378,200	2,359,621	2,378,200
Total Expenses	2,662,455	2,492,585	2,378,200	2,359,621	5,040,655
Transfers In (Out)	-	-	-	-	-
Increase (Decrease) in net position	219,848	463,994	(523,204)	(536,484)	(303,356)
Net position, January 1,	7,085,921	6,621,927	10,391,418	10,927,902	17,477,339
Net position, December 31	7,305,769	7,085,921	9,868,214	10,391,418	17,173,983

The City's total net position decreased by $303,356 in 2025 and decreased by $72,490 in 2024. The decrease in 2025 and 2024 was mainly due to the proprietary funds.

Business-type activities

Business-type activities decreased the City's net position by $523,304 in 2025 and decreased by $536,484 in 2024.

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 2025 and 2024, the City's governmental funds reported ending balances of $2,545,760 and $2,724,119. Of the reported ending balances, twenty percent and thirty four percent of the total amount of $511,555 and $826,222 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 $523,204.

The Storm Sewer net position increased by $5,175 in 2025 and decreased $14,939 in 2024.

Wastewater net position decreased by $262,405 in 2024 and decreased by $288,686 in 2024.

Water net position decreased by $269,612 in 2024 and decreased by $234,703 in 2024.

Solid Waste net position increased by $3,638 in 2025 and increased by $1,844 in 2024.

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.

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, 2025 and 2024 amounts to $31,329,468 and $32,304,282 (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 2025, the City had new debt in the general fund for the 2025A GO Improvement Bond. In 2025 the city paid off $304,754 of government debt and $1,021,000 of proprietary debt. At the end of 2025 and 2024, the City had total bonded debt outstanding of $23,171,069 and $23,996,104.

2025 General Fund Budget Variances to Actual

Total general fund budgeted revenues for 2025 is $2,665,364. The actual revenues for 2025, including transfer in and loan proceeds, is $2,583,506. The revenues were under budget by $81,858. The majority of the variance is due to over budgeting Division of Aeronautics aid.

Total general fund budgeted expenses for 2025, including the transfer out, was $2,754,686. Actual expenses for 2025 were $2,548,530. The expenses were under budget by $206,156. This was due to not buying capital outlay that was budgeted and over budgeting the capital outlay and wage areas.

Economic Factor and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2026 budget, tax rates and fees that will be charged for the business-type activities. The Council expects operations to remain consistent with 2025. Overall budget amounts for 2026 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, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Canby HRA
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 1,591,585	$ 2,243,479	$ 3,835,064	$ 186,784
Investments	--	1,863	1,863	95,077
Taxes Receivable	23,342	11,387	34,729	1,030
Delinquent Taxes Receivable	16,577	10,439	27,016	-
Due from Other Governments	466,895	--	466,895	-
Due from Component Unit- Current	65,125	--	65,125	-
Special Assessments Receivable	--	24,674	24,674	-
Accounts Receivable	5,350	114,722	120,072	-
Restricted Cash	10,588	177,000	187,588	-
Notes Receivable Current	11,117	--	11,117	-
Prepaid and Other Assets	38,600	9,035	47,635	-
Inventory	9,757	--	9,757	-
Total Current Assets	2,238,936	2,592,599	4,831,535	282,891
Noncurrent Assets				
Special Assessments - Deferred	47,490	3,825,328	3,872,818	-
Non-Depreciable	1,043,248	126,296	1,169,544	140,503
Depreciable, Net	7,950,378	22,209,546	30,159,924	388,977
Due from Component Unit - Non Current	699,581	--	699,581	-
Notes Receivable - Non Current	38,695	--	38,695	72,552
Net Pension Asset	335,063	--	335,063	-
*Internal Balances**	251,138	435,155	--	-
Total Assets	12,604,529	29,188,924	41,107,160	884,923
DEFERRED OUTFLOWS OF RESOURCES				
Penison Related	183,028	22,733	205,761	-
Total Deferred Outflows of Resources	183,028	22,733	205,761	-
LIABILITIES				
Current Liabilities				
Accounts Payable	18,083	2,436	20,519	7,235
LT Debt Due Within One Year	330,498	1,035,000	1,365,498	65,125
Accrued Interest Payable	40,362	97,593	137,955	-
Total Current Liabilities	388,943	1,135,029	1,523,972	72,360
Noncurrent Liabilities				
Compensated Absences	71,381	58,123	129,504	-
Net Pension Liability	148,244	73,548	221,792	-
Retainage Payable	26,604	--	26,604	-
LT Debt Due Beyond One Yr.	3,929,573	17,875,998	21,805,571	699,579
Bond Premium	--	16,828	16,828	-
*Internal Balances**	561,945	124,348	--	-
Total Liabilities	5,126,690	19,283,874	23,724,271	771,939
DEFERRED INFLOWS OF RESOURCES				
Pension Related	355,098	59,569	414,667	-
Total Deferred Inflows of Resources	355,098	59,569	414,667	-
NET POSITION				
Net Investment in Capital Assets	4,706,951	3,424,842	8,131,793	529,480
Restricted	2,369,268	184,745	2,554,013	-
Unrestricted	229,550	6,258,627	6,488,177	(416,496)
Total Net Position	$ **7,305,769**	$ **9,868,214**	$ **17,173,983**	**$ 112,984**

* Amounts have been eliminated in total column

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

City of Canby
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue – Primary Government: Governmental Activities	Net (Expense) Revenue – Primary Government: Business-type Activities	Net (Expense) Revenue – Primary Government: Total	Component Unit: Canby HRA
Primary Government								
Governmental Activities:								
General Government and Administration	$ 428,958	$ 27,239	$ --	$ 8,281	$ (393,438)	$ --	$ (393,438)	
Public Safety	437,959	53,619	79,834	--	(304,506)	--	(304,506)	
Public Works	538,383	6,745	--	--	(531,638)	--	(531,638)	
Culture and Recreation	308,430	56,068	--	--	(252,362)	--	(252,362)	
Economic Development	14,175	--	--	--	(14,175)	--	(14,175)	
Miscellaneous	496,560	--	--	--	(496,560)	--	(496,560)	
Interest and Other Charges	196,506	--	--	--	(196,506)	--	(196,506)	
Airport	241,484	130,075	--	472,633	361,224	--	361,224	
Total Governmental Activities	2,662,455	273,746	79,834	480,914	(1,827,961)	--	(1,827,961)	
Business-type Activities:								
Solid Waste	184,902	185,814	--	--	--	912	912	
Storm Sewer	241,494	224,960	--	--	--	(16,534)	(16,534)	
Wastewater	912,915	410,250	--	--	--	(502,665)	(502,665)	
Water	1,038,889	534,808	--	--	--	(504,081)	(504,081)	
Total Business-type Activities	2,378,200	1,355,832	--	--	--	(1,022,368)	(1,022,368)	
Total Primary Government	$ 5,040,655	$ 1,629,578	$ 79,834	$ 480,914	$ (1,827,961)	$ (1,022,368)	$ (2,850,329)	
Component Units								
Canby HRA	$ 206,556	114,832	--	--	(91,724)			(91,724)
Total Component Units	$ 206,556	114,832	--	--	(91,724)			(91,724)
General Purpose Revenues and Transfers:								
Revenues								
Interest Income					49,926	109,445	159,371	1,473
Miscellaneous					31,817	--	31,817	2,847
Property Taxes					949,702	360,818	1,310,520	97,978
Special Assessments(Forfeited)					--	293	293	--
License and Permits					3,470	--	3,470	--
Intergovernmental Revenues					867,641	28,208	895,849	--
Fines and Forfeits					317	--	317	--
Refunds and Reimbursements					33,609	400	34,009	--
Donations					108,587	--	108,587	--
Gain on Sale of Assets					2,740	--	2,740	100,975
Transfers					--	--	--	--
Total General Revenues and Transfers					2,047,809	499,164	2,546,973	203,273
Change in Net Position					**219,848**	**(523,204)**	**(303,356)**	**111,549**
Net Position at Beginning of Period					7,085,921	10,391,418	17,477,339	1,435
Net Position at End of Period					**$ 7,305,769**	**$ 9,868,214**	**$ 17,173,983**	**$ 112,984**

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

City of Canby
Balance Sheet
Governmental Funds
December 31, 2025

	General	Debt Service GOIB of 2025A	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 851,661	$ --	$ 739,924	$ 1,591,585
Taxes Receivable	21,582	--	1,760	23,342
Delinquent Taxes Receivable	15,020	--	1,557	16,577
Due from Other Governments	466,895	--	--	466,895
Due from Component Unit- Current	--	--	65,125	65,125
Accounts Receivable	5,350	--	--	5,350
Restricted Cash	10,588	--	--	10,588
Notes Receivable Current	--	--	11,117	11,117
Prepaid and Other Assets	38,600	--	--	38,600
Inventory	9,757	--	--	9,757
Special Assessments - Deferred	--	--	47,490	47,490
Due from Component Unit - Non Current	--	--	699,581	699,581
Notes Receivable - Non Current	--	--	38,695	38,695
Advances from other funds	134,186	--	116,952	251,138
Total Assets	1,553,639	--	1,722,201	3,275,840
Total Assets and Deferred Outflows of Resources	**$ 1,553,639**	**$ --**	**$ 1,722,201**	**$ 3,275,840**
LIABILITIES				
Accounts Payable	$ 18,083	$ --	$ --	$ 18,083
Retainage Payable	--	26,604	--	26,604
Advances to other funds	332,384	66,857	162,704	561,945
Total Liabilities	350,467	93,461	162,704	606,632
DEFERRED INFLOWS OF RESOURCES				
Note Receivable	--	--	49,812	49,812
Taxes Receivable	23,892	--	49,744	73,636
Total Liabilities and Deferred Inflows of Resources	374,359	93,461	262,260	730,080
FUND BALANCE				
Nonspendable	182,543	--	--	182,543
Restricted	276,845	--	1,481,528	1,758,373
Assigned	--	--	93,289	93,289
Unassigned	719,892	(93,461)	(114,876)	511,555
Total Fund Balance	1,179,280	(93,461)	1,459,941	2,545,760
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 1,553,639**	**$ --**	**$ 1,722,201**	**$ 3,275,840**

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, 2025

Total Fund Balance - Governmental Funds	$	2,545,760
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.		(71,381)
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.		8,993,626
Tax revenue deferred in governmental fund statements if not received within sixty days		73,065
Long- term debt reflected on Statement of Net Position not in governmental funds balance sheet.		(4,260,069)
Deferred revenue on development loans in governmental funds are susceptible to full accrual on the government-wide statements		49,810
Net pension assets are not available to pay for current period expenditures and therefore are deferred in the funds.		335,063
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.		(148,244)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.		(354,526)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.		183,028
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.		(40,362)
Total Net Position-Governmental Funds	$	**7,305,769**

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, 2025

		Debt Service		
	General	GOIB of 2025A	Other Governmental Funds	Total Governmental Funds
Revenues				
Interest Income	$ 5,361	$ --	$ 44,565	$ 49,926
Intergovernmental Revenues	881,020	--	--	881,020
Property Taxes	687,701	--	266,129	953,830
Special Assessments(Forfeited)	--	--	5,738	5,738
License and Permits	3,470	--	--	3,470
Fines and Forfeits	317	--	--	317
Charges for Services	154,975	--	--	154,975
Refunds and Reimbursements	41,890	--	--	41,890
Miscellaneous	148,997	--	17,190	166,187
Donations	156,337	--	--	156,337
Other MN and County Grants	22,605	--	--	22,605
Division of Aeronautics	468,733	--	--	468,733
Total Revenues	2,571,406	--	333,622	2,905,028
Expenditures				
General Government and Administration	437,153	--	--	437,153
Public Safety	388,558	--	--	388,558
Public Works	411,103	--	--	411,103
Culture and Recreation	243,058	--	--	243,058
Economic Development	--	--	14,175	14,175
Miscellaneous	86,191	24,251	13,032	123,474
Airport	241,484	--	--	241,484
Capital Outlay	629,598	612,031	--	1,241,629
Debt - Principal	34,754	--	270,000	304,754
Interest and Other Charges	13,595	10,460	156,289	180,344
Total Expenditures	2,485,494	646,742	453,496	3,585,732
Excess of Revenues Over (Under) Expenditures	85,912	(646,742)	(119,874)	(680,704)
Other Financing Sources (Uses)				
Bond Proceeds	--	500,000	--	500,000
Gain on Sale of Assets	12,100	--	--	12,100
Transfers from Other Funds	--	63,036	--	63,036
Bond Issuance Costs	--	(9,755)	--	(9,755)
Transfers to Other funds	(63,036)	--	--	(63,036)
Net Other Financing Sources (Uses)	(50,936)	553,281	--	502,345
Net Change in Fund Balance	**34,976**	**(93,461)**	**(119,874)**	**(178,359)**
Fund Balance at Beginning of Period	1,144,304	--	1,579,815	2,724,119
Fund Balance at End of Period	$ **1,179,280**	$ **(93,461)**	$ **1,459,941**	$ **2,545,760**

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

City of Canby
Reconciliation of Governmental Funds Statement of Revenues, Changes in Fund Balance with Statement of Activities
For the Year Ended December 31, 2025

Total Net Change in Fund Balances - Governmental Funds	$	(178,359)
Tax revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		(9,866)
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.		304,754
Fixed assets expensed as capital outlay in governmental fund statements, capitalized as fixed assets in Statement of Net Position.		1,241,629
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(712,884)
Accrued leave is reported in the government-wide statement of activities and changes in net position, but does not required the use of current financial resources; therefore, accrued leave is not reported as an expenditure in the government funds.		(12,051)
The issuance of long-term debt (i.e. bonds) provides current resources to government funds, while the repayment of the principal of the long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(500,000)
The net effect of various transactions involving capital assets (i.e. Sales, trade-ins, and contributions) is to increase net position.		(9,360)
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		(15,599)
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.		117,991
Accrued interest expense included in Statement of Activities, expensed as paid in governmental fund statements.		(6,406)
Changes in Net Position-Governmental Funds	$	**219,848**

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

City of Canby
Statement of Net Position
Proprietary Funds
December 31, 2025

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Non Major Enterprise Funds	Total Enterprise Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 133,670	$ 313,408	$ 1,790,788	$ 5,613	$ 2,243,479
Investments	--	932	583	348	1,863
Taxes Receivable	299	5,726	5,362	--	11,387
Delinquent Taxes Receivable	181	5,297	4,961	--	10,439
Special Assessments Receivable	3,174	10,753	10,747	--	24,674
Accounts Receivable	20,339	38,150	38,993	17,240	114,722
Restricted Cash	--	88,500	88,500	--	177,000
Prepaid and Other Assets	--	4,563	4,472	--	9,035
Total Current Assets	157,663	467,329	1,944,406	23,201	2,592,599
Noncurrent Assets					
Special Assessments - Deferred	303,461	1,757,063	1,764,804	--	3,825,328
Non-Depreciable	--	79,835	21,345	25,116	126,296
Depreciable, Net	2,358,931	9,782,309	10,068,306	--	22,209,546
Advances from other funds	--	102,771	332,384	--	435,155
Total Assets	2,820,055	12,189,307	14,131,245	48,317	29,188,924
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	--	8,929	9,343	4,461	22,733
Total Deferred Outflows of Resources	--	8,929	9,343	4,461	22,733
LIABILITIES					
Current Liabilities					
Accounts Payable	101	106	2,123	106	2,436
LT Debt Due Within One Year	220,000	455,000	360,000	--	1,035,000
Accrued Interest Payable	33,598	36,775	27,220	--	97,593
Total Current Liabilities	253,699	491,881	389,343	106	1,135,029
Noncurrent Liabilities					
Compensated Absences	--	23,066	26,953	8,104	58,123
Net Pension Liability	--	29,077	37,630	6,841	73,548
LT Debt Due Beyond One Yr.	2,235,000	8,716,999	6,923,999	--	17,875,998
Bond Premium	16,828	--	--	--	16,828
Advances to other funds	--	4,563	4,472	115,313	124,348
Total Liabilities	2,505,527	9,265,586	7,382,397	130,364	19,283,874
DEFERRED INFLOWS OF RESOURCES					
Pension Related	--	23,492	28,189	7,888	59,569
Total Deferred Inflows of Resources	--	23,492	28,189	7,888	59,569
NET POSITION					
Net Investment in Capital Assets	(96,069)	690,144	2,805,651	25,116	3,424,842
Restricted	--	88,500	96,245	--	184,745
Unrestricted	410,597	2,130,514	3,828,106	(110,590)	6,258,627
Total Net Position	**$ 314,528**	**$ 2,909,158**	**$ 6,730,002**	**$ (85,474)**	**$ 9,868,214**

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, 2025

	Business-type Activities - Enterprise Funds				
	Storm Sewer	Wastewater	Water	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Charges for Services	$ 224,960	$ 410,250	$ 524,271	$ 185,814	$ 1,345,295
Total Operating Revenues	224,960	410,250	524,271	185,814	1,345,295
Operating Expenses					
Labor	--	79,006	109,574	18,849	207,429
Employee Benefits	--	30,923	44,415	6,554	81,892
Supplies	1,649	17,470	31,862	3,614	54,595
Repairs	--	3,371	19,477	--	22,848
Utilities	--	4,250	19,753	--	24,003
Telephone	--	115	4,899	--	5,014
Insurance	--	7,868	8,062	--	15,930
Auditing	--	2,400	3,200	1,700	7,300
Miscellaneous	30	624	1,055	1,514	3,223
Contracted Services	--	6,113	2,111	84,688	92,912
Tipping Expenses	--	--	--	26,418	26,418
Travel	--	722	1,171	--	1,893
Motor Fuel	--	985	2,045	--	3,030
Water Purchases	--	--	13,285	--	13,285
Truck Expense	--	--	206	--	206
Dues and License	--	604	10,988	--	11,592
Legal & Professional	5,843	--	--	25,383	31,226
Depreciation	157,147	654,333	683,869	--	1,495,349
Total Operating Expenses	164,669	808,784	955,972	168,720	2,098,145
Operating Income (Loss)	60,291	(398,534)	(431,701)	17,094	(752,850)
Non-Operating Revenues (Expenses)					
Interest Income	11,952	47,616	49,775	102	109,445
Intergovernmental Revenues	--	11,152	14,432	2,624	28,208
Property Taxes	9,464	181,492	169,862	--	360,818
Special Assessments(Forfeited)	293	--	--	--	293
Refunds and Reimbursements	--	--	400	--	400
Rental Income	--	--	10,537	--	10,537
Interest Expense	(76,825)	(104,131)	(77,041)	--	(257,997)
Sales Tax Expense	--	--	(5,876)	(16,182)	(22,058)
Net Non-Operating Revenues (Expenses)	(55,116)	136,129	162,089	(13,456)	229,646
Income Before Contributions and Transfers	5,175	(262,405)	(269,612)	3,638	(523,204)
Transfers from Other Funds	--	--	--	--	--
Transfers to Other funds	--	--	--	--	--
Change In Net Position	**5,175**	**(262,405)**	**(269,612)**	**3,638**	**(523,204)**
Net Position at Beginning of Period	309,353	3,171,563	6,999,614	(89,112)	10,391,418
Net Position at End of Period	$ **314,528**	$ **2,909,158**	$ **6,730,002**	$ **(85,474)**	$ **9,868,214**

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, 2025

	Business-Type Activities				
	Storm Sewer	Wastewater	Water	Non Major Solid Waste	Total Proprietary Funds
Cash Flows from Operating Activities:					
Receipts from Customers	$ 222,699	$ 407,622	$ 518,764	$ 184,248	$ 1,333,333
Other Receipts	-	-	400	-	400
Payments to Suppliers and Vendors	(7,513)	(72,132)	(122,409)	(164,629)	(366,683)
Payments to and on Behalf of Employees	-	(85,709)	(163,862)	(24,170)	(273,741)
Net Cash Flows Provided (Used) by Operating Activities	215,186	249,781	232,893	(4,551)	693,309
Cash Flows From Noncapital Financing Activities:					
General Property Taxes	10,211	189,781	177,705	-	377,697
Special Assessments	35,671	86,662	84,876	-	207,209
Rental Income	-	-	10,537	-	10,537
State Grant Proceeds		11,152	14,432		25,584
Cash Received from (paid on) Advances to Other Funds	-		-	2,623	2,623
Cash Received from (paid on) Advances from Other Funds	-	(3,305)	-	-	(3,305)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	45,882	284,290	287,550	2,623	620,345
Cash Flows from Capital and Related Financing Activities:					
Bond Proceeds / (Costs)	(3,367)	897	982	-	(1,488)
Cash paid to General fund for land acquisition	-	-	26,026		26,026
Cash Paid for Principal on Debt	(215,000)	(450,000)	(356,000)	-	(1,021,000)
Cash Paid for Interest on Debt	(79,626)	(105,985)	(78,382)	-	(263,993)
Net Cash Flows from Capital and Related Financing Activities	(297,993)	(555,088)	(407,374)	-	(1,260,455)
Cash Flows From Investing Activities:					
Interest Earned on Investments	11,954	47,616	49,775	99	109,444
Purchase of Investments	-	(39)	(25)	(13)	(77)
Net Cash Flows from Investing Activities	11,954	47,577	49,750	86	109,367
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (24,971)**	**$ 26,560**	**$ 162,819**	**$ (1,842)**	**$ 162,566**
Cash and Cash Equivalents and Restricted Cash- Beginning of Year	158,641	375,348	1,716,469	7,455	2,257,913
Cash and Cash Equivalents and Restricted Cash - End of Year	**$ 133,670**	**$ 401,908**	**$ 1,879,288**	**$ 5,613**	**$ 2,420,479**

RECONCILIATION OF CASH EQUIVALENTS AND RESTRICTED CASH TO THE STATEMENT OF NET POSITION:

	Storm Sewer	Wastewater	Water	Non Major Solid Waste	Total Proprietary Funds
Cash and Cash Equivalents	$ 133,670	$ 313,408	$ 1,790,788	$ 5,613	$ 2,243,479
Restricted Cash	-	88,500	88,500	-	177,000
Cash and Cash Equivalents and Restricted Cash - End of Year	**$ 133,670**	**$ 401,908**	**$ 1,879,288**	**$ 5,613**	**$ 2,420,479**

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

	Storm Sewer	Wastewater	Water	Non Major Solid Waste	Total Proprietary Funds
Operating Income (Loss)	$ 60,291	$ (398,534)	$ (431,701)	$ 17,094	$ (752,850)
Other Income Related to Operations	-	-	400	-	400
Other Expense	-	-	(5,876)	(16,182)	(22,058)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and Amortization	157,147	654,333	683,869	-	1,495,349
Change in Pension Expense	-	(11,153)	(14,432)	(2,624)	(28,209)
Changes in Assets and Liabilities:					
Accounts Receivable	(2,261)	(2,628)	(5,507)	(1,566)	(11,962)
Prepaid Expense	-	3,305	3,590	-	6,895
Accounts Payable-Operating	9	8	(2,009)	(2,506)	(4,498)
Accrued Vacation	-	4,450	4,559	1,233	10,242
Net Cash Provided (Used) by Operating Activities	**$ 215,186**	**$ 249,781**	**$ 232,893**	**$ (4,551)**	**$ 693,309**

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance to Final
	Original	Final	Actual	Budget
Revenues				
General Property Taxes	$ 678,235	$ 678,235	$ 687,701	$ 9,466
Business	600	600	875	275
Liquor	2,225	2,225	2,225	--
Non-Business	120	120	370	250
Local Government Aid	807,378	807,378	827,066	19,688
Local Performance Aid & PERA Aid	--	--	40,575	40,575
State Aid - Police	23,000	23,000	13,379	(9,621)
Public Safety - Canby & Porter	60,000	60,000	47,750	(12,250)
Other Grants	53,000	53,000	22,605	(30,395)
Division of Aeronautics	609,505	609,505	468,733	(140,772)
Cemetery Lot Sales	1,500	1,500	2,800	1,300
Perpetual Care	--	--	75	75
Fire Control Income	10,250	10,250	15,000	4,750
Traffic and Ordinance Fines	3,570	3,570	317	(3,253)
Interest Income	3,406	3,406	5,361	1,955
Rents	1,800	1,800	8,955	7,155
Airport Hangar Rent	27,000	27,000	27,025	25
Airport Farm Rent	15,811	15,811	16,114	303
Airport Gas, Gravel Sales, and Fly-in	88,514	88,514	84,061	(4,453)
Cable Franchise Fee	52,000	52,000	49,719	(2,281)
Insurance Refunds & Reimbursements	20,000	20,000	8,281	(11,719)
Pop Machine	7,450	7,450	10,268	2,818
Donations	112,000	112,000	108,587	(3,413)
Other Miscellaneous Revenue	88,000	88,000	123,564	35,564
Total Revenues	2,665,364	2,665,364	2,571,406	(93,958)
Other Financing Sources				
Sale of Assets	--	--	12,100	12,100
Total Revenues and Other Financing Sources	2,665,364	2,665,364	2,583,506	(81,858)

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

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund(Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance to Final
	Original	**Final**	**Actual**	**Budget**
Expenditures				
GENERAL GOVERNMENT				
Mayor and Council:				
Salaries	7,200	7,200	6,950	250
Payroll Taxes & Benefits	1,051	1,051	986	65
Travel and Conference	350	350	--	350
Subscriptions and Memberships	250	250	235	15
General Insurance	145,000	145,000	100,288	44,712
Election	1,200	1,200	129	1,071
Total Mayor and Council	155,051	155,051	108,588	46,463
Administration:				
Salaries	146,000	146,000	141,889	4,111
Payroll Tax & Benefits	22,119	22,119	20,608	1,511
Insurance	30,799	30,799	30,835	(36)
Office Supplies	9,700	9,700	12,080	(2,380)
Maintenance and Repairs	500	500	142	358
Communications	9,000	9,000	4,459	4,541
Travel, Conference and Schools	3,000	3,000	2,812	188
Printing and Publishing	2,500	2,500	1,974	526
Contractual Services	6,000	6,000	3,582	2,418
Miscellaneous	3,000	3,000	3,932	(932)
Equipment and Improvements	20,000	20,000	--	20,000
Assessor	17,265	17,265	12,915	4,350
Accounting and Legal	33,500	33,500	25,743	7,757
Planning and Zoning	20,000	20,000	27,505	(7,505)
Total Administration	323,383	323,383	288,476	34,907
Municipal Building:				
Maintenance and Repair	4,000	4,000	11,283	(7,283)
Supplies	1,725	1,725	1,110	615
Utilities	19,000	19,000	12,154	6,846
Contractual Services	7,200	7,200	7,655	(455)
Miscellaneous	28	28	28	--
Equipment and Improvements	30,000	30,000	8,268	21,732
Public Restroom Service	850	850	--	850
Printing and Publishing	10,000	10,000	5,175	4,825
Utilities	3,000	3,000	2,816	184
Christmas Decorations Utilities	400	400	180	220
Total Municipal Building	76,203	76,203	48,669	27,534

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund(Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance to Final
	Original	**Final**	**Actual**	**Budget**
PUBLIC SAFETY				
Police:				
Wages	205,950	205,950	133,747	72,203
Payroll Taxes/PERA	39,439	39,439	24,599	14,840
Insurance	32,400	32,400	22,457	9,943
Office/General Supplies	13,000	13,000	25,865	(12,865)
Motor Fuel and Lubes	7,000	7,000	3,467	3,533
Maintenance and Repair	4,000	4,000	4,875	(875)
Communications	5,000	5,000	3,690	1,310
Travel, Conference, and Schools	2,500	2,500	2,259	241
Subscription and Memberships	1,500	1,500	1,050	450
Contractual Services	14,000	14,000	7,290	6,710
Professional Services	23,000	23,000	21,174	1,826
Equipment and Improvements	--	--	23,053	(23,053)
Total Police	347,789	347,789	273,526	74,263
Fire:				
Wages	19,000	19,000	29,790	(10,790)
Payroll Taxes/PERA	1,454	1,454	2,279	(825)
Interest	13,484	13,484	13,595	(111)
Principal	34,754	34,754	34,754	--
Supplies	5,000	5,000	29,521	(24,521)
Motor Fuel and Lubes	4,000	4,000	3,024	976
Maintenance and Repair	12,000	12,000	11,835	165
Communications	800	800	935	(135)
Travel, Conference and Schools	500	500	280	220
Utilities	7,500	7,500	5,724	1,776
Contracted Services	4,200	4,200	979	3,221
Miscellaneous	30,700	30,700	40,931	(10,231)
Equipment and Improvements	--	--	114,414	(114,414)
Total Fire	133,392	133,392	288,061	(154,669)
Civil Defense:				
Utilities	700	700	604	96
Supplies	--	--	149	(149)
Supplies	1,000	1,000	--	1,000
Total Civil Defense	1,700	1,700	753	947
PUBLIC WORKS				
Streets:				
Wages	125,000	125,000	121,820	3,180
Payroll Taxes/PERA	18,938	18,938	17,215	1,723
Insurance	35,301	35,301	38,147	(2,846)
Motor Fuel and Lubes	15,000	15,000	8,638	6,362
Maintenance and Repair	160,000	160,000	154,565	5,435
Travel, Conferences and Schools	8,300	8,300	12,129	(3,829)

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund(Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance to Final
	Original	Final	Actual	Budget
Public Works Continued				
Utilities	700	700	405	295
Supplies	8,000	8,000	4,679	3,321
Capital Expenditures	55,000	55,000	28,952	26,048
Miscellaneous	500	500	160	340
Snow Removal	1,500	1,500	--	1,500
Total Streets	428,239	428,239	386,710	41,529
City Garage				
Utilities	8,000	8,000	5,555	2,445
Maintenance and Repair	1,500	1,500	6,140	(4,640)
Supplies	3,500	3,500	2,460	1,040
Miscellaneous	28	28	28	--
Dues and Licenses	10	10	10	--
Street Lighting	35,000	35,000	27,466	7,534
Total City Garage	48,038	48,038	41,659	6,379
Library:				
Communications	2,100	2,100	3,188	(1,088)
Contracted Services	80,813	80,813	80,813	--
Total Library	82,913	82,913	84,001	(1,088)
Recreation Council:				
Wages	48,000	48,000	56,168	(8,168)
Payroll Taxes	3,672	3,672	4,297	(625)
Utilities	1,700	1,700	1,569	131
Total Recreation Council	53,372	53,372	62,034	(8,662)
Parks:				
Salaries and Wages	28,772	28,772	35,845	(7,073)
Payroll Taxes/PERA	3,926	3,926	4,023	(97)
Insurance	5,708	5,708	5,708	--
Motor Fuels & Lubes	5,000	5,000	4,275	725
Maintenance and Repair Building	7,000	7,000	13,408	(6,408)
Utilities	3,300	3,300	2,603	697
Supplies	12,000	12,000	8,693	3,307
Contracted Services	800	800	187	613
Subscriptions and Memberships	250	250	262	(12)
Equipment Purchase	166,230	166,230	170,534	(4,304)
Miscellaneous	100	100	84	16
Total Parks	233,086	233,086	245,622	(12,536)

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund(Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance to Final
	Original	Final	Actual	Budget
Swimming Pool:				
Communication	800	800	498	302
Utilities	10,000	10,000	6,855	3,145
Maintenance and Repair Equipment	1,000	1,000	584	416
Maintenance and Repair Building	1,500	1,500	125	1,375
Supplies	11,100	11,100	14,395	(3,295)
Miscellaneous	835	835	700	135
Communications	1,900	1,900	1,974	(74)
Total Swimming Pool	27,135	27,135	25,131	2,004
Theatre:				
Utilities	11,000	11,000	9,382	1,618
Supplies	1,000	1,000	209	791
Contracted Services	15,000	15,000	1,274	13,726
Maintenance and Repairs	1,000	1,000	1,924	(924)
Miscellaneous	2,700	2,700	2,202	498
Motor Fuels and Lubes	2,150	2,150	2,589	(439)
Maintenance and Repairs	16,000	16,000	5,784	10,216
Communications	3,200	3,200	2,953	247
Utilities	13,000	13,000	11,343	1,657
Supplies	3,000	3,000	2,060	940
License and Taxes	7,265	7,265	6,637	628
Total Theatre	75,315	75,315	46,357	28,958
Airport:				
Wages	12,955	12,955	12,955	--
Merchandise for Resale	55,000	55,000	67,725	(12,725)
Contracted Services	12,046	12,046	45,233	(33,187)
Miscellaneous	1,350	1,350	722	628
Expansion Project	--	--	85,188	(85,188)
Equipment and Improvements	580,000	580,000	297,588	282,412
Total Airport	661,351	661,351	509,411	151,940
Cemetery:				
Wages	27,000	27,000	26,969	31
Payroll Taxes/PERA	2,800	2,800	2,719	81
Utilities	200	200	221	(21)
Maintenance and Repair	300	300	--	300
Supplies	700	700	325	375
Insurance	3,230	3,230	3,155	75
Miscellaneous	35	35	28	7
Total Cemetery	34,265	34,265	33,417	848

City of Canby
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund(Continued)
For the Year Ended December 31, 2025

	Budgeted Amounts			Variance to Final
	Original	**Final**	**Actual**	**Budget**
Other Miscellaneous:				
Canby Area Business Service	13,694	13,694	10,526	3,168
Insect and Pest Control	9,300	9,300	7,451	1,849
Miscellaneous	10,460	10,460	16,127	(5,667)
Capital Outlay	40,000	40,000	8,975	31,025
Total Other Miscellaneous				
Total Expenditures	2,754,686	2,754,686	2,485,494	269,192
Other Financing Uses				
Transfers to other funds	--	--	63,036	(63,036)
Total Expenditures and Other Financing Uses	2,754,686	2,754,686	2,548,530	206,156
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(89,322)	(89,322)	34,976	124,298
Net Change in Fund Balance	**(89,322)**	**(89,322)**	**34,976**	**124,298**
Fund Balance at Beginning of Period	1,144,304	1,144,304	1,144,304	--
Fund Balance at End of Period	$ **1,054,982**	$ **1,054,982**	$ **1,179,280**	$ **124,298**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

These financial statements present the City (the primary government) and its 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.

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.

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:
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.

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 *2025A GO Improvement Debt fund* is one of the City's major governmental funds. It accounts for the debt proceeds and the capital project activities for the Lexington and Maple project

The City reports the following major proprietary funds:

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

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

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

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.

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.

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.

Prepaids

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.

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.

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, 2025-December 31, 2027)

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.

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:

Years of Service	Payment - % of Unused Sick Leave
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, 2025- December 31, 2027)

Vacation leave
Employees shall earn vacation based on the following schedule:

Years of Service	Monthly	Maximum
0-5 years	6.67 hours	10 days
6-10 years	10.00 hours	15 days
11-15 years	13.33 hours	20 days
16 or more years	16.67 hours	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.

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, 2025-December 31, 2027)

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 %

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, 2025, the unassigned fund balance of the General Fund was 24% of the subsequent year's budgeted expenditures.

Net Position Classifications

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

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

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, 2025, due from other governments totaled $466,895. This amount includes federal and state dollars.

E. USE OF ESTIMATES

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

F. PENSIONS

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgets

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

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

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

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

Encumbrances

The City does not utilize encumbrance accounting.

B. FUND BALANCE CLASSIFICATION

At December 31, 2025, a summary of the governmental fund balance classifications are as follows:

	General Fund	GOIB of 2025A	Non Major Govt Funds	Total
Nonspendable:				
Prepaid	38,600			38,600
Inventory	9,757			9,757
Advances	134,186			134,186
Restricted:				
Debt Service			1,481,528	1,481,528
Humane Society	10,098			10,098
Public Safety	266,746			266,746
Assigned			93,289	93,289
Unassigned:	719,892	(93,461)	(114,876)	511,555
Total Fund Balances	1,179,280	(93,461)	1,459,941	2,545,760

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, 2025:

GOIB of 2025A	93,461
GO Tax Increment Bonds - 1997	4,326
TIF 1-6	3,980
TIF 1-18	9,465
TIF 1-28	11,934
TIF 1-29	8,603
TIF 1-31	3,089
TIF 1-32	48,840
Parking Lot Bond	24,639

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.

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 $4,171,485 at December 31, 2025, 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, 2025 was $4,024,516.

Investment Policy

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

a.) Direct obligations guaranteed by the United States or its agencies;

b.) Shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; General obligations of the State of Minnesota or its municipalities

c.) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System

d.) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

e.) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

f.) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

g.) Guaranteed investment contract (GIC's) issued or guaranteed by United States Commercial Banks or domestic branches of foreign banks or United State insurance company and with a credit quality in one of the top two highest categories.

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

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

As of December 31, 2025, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity (Years)
4M Fund	$1,863	*

*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, 2025, 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, 2025, 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, 2025, the minimum deposit for Water and Sewer was $88,500 each.

Starting in 2021, the USDA requested a restricted account for equipment maintenance and replacement. At December 31, 2025 this balance is $10,588 in the general fund.

A reconciliation of cash and investments as shown on the Statement of Net Position as of December 31, 2025:

Checking	$ 1,491,885
Savings and Money Market	2,343,179
Restricted Cash	187,588
Investments	1,863
Total	$ 4,024,516
Deposits	$ 4,022,653
Investments	1,863
Total	$ 4,024,516

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, 2025 is $73,636 for taxes and special assessments and $49,812 for notes receivable.

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.

The following is a summary of notes receivable transactions for the year ended December 31, 2025:

	Balance 1-1-2025	Amount Advanced	Payments Received	Balance 12-31-2025
EDA Loans	$ 65,409	$	$ 15,599	$ 49,810
Canby HRA Note	215,965		18,249	197,709
Canby HRA Note	360,921		26,012	334,908
Canby HRA Note	163,000		13,000	150,000
Canby HRA Note	87,944		5,863	82,082
	$ 893,238	$	$ 78,742	$ 814,507

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.

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

Governmental Activities:	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025
Capital Assets Not Being Depreciated				
Land	1,043,248			1,043,248
Construction in Progress	-		0	-
Total Capital Assets Not Being Depreciated	1,043,248	-	-	1,043,248
Capital Assets Being Depreciated:				
Buildings	3,279,921			3,279,921
Improvements Other Than Buildings	7,608,601	400,654		8,009,255
Infrastructure	1,372,803	612,031		1,984,834
Machinery & Equipment	3,498,581	228,942	10,712	3,716,811
Total Capital Assets Being Depreciated	15,759,906	1,241,627	10,712	16,990,821
Less Accumulated Depreciation for:				
Buildings	2,508,119	37,011		2,545,130
Improvements Other Than Buildings	2,665,863	344,128		3,009,991
Infrastructure	1,350,982	62,242		1,413,224
Machinery & Equipment	1,805,096	269,500	2,500	2,072,096
Total Accumulated Depreciation	8,330,060	712,881	2,500	9,040,441
Total Capital Assets Being Depreciated, Net	7,429,846	528,746	8,212	7,950,380
Total Capital Assets	8,473,094	528,746	8,212	8,993,626

Business-Type Activities:	Balance 1/1/2025	Additions	Deletions	Balance 12/31/2025
Capital Assets Not Being Depreciated:				
Land	126,295			126,295
Construction in Progress				
Total Capital Assets Not Being Depreciated	126,295	-	-	126,295
Capital Assets Being Depreciated:				
Projects	32,782,412			32,782,412
Buildings	2,124,484			2,124,484
Improvements other than Buildings	1,223,193			1,223,193
Equipment	3,174,806			3,174,806
Total Capital Assets Being Depreciated	39,304,895	-	-	39,304,895
Less Accumulated Depreciation for:				
Projects	9,998,100	1,340,522		11,338,622
Buildings	2,600,430	50,471		2,650,901
Improvements other than Buildings	1,076,396	21,130		1,097,526
Equipment	1,925,072	83,226		2,008,298
Total Accumulated Depreciation	15,599,998	1,495,349	-	17,095,347
Total Capital Assets Being Depreciated, Net	23,704,897	(1,495,349)	-	22,209,548
Business-Type Activity Capital Assets, Net	23,831,192	(1,495,349)	-	22,335,843

Depreciation Expense was charged to functions/programs as follows:

Governmental Activities		
General Government	$	3,919
Public Safety		125,769
Public Works		140,146
Culture & Recreation		67,995
Miscellaneous		375,054
Total Depreciation Expense Governmental Activities	$	712,884
Business-Type Activities:		
Water	$	683,869
Wastewater		654,333
Storm Sewer		157,147
Total Depreciation Expense Business-Type Activities	$	1,495,349

E. ACCOUNTS AND RETAINAGE PAYABLES

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

F. LONG-TERM DEBT

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

	Original Issuance	Maturity Date	Interest Rate	Balance 1-1-25	Issuances/ Additions	Payments/ Reductions	Balance 12-31-25	Amounts Due in One Year
Governmental Activities								
Bonds Payable:								
2011 GO Parking Lot Bond	265,000	7/2023	3.00%	135,000		15,000	120,000	15,000
GO TIF Bond 2014C	600,000	11/2035	3.25%	355,000		30,000	325,000	30,000
2012A GO Tax Increment Bond	750,000	9/2034	3-5%	430,000		35,000	395,000	40,000
2012B GO Tax Increment Bond	335,000	12/2038	5.750%	165,000		15,000	150,000	15,000
2015B Tax Abatement Bond	695,000	12/2036	2.100%	510,000		35,000	475,000	35,000
2015A GO Tax Increment Bond	1,630,000	12/2036	2.500%	1,110,000		80,000	1,030,000	80,000
2019 GO Tax Increment Bond	985,000	12/2039	3-3.25%	750,000		50,000	700,000	50,000
2022A GO Tax Increment Bond	200,000	1/2022	3-3.25%	180,000		10,000	170,000	10,000
2025A GO Improvement Bond	500,000	3/2025	4.000%		500,000		500,000	20,000
Notes Payable:								
2011 GO Fire Truck	130,000	7/2026	4.125%	21,860		10,879	10,981	10,981
2021 USDA Truck Loan	150,000	8/2036	2.250%	123,965		9,155	114,810	9,282
USDA	284,000	6/2039	3.500%	284,000		14,720	269,280	15,235
Other Long-Term Liabilities:								
Compensated Absences *				59,330	12,051		71,381	0
Total Long Term Liabilities Governmental Activities				4,124,155	512,051	304,754	4,331,452	330,498
Business-Type Activities								
Bonds Payable:								
2014D GO Bond - Storm Sewer	1,630,000	2/2035	3.30%	1,000,000		85,000	915,000	85,000
2018A GO Revenue Bond-Storm Sewer	1,370,000	8/2018	3.62%	1,130,000		60,000	1,070,000	65,000
2020A GO Storm Sewer Revenue Refund Bonds	805,000	3/2020	2.50%	540,000		70,000	470,000	70,000
Loans Payable:								
2010 Drinking Water Revolving - Water	3,970,711	8/2039	1.088%	2,253,000		139,000	2,114,000	141,000
2014 Drinking Water Revolving - Water	2,667,171	8/2044	1.00%	1,914,000		87,000	1,827,000	88,000
2010 Clean Water Revolving - Wastewater	4,860,517	8/2039	1.349%	2,800,000		170,000	2,630,000	172,000
2014 Clean Water Revolving - Wastewater	4,266,964	8/2044	1.00%	3,065,000		139,000	2,926,000	141,000
2018 Drinking Water-B Water	36,718	8/2048	1.00%	28,000		2,000	26,000	2,000
2018 Drinking Water-C Water	3,357,834	8/2048	1.00%	3,445,000		128,000	3,317,000	129,000
2018 Clean Water-Wastewater	3,571,489	8/2048	1.00%	3,756,278	722	141,000	3,616,000	142,000
Other Long-Term Liabilities:								
Compensated Absences *				47,881	10,242		58,123	0
Total Long-Term Liabilities Business-Type Activities				19,979,159	10,964	1,021,000	18,969,123	1,035,000

* the changes in compensated absences is presented as a net change

<u>General Obligation Bonds</u>

In 2025 the city issued a taxable improvement bond. 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.

<u>General Tax Increment Bonds</u>

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.

<u>Notes Payable</u>

In 2011, 2021 and 2024 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, 2025 were $21,860, $123,965 and $284,000.

<u>General Obligation Revenue and Revenue Refunding Bonds</u>

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.

<u>GO Storm Sewer Revenue Refunding Bonds, Series 2020A</u>

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%

<u>Minnesota Public Facilities Authority Loans</u>

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

<u>Annual Debt Service Requirements</u>

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2025, excluding compensated absences over the life of the debt, are summarized as follows:

	Governmental-Type Activities					
	GO Bonds		GO Tax Increment Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	70,000	43,313	225,000	120,938	24,517	12,037
2027	70,000	40,788	225,000	111,375	25,262	11,292
2028	75,000	38,188	225,000	101,513	26,029	10,525
2029	75,000	35,313	235,000	91,400	26,821	9,733
2030	80,000	32,125	240,000	80,937	27,638	8,916
2030-2034	400,000	109,775	1,245,000	231,842	151,379	31,391
2035-2039	175,000	48,938	360,000	27,761	102,522	8,330
2040-2044	150,000	17,250	15,000	525	-	-
Totals	$1,095,000	$365,688	$2,770,000	$766,291	$384,169	$92,223

	Business-Type Activities			
	GO Water Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
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	170,000	24,645	910,000	178,618
2030	180,000	20,081	925,000	167,108
2030-2034	550,000	42,643	4,789,000	654,931
2035-2039	-	-	4,588,000	339,582
2040-2044	-	-	2,683,000	125,660
2045-2049	-	-	966,000	20,120
2050-2054	-	-	-	-
Totals	$ 1,385,000	$ 190,569	$ 17,526,000	$ 2,089,769

G. INTERFUND TRANSACTIONS

Interfund Transfers

There were transfers approved to cover deficit cash in the new GOIB 2025A fund for the year ended December 31, 2025:

Transfer from general to GOIB 2025A fund : $ 63,036

Interfund Balances

At December 31, 2025, the following interfund balances were owed between funds and not expected to be fully repaid within one year:

	Advances to:						
Advances from:	General Fund	Non Major Government Funds	Total Govt	Water	Non Major Business-type	Total Business-type	Government Wide
General			-	332,384		332,384	332,384
GOIB 2025A	66,857		66,857				66,857
Non Major Govt	45,752	116,952	162,704				162,704
Business Type:							
Water	4,472		4,472				4,472
Wastewater	4,563		4,563				4,563
Non Major Bus Type	12,542		12,542		102,771	102,771	115,314
Total Govt Wide	134,186	116,952	251,138	332,384	102,771	435,155	686,293

Advances To	Advances From	Amount	Purpose
Water Fund	General Fund	$4,472	To cover operating
Wastewater Fund	General Fund	4,563	To cover operating
Solid Waste	General Fund	12,542	To cover deficit cash
TIF 1-29	General Fund	8,009	To cover TIF expense
TIF 1-24	General Fund	7,000	To cover TIF expense
Parking Lot	General Fund	30,743	To cover deficit cash
GOIB 2025A	General Fund	66,857	To cover debt service
GO Tax Inc 1997	TIF 1-4	4,326	To cover debt service
GOIB 2012B	TIF 1-4	19,212	To cover Bond payment
TIF 1-6	TIF 1-25	3,980	To cover TIF expense
TIF 1-18	TIF 1-25	9,465	To cover deficit cash
TIF 1-28	TIF 1-25	11,934	To cover deficit cash
TIF 1-31	TIF 1-25	4,243	To cover deficit cash
TIF 1-32	TIF 1-25	48,840	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	4,253	To cover debt service
General	Water	354,820	To cover cap purchase
Solid Waste	Wastewater	102,772	To cover deficit cash
Total Inter-fund Balances		$686,293	

NOTE 4. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

The City of Canby participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Fund Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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 the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

<u>General Employees Plan Benefits</u>

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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. 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 prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. 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 prorated increase.

C CONTRIBUTIONS

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employee fund for the years ended December 31, 2025, 2024 and 2023 were $37,592, $32,451 and $32,843, 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 Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City of Canby was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, 2024 and 2023 were $20,267, $11,334 and $10,236. 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, 2025, the City of Canby reported a liability of $171,041 for its proportionate share of the General Employees Fund's net pension liability. The City of Canby'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 a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $4,126.

Entity's proportionate share of the net pension liability	$ 171,041
State of Minnesota's proportionate share of the net pension liability associated with the City	4,126
Total	$ 175,167

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was .0052% at the end of the measurement period and .0049% for the beginning of the period. For the year ended December 31, 2025, the City recognized pension expense of ($6,424) for its proportionate share of General Employees Plan's pension expense. In addition, the City recognized an additional $633 grant revenue for its proportionate share to of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2025, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 16,296	$ -
Changes in Actuarial Assumptions	4,121	39,356
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	68,059
Changes in Proportion	13,234	31,119
Contributions Subsequent to the Measurement Date	19,213	-
Totals	$ 52,864	$138,534

$19,213 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, 2026. 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
2026	($31,011)
2027	($42,681)
2028	($19,032)
2029	($12,158)

Police and Fire Pension Costs

At December 31, 2025, the City reported a liability of $50,752 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025 relative to the total employer contributions received from all of PERA's participating employers. The City's proportion share was 0.0043% at the end of the measurement period and 0.0058% for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by $17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The $9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $1,759.

Entity's proportionate share of the net pension liability	$ 50,752
State of Minnesota's proportionate share of the net pension liability associated with the City	1,759
Total	$ 52,511

For the year ended December 31, 2025, the City recognized pension expense of $12,504 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized $851 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of $9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized $633 for the year ended December 31, 2025 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.

At December 31, 2025, the City reported 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	$ 23,449	$ -
Changes in Actuarial Assumptions	38,486	63,590
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	22,651
Changes in Proportion	1,535	95,182
Contributions Subsequent to the Measurement Date	15,723	-
Totals	$ 79,193	$ 181,423

$15,723 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, 2026. 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
2026	($12,852)
2027	($37,556)
2028	($51,009)
2029	($13,510)
2030	($3,027)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

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%	0.75%
	100%	

F. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan, 1% for the Police & Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service. In the Correctional Plan, salary growth assumptions range in annual increment from 8% after one year of service to 3% after 19 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund
Changes in Actuarial Assumptions:
- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.

- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

G. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2025 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, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. 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.

H. 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

	General Employees Fund		Police and Fire Fund	
1.0% Lower	6.00%	$415,431	4.40%	$132,982
Current Discount Rate	7.00%	$171,041	5.40%	$50,752
1.0% Higher	8.00%	($27,215)	6.40%	($16,771)

I. 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, 2025, the plan covered 23 active firefighters and 11 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 $29,795 in fire state aid to the plan for the year ended December 31, 2024. 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, 2024 was $0. The City's contributions were equal to the required contributions as set by state statute, if applicable.

D. PENSION COSTS

At December 31, 2025, the City of Canby reported a net pension asset of $335,063 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2024. 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a-b)
Beginning Balance 12/31/24	$ 531,552	$ 807,620	$ (276,068)
Changes for the Year			
Service Cost	24,740	-	24,740
Interest on Pension Liability	33,377	-	33,377
Projected Investment Earnings		49,433	(49,433)
Actuarial Experience (Gains)/Losses	(576)	-	(576)
Changes in Benefit Level	-	-	-
Contributions (ER/State)	-	35,494	(35,494)
Asset Gain/Loss	-	34,579	(34,579)
Benefit Payouts	-	-	-
PERA Administrative Fee	-	(2,970)	2,970
Net Changes	57,541	116,536	(58,995
Balance End of Year 12/31/25	$ 589,093	$ 924,156	$ (335,063)

There were no provision changes during the measurement period.

For the year ended December 31, 2025, the City of Canby recognized pension expense of $900. At December 31, 2025, 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	$ 72,327	$ 70,333
Difference Between Projected and Actual Investment Earnings	1,375	23,803
Total	$ 73,702	$ 94,137

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
2025	$3,642
2026	7,894
2027	(20,693)
2028	(8,346)
2029	(1,430)
2030	(1,430)
2031	(72)

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total pension liability at December 31, 2024, 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	($309,455)	($335,063)	($359,727)

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 2025 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2025, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained 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, 2025, 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.

C. LEASE AGREEMENT

The City of Canby entered into a lease agreement with a Tenant. 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 a Tenant. 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 2025.

The City of Canby receives land rent from several different tenants, $7,155, $6,371 and $9,743 was received in 2025.

D. TAX ABATEMENTS

On November 6, 2024 the City of Canby approved a property tax abatement with the Canby Sportsman Club to help finance the construction and installation of certain improvements. The abatement shall be for up to a 15 year period for years 2026-2041. The City will abate the City's share of the property tax amount which will not exceed $137,373, In any year, the total amount of property taxes abated by the City by this and other resolutions, if any does not exceed the greater of 10% of the net tax capacity of the City or $200,000.

E. FEDERAL AIDS – SINGLE AUDIT ACT

The City did not expend more than $1,000,000 of federal financial assistance and a Single Audit under Uniform Guidance is not required.

G. SUBSEQUENT EVENTS

Subsequent events were evaluated through June 9, 2026, which is the date the financial statements were available to be issued. No significant, unusual or infrequent events or transactions have occurred after the financial statement date but before the issuance of the financial statements.

H. 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 2025, the City of Canby received $266,129 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) Decertified

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

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

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 –	3,535
Captured tax capacity –	3,335
Retained by authority –	3,335
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-

<u>Tax Increment Financing District No. 1-41 County (TIF 1-26)</u>

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-

<u>Tax Increment Financing District No. 1-43 County (TIF 1-27)</u>

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 –	11,766
Captured tax capacity –	8,567
Retained by authority –	8,567
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

<u>Tax Increment Financing District No. 1-46 County (TIF 1-28)</u>

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 –	3,854
Captured tax capacity –	3,045
Retained by authority –	3,045
Shared with other authorities –	-0-
Total bonds issued -	-0-
Total loans incurred -	-0-

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 –	4,550
Captured tax capacity –	4,304
Retained by authority –	4,304
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 –	6,111
Captured tax capacity –	3,690
Retained by authority –	3,690
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, 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%
June 30, 2024	0.0049%	$179,542	$4,643	$184,185	$411,025	44.81%	89.10%
June 30, 2025	0.0052%	$171,041	$6,424	$177,465	$467,450	37.96%	90.80%

**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, 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%
June 30, 2024	0.0058%	$76,957	$81,001	95.01%	90.20%
June 30, 2025	0.0043%	$50,752	$65,720	77.22%	90.20%

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

See Independent Auditor's Report.

CITY OF CANBY
SCHEDULE OF CITY'S CONTRIBUTIONS

PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
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%
December 31, 2024	$32,451	$32,451	-	$432,675	7.50%
December 31, 2025	$37,592	$37,592	(0)	$501,224	7.50%

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

PUBLIC EMPLOYEES POLICE AND FIRE EMPLOYEES RETIREMENT FUND

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
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	$28,674	$28,674	-	$177,001	16.20%
December 31, 2023	$10,236	$10,236	-	$63,170	16.20%
December 31, 2024	$11,334	$11,334	-	$69,966	16.20%
December 31, 2025	$20,267	$20,267	(0)	$125,102	16.20%

**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	2024	2023	2022	2021	2020	2019
Service Cost	24,740	24,936	24,936	26,326	26,822	22,857
Interest	33,377	33,023	34,208	30,898	25,986	26,250
Difference between expected and actual experience	(576)	(10,862)	(37,882)	6,876	(13,702)	(15,931)
Changes of assumptions	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	56,201	-
Benefit payments	-	(82,000)	-	(15,080)	(10,811)	(72,300)
Net change in total pension liability	57,541	(34,903)	21,262	49,020	84,496	(39,124)
Beginning of year	531,552	566,455	545,193	496,173	411,677	450,801
End of year	589,093	531,552	566,455	545,193	496,173	411,677
Plan Fiduciary Net Position						
Contributions - State and local	35,494	28,214	26,840	26,751	26,139	24,196
Contributions - donations and other income	-	-	-	-	-	-
Asset Transfer	-	-	-	-	-	-
Projected Investment Earnings	-	-	-	-	-	-
Net investment income	84,012	105,479	(129,257)	74,584	97,987	109,259
Benefit payments	-	(82,000)	-	(15,080)	(10,811)	(72,300)
Administrative expense	(2,970)		(960)	(974)	(1,060)	(1,058)
Other			(53)	-	-	-
Net change in plan fiduciary net position	116,536	51,693	(103,430)	85,281	112,255	60,097
Beginning of year	807,620	755,927	859,357	774,076	661,820	601,723
End of year	924,156	807,620	755,927	859,357	774,075	661,820
Net Pension Liability (Asset)	(335,063)	(276,068)	(189,472)	(314,164)	(277,902)	(250,143)
Plan Fidicuiary Net Position as Percentage of the Total Pension Liability	156.9%	151.9%	133.4%	158%	156.0%	160.8%
Covered Employee Payroll	N/A	N/A	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	N/A	N/A

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

CITY OF CANBY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
AND NON-EMPLOYER CONTRIBUTING
ENTITIES - FIRE RELIEF ASSOCIATION

Employer	2024	2023	2022	2021	2020
Statutorily determined contribution	$ -	$ -	$ -	$ -	$ -
Contribution made	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Non-employer					
2% aid	$ 29,795	$ 26,593	$ 26,841	$ 26,751	$ 26,139

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

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions

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.
- 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.

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Police and Fire Fund

2025 Changes

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024 Changes

Changes in Plan Provisions:

- The State contribution of $9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional $9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets

basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

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.

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, 2025

	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- Decertified
ASSETS								
Cash and Cash Equivalents	$ 93,289	$ 21,566	$ 10,058	$ 6,104	$ --	$ 200,556	$ --	$ --
Taxes Receivable	--	--	--	--	--	--	--	--
Delinquent Taxes Receivable	--	--	--	--	--	--	--	--
Due from Component Unit- Current	--	--	15,000	--	--	--	--	--
Notes Receivable Current	11,117	--	--	--	--	--	--	--
Special Assessments - Deferred	--	--	--	47,490	--	--	--	--
Due from Component Unit - Non Current	--	--	135,000	--	--	--	--	--
Notes Receivable - Non Current	38,695	--	--	--	--	--	--	--
Advances from other funds	--	--	--	--	--	23,538	--	--
Total Assets and Deferred Outflows of Resources	**$ 143,101**	**$ 21,566**	**$ 160,058**	**$ 53,594**	**$ --**	**$ 224,094**	**$ --**	**$ --**
LIABILITIES								
Advances to other funds	$ --	$ 7,000	$ 19,212	$ 30,743	$ 4,326	$ --	$ 3,980	$ 9,465
Total Liabilities	--	7,000	19,212	30,743	4,326	--	3,980	9,465
DEFERRED INFLOWS OF RESOURCES								
Notes Receivable	49,812							
Taxes Receivable		--	--	47,490	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	49,812	7,000	19,212	78,233	4,326	--	3,980	9,465
FUND BALANCE								
Restricted	--	14,566	140,846	--	--	224,094	--	--
Assigned	93,289	--	--	--	--	--	--	--
Unassigned	--	--	--	(24,639)	(4,326)	--	(3,980)	(9,465)
Total Fund Balance	93,289	14,566	140,846	(24,639)	(4,326)	224,094	(3,980)	(9,465)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	**$ 143,101**	**$ 21,566**	**$ 160,058**	**$ 53,594**	**$ --**	**$ 224,094**	**$ --**	**$ --**

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

City of Canby
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

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
$ 79,362	$ 307	$ 168,966	$ 574	$ 67,934	$ 90,054	$ --	$ --	$ --	$ 1,154	$ --	$ 739,924
--	--	--	--	--	1,760	--	--	--	--	--	1,760
--	--	--	--	--	1,557	--	--	--	--	--	1,557
--	18,250	--	26,012	--	--	--	--	5,863	--	--	65,125
--	--	--	--	--	--	--	--	--	--	--	11,117
--	--	--	--	--	--	--	--	--	--	--	47,490
--	179,466	--	308,896	--	--	--	--	76,219	--	--	699,581
--	--	--	--	--	--	--	--	--	--	--	38,695
89,161	--	4,253	--	--	--	--	--	--	--	--	116,952
$ 168,523	**$ 198,023**	**$ 173,219**	**$ 335,482**	**$ 67,934**	**$ 93,371**	**$ --**	**$ --**	**$ 82,082**	**$ 1,154**	**$ --**	**$ 1,722,201**
$ --	$ --	$ --	$ 10,105	$ --	$ --	$ 11,934	$ 8,603	$ 4,253	$ 4,243	$ 48,840	$ 162,704
--	--	--	10,105	--	--	11,934	8,603	4,253	4,243	48,840	162,704
											49,812
--	--	--	--	--	2,254	--	--	--	--	--	49,744
--	--	--	10,105	--	2,254	11,934	8,603	4,253	4,243	48,840	262,260
168,523	198,023	173,219	325,377	67,934	91,117	--	--	77,829	--	--	1,481,528
--	--	--	--	--	--	--	--	--	--	--	93,289
--	--	--	--	--	--	(11,934)	(8,603)	--	(3,089)	(48,840)	(114,876)
168,523	198,023	173,219	325,377	67,934	91,117	(11,934)	(8,603)	77,829	(3,089)	(48,840)	1,459,941
$ 168,523	**$ 198,023**	**$ 173,219**	**$ 335,482**	**$ 67,934**	**$ 93,371**	**$ --**	**$ --**	**$ 82,082**	**$ 1,154**	**$ --**	**$ 1,722,201**

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, 2025

	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- Decertified
Revenues								
Interest Income	$ 1,806	$ 60	$ 9,401	$ 3,051	$ --	$ --	$ --	$ --
Property Taxes	--	44,026	--	--	--	568	--	--
Special Assessments(Forfeited)	--	--	--	5,738	--	--	--	--
Miscellaneous	15,599	--	440	--	--	--	--	--
Total Revenues	17,405	44,086	9,841	8,789	--	568	--	--
Expenditures								
Economic Development	14,175	--	--	--	--	--	--	--
Miscellaneous	--	1,985	--	--	--	642	1,988	--
Debt - Principal	--	35,000	13,000	15,000	--	2,000	--	--
Interest and Other Charges	--	20,225	9,954	6,793	--	115	--	--
Total Expenditures	14,175	57,210	22,954	21,793	--	2,757	1,988	--
Excess of Revenues Over (Under) Expenditures	3,230	(13,124)	(13,113)	(13,004)	--	(2,189)	(1,988)	--
Other Financing Sources (Uses)								
Transfers from Other Funds	--	--	--	--	--	--	--	--
Transfers to Other funds	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--	--
Net Change in Fund Balance	**3,230**	**(13,124)**	**(13,113)**	**(13,004)**	**--**	**(2,189)**	**(1,988)**	**--**
Fund Balance at Beginning of Period	90,059	27,690	153,959	(11,635)	(4,326)	226,283	(1,992)	(9,465)
Fund Balance at End of Period	**$ 93,289**	**$ 14,566**	**$ 140,846**	**$ (24,639)**	**$ (4,326)**	**$ 224,094**	**$ (3,980)**	**$ (9,465)**

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, 2025

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
$ 2	$ 10,113	$ 12	$ 17,359	$ --	$ --	$ --	$ --	$ 2,761	$ --	$ --	$ 44,565
64,691	--	71,512	--	12,738	56,180	4,528	--	--	6,399	5,487	266,129
--	--	--	--	--	--	--	--	--	--	--	5,738
--	633	--	393	--	--	--	--	125	--	--	17,190
64,693	10,746	71,524	17,752	12,738	56,180	4,528	--	2,886	6,399	5,487	333,622
--	--	--	--	--	--	--	--	--	--	--	14,175
2,100	633	1,317	--	797	--	835	--	1,065	835	835	13,032
53,988	18,249	42,969	26,012	9,137	35,000	3,782	--	5,863	4,000	6,000	270,000
36,028	10,113	21,216	17,359	4,304	19,340	1,781	--	2,761	2,520	3,780	156,289
92,116	28,995	65,502	43,371	14,238	54,340	6,398	--	9,689	7,355	10,615	453,496
(27,423)	(18,249)	6,022	(25,619)	(1,500)	1,840	(1,870)	--	(6,803)	(956)	(5,128)	(119,874)
--	--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--	--
(27,423)	**(18,249)**	**6,022**	**(25,619)**	**(1,500)**	**1,840**	**(1,870)**	**--**	**(6,803)**	**(956)**	**(5,128)**	**(119,874)**
195,946	216,272	167,197	350,996	69,434	89,277	(10,064)	(8,603)	84,632	(2,133)	(43,712)	1,579,815
$ 168,523	**$ 198,023**	**$ 173,219**	**$ 325,377**	**$ 67,934**	**$ 91,117**	**$ (11,934)**	**$ (8,603)**	**$ 77,829**	**$ (3,089)**	**$ (48,840)**	**$ 1,459,941**

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, 2025, 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 9, 2026.

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 2025-001 and 2025-003, to be a material weakness.

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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

Government Auditing Standards requires the auditor to perform limited procedures on the 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

In connection with our audit, we noted that City of Canby failed to comply with provisions of the tax increment financing laws of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Prior and Current Findings and Responses as item 2025-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that City of Canby failed to comply with the provisions of the contracting - bid laws, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the Minnesota Legal Compliance Audit Guide for Cities, insofar as they relate to accounting matters. 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's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City of Canby's response to the findings identified in our audit is described in the Schedule of Prior and Current Findings and Responses as item 2025-002. City of Canby's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 9, 2026

CITY OF CANBY
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
DECEMBER 31, 2025

PRIOR FINDINGS

Finding 2024-001: 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 2025-001.

Finding 2024-002: A Minnesota Legal Compliance finding 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-2025-002

Finding 2024-003: A material weakness was reported due to the auditor proposing material journal entries that resulted in significant changes to the financials and preparation of the financial statements and footnotes. This finding continues to exist and has been restated as Finding 2025-003.

Finding 2024-004: A Minnesota Legal Compliance finding was reported due to lack of adequate collateral for deposits. This finding has not been restated as a finding.

2025-001: 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

2025-002: 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 2026.

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

2025-003: 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 2026 audit. Kinner & Company will provide a listing of entries that was prepared in the prior year at the end of 2026 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