



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDING

JUNE 30, 2012

City of Canby

Canby, Oregon

Comprehensive Annual Financial Report

Fiscal Year Ending

June 30, 2012

Prepared by

City of Canby, Oregon

Finance Department

CITY OF CANBY, OREGON
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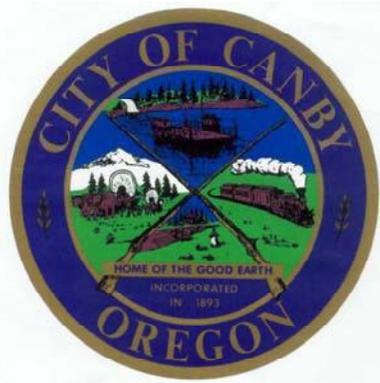
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INTRODUCTORY SECTION



City of Canby

Finance Office

133 North Second Ave

Canby, Oregon 97013

March 15, 2013

To the Honorable Mayor, City Council, and Citizens of the City of Canby, Oregon:

Letter of Transmittal

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Canby, Oregon (the City), for the fiscal year ended June 30, 2012.

For the Fiscal Year Ended June 30, 2012

This report presents the financial position of the City as of June 30, 2012 and the results of its operations and cash flows for all its fund types for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the standards as prescribed by the Secretary of State. We believe the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City. This report is published to provide the City Council, staff, citizens and other interested readers with detailed information concerning the financial position and activities of the City.

Special points of interest:

- Independent auditors, Pauly Rogers and Co, PC
- Financial Statements free of material misstatement.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss of unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles.

The City's financial statements have been audited by Pauly Rogers and Co, PC a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2012, and the results of operation and cash flow for its proprietary fund types. The independent auditor's report is presented as the first component of the financial section of this report.

The Management Discussion & Analysis (MD&A) is a narrative introduction, overview, and analysis to accompany the basic financial statements and should be read in conjunction with the transmittal letter. The basic financial statements include the government-wide financial statements that present an overview of the City's entire operations, while the fund level statements present the financial information of each of the City's major funds, as well as non-major funds.

City of Canby Profile

Canby is a complete community with residences, schools and 650 businesses. Businesses include retail, medical and other professional services, wholesale, light industrial and manufacturing. Manufacturing is 12% of total businesses. The surrounding area contains some of the richest farmland in Oregon. Local nurseries produce a wide variety of plants, bulbs and seeds.

Local development is actively promoted by the city government and an economic development department. Major annual events include the award winning Clackamas County Fair, General Canby Days and Summer Concerts in the Park. The community is located on the Willamette River and Highway 99E, just 4 miles from I-5.

The City of Canby was incorporated in 1893, operating under the provision of its own charter and applicable State of Oregon law, with a Council-Administrator form of government. The City currently has a land area of 3.9 square miles and a population of 15,830. The City Council is ultimately responsible for decisions concerning the fiscal policy of the City, and charges the City Administrator to carry out those policies in the day-to-day management of the City's resources and staff.

The City Council consists of a mayor and six councilors who are elected to serve for two-year and four-year terms respectively. All are elected at-large and the offices are non-partisan. The only requirements for serving on the Council are that the candidate be a registered voter and have lived in Canby for at least 12 months.

The mayor presides over Council meetings and frequently represents the City in a ceremonial capacity. The mayor also makes recommendations to the Council for appointments to the Canby Utility Board.

The City Council is responsible for identifying needs and problems in the community and establishing policy to meet those needs. The Council enacts city laws and changes them as needed, approves contracts, agreements and purchases in excess of \$50,000. Council members are also members of the Budget Committee and therefore, participate in annual fiscal planning and budgeting and decide what resources are available, how much will be spent, and for what purposes. The City Council, appoints the City Administrator, the City Attorney and the Municipal Judge.

The City Administrator has responsibility for all functions with the exception of Canby Utility. The City Administrator appoints or removes the following department directors: Police Chief, City Recorder, Human Resources, Library, Public Works, Transit, Planning and Finance.

In addition to the help that Council receives from the appointed staff and employees, eight standing advisory boards assist the City Council. Some 44 Canby citizens serve on these boards and make a valuable contribution to the City of Canby.

The City provides its residents and businesses with a full range of municipal services consisting of public safety, public works, planning and building, park and recreation, library, transit, and general administrative services. The City also operates a waste water treatment facility as an enterprise fund.



Fields in bloom during Canby's annual dahlia festival.

“Canby is a complete community with residences, schools and 650 businesses. Manufacturing is 12% of total businesses.”

“Some 44 Canby citizens serve on eight standing advisory boards”

Financial Foundation

The annual budget serves as the foundation for Canby's financial planning and control.

The City Management Team proposes a balanced budget which is approved by the Budget Committee, based on strategic plans and programmatic goals that directly respond to the Council's and community's goals and expectations.

The budget includes proposed expenditures and the means of financing them.

At least two public hearings are held throughout the budget process in order to obtain taxpayer comments.

The City Council formally adopts the budget and legally appropriates funds on or before the second regular Council meeting in June for the fiscal year commencing the following July 1.

The expenditure appropriations in the adopted budget are by department and category. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted.

Department appropriations may be amended as necessitated by unforeseen events during the year. Upon the recommendation of the Finance Director, and with the approval of the City Council: (1) transfers may be made from the appropriations for contingencies to departments; and (2) unexpended appropriations may be transferred from one department to another. Management control of budgets is further maintained at a line item level with the departments.

During 2011-12, there was one supplemental budget and a budget transfer resolution adopted to amend the original budget.

Strategic Financial Policies

The City of Canby, like other political subdivisions in the State of Oregon continues to face increasing financial challenges in light of voter approved property tax limitations and the on-going, natural increase in cost of service delivery. Expectations are now for very modest revenue growth.

The City has begun to benefit from a local gasoline tax and a street maintenance fee. This revenue is used to upgrade and maintain local streets.

The Budget Committee created long term financial strategies that are focused on achieving and maintaining fiscal stability.

The city's financial policies have been placed into the following major categories: expenditure control, revenue enhancement, and long-term financial health.

Pursuant to the City Council's direction, these financial policies will be reviewed on a regular basis so as to ensure they remain contemporary, meaningful and relevant.

Adopted Financial Policies:

- Efficiency measures should be utilized whenever possible to reduce costs and/or improve productivity in the organization.
- No new personnel or program will be added to the City organization without a corresponding revenue source identified and a complete analysis of the current and ongoing fiscal impact on that funding source.
- The Finance Director will be responsible for maintaining an expenditure control system to ensure strict adherence to the adopted budget.
- The City will continue efforts to expand its revenue base through new sources of revenue.
- The City will, on an annual basis, review the existing fees and charges for discretionary services.
- For cash-flow purposes, the cash balance in the General Fund at the beginning of the fiscal year should be sufficient to cover operational expenses until such time as property tax revenue is collected in November.
- The General Fund must remain intact. As a source of funding it realizes the smallest rate of growth and the largest rate of expenditures. Transfers from the General Fund are discouraged to preserve the financial health of the fund.
- Contributions to the General Fund reserves should be made whenever possible with a goal to achieve a level in reserve to sustain six months of General Fund supported City operations.
- No future capital improvements will be funded from City or Urban Renewal Agency funds unless accompanied by an analysis of all related ongoing annual maintenance and operational and associated costs and the City's capacity to fund those costs.
- The Finance Director will take steps to ensure that the City's investment policies and cash management practices will achieve maximum investment earnings potential. Funds will be invested as authorized by the Oregon Revised Statutes and investment in stocks, speculative ventures, futures or options will be avoided.
- The City's business-type activities will be self-supporting through appropriate rates and charges. Rate setting of these activities will be based on cost recovery.
- The City will maintain vehicle and equipment replacement schedules based upon recognized, industry-standards for the useful life of such assets.

Factors Affecting the City's Financial Condition

Canby's economic base consists of retail and commercial establishments, nursery production, light industrial and manufacturing businesses.



The downtown business district is home to commercial businesses, government buildings, financial institutions, medical offices, an eight-screen movie theater with adjacent public parking, and a variety of shops and restaurants. Established commercial areas have been improved with the help of funding from the Canby Urban Renewal Agency. Façade and streetscape improvements, gateway sign projects, business recruitment and retention and strategic planning for the business districts have all been funded by urban renewal.

Industrial growth has been spurred by the development of two industrial parks: Logging Road Industrial Park and Canby Pioneer Industrial Park. The development of these parks has resulted from the combined efforts of local landowners and the City of Canby, and funding from private, Canby Urban Renewal, and state sources. A new hospital, a fire station and other industrial, electronic and manufacturing businesses have located in the parks, creating local jobs. Access to industrial properties within the Canby Pioneer Industrial Park has been increased by construction of a new street that provides ready access to several industrial properties.

Residential construction was almost at a standstill because of economic conditions in Oregon and the rest of the country.

Tax Base—Due to the economic downturn in Oregon and the rest of the nation, Canby has seen its rate of growth in property tax revenues slow compared to rates before the 2008-09 recession. General fund property tax receipts for the current year were 1.2% greater than for the previous year. Property is subject to a maximum 3% increase in assessed valuation per year.

In November 2008, the voters of Clackamas County approved a county-wide library district. The City's share of revenues from the library district—in excess of \$700,000 per year beginning in 2009-2010—is nearly twice the previous contribution amount from Clackamas County. Library district proceeds replace the county contributions.

Special Tax Levy—Voters approved a five-year (2012-2017) local option levy for Swim Center operations. The levy is based on a fixed rate of \$0.49 per \$1,000 of assessed property value.

The property tax revenue from the local option levy is used to fund current Swim Center services, lifeguards, and provide for pool maintenance. The levy is based on a 5-year operating plan created by the Budget Committee, City Council and City staff.

The Swim Center is fully funded through a combination of levy dollars and user fees. Fees, which have recently been updated, pay for approximately 30% of operating costs.



The Canby Swim Center has been under the operation of the City since 1966.

Other Financial Information

Accounting System and Reporting—During the year, the City's accounting system is maintained primarily on a modified cash basis with certain accruals to provide financial controls. Appropriations are encumbered for major purchase amounts prior to the release of purchase orders to vendors. This system provides budgetary control on all operating funds at a minimum cost. At year-end, journal entries are prepared by the City's Finance Department staff as a preparatory step for completion of the annual financial report. The auditors' report on these financial statements accompanies the financial statements following this letter. The City has adopted all recent applicable Governmental Accounting Standards Board (GASB) statements in the preparation of the City's financial statements.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. It is further our intention to review these controls in depth on an ongoing basis for continued refinements and improvements.

“Business and industry are discovering the geographic and service amenities of Canby”

Debt Management



Sequoia Parkway opens 151 acres for industrial development within the city.

The City issues various types of debt for the purpose of carrying out its capital financing activities, as of June 30, 2012 the City has \$13,561,431 of outstanding bonded indebtedness.

The City also has entered into a number of other financing arrangements with the State of Oregon and other institutions for energy improvements, infrastructure development, vehicles and other projects.

The City's total debt at the close of 2012 was \$18,950,961 for all bond types, loans, capital leases and compensated absences. Urban Renewal debt is repaid from tax increment revenues collected under the urban renewal system.

The City's healthy economic base and its sound financial condition have helped maintain the "A2" bond rating from Moody's Investors Services.

Risk Management

The City is a member of City County Insurance Services (CCIS), which provides for the administration, investigation, and settlement of claims against the City. CCIS maintains an insurance pool for participating local municipalities.

The City is represented by a local independent insurance agent to help preserve the City's interests within the pool. We currently contract all insurance needs with CCIS with the exception of health insurance.

We annually review coverage and costs for all types of coverage. The City conducts various loss prevention programs to control claim expenses.

Acknowledgements

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the Finance Department.

The City's Finance Department takes great pride in the preparation of the City's Comprehensive Annual Financial Report (CAFR). We greatly appreciate the professionalism, commitment, and effort set forth by the Mayor, City Council, Budget Committee, City Administrator and the Department Directors whose leadership is vital to the health and vitality of Canby.



City Hall

Respectfully submitted,

Haley Fish

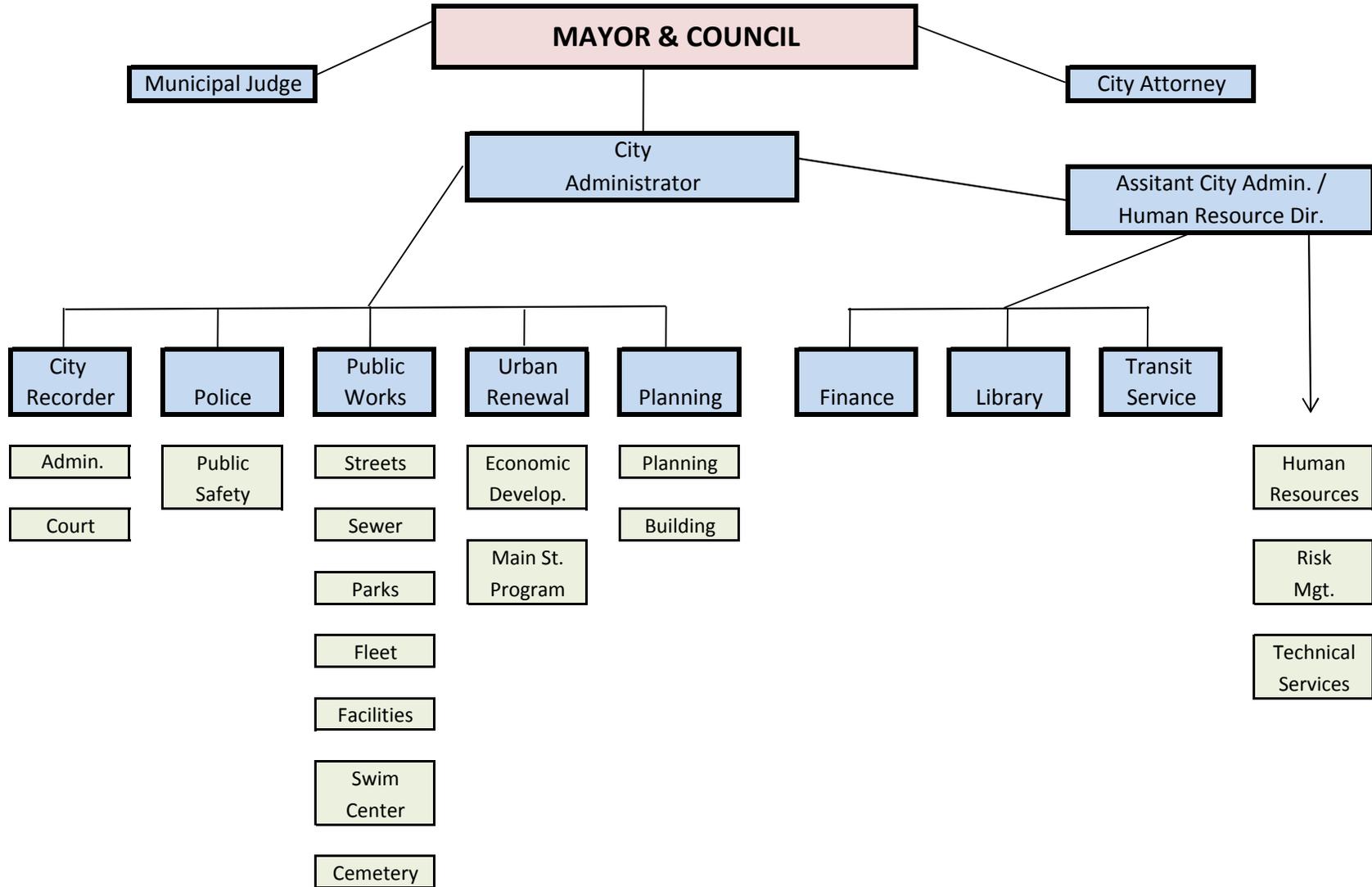
Finance Director

Greg Ellis

City Administrator

CITY OF CANBY ORGANIZATIONAL CHART

As of June 30, 2012



**CITY OF CANBY, OREGON
PRINCIPAL OFFICIALS
June 30, 2012**

City Officials

Randy Carson, Mayor
Canby, Oregon 97013

Term Expires

December 31, 2012

Council Members

Walt Daniels, President
Canby, Oregon 97013

December 31, 2012

Traci Hensley
Canby, Oregon 97013

December 31, 2012

Tim Dale
Canby, Oregon 97013

December 31, 2012

Richard Ares
Canby, Oregon 97013

December 31, 2014

Brian Hodson
Canby, Oregon 97013

December 31, 2014

Greg Parker
Canby, Oregon 97013

December 31, 2014

City Administration

Greg Ellis

City Administrator

Joseph Lindsay

City Attorney

Council members receive mail at the City's address:

City Hall
182 N. Holly Street
PO Box 930
Canby, Oregon 97013

FINANCIAL SECTION



Pauly, Rogers, and Co., P.C.
12700 SW 72nd Ave. ♦ Tigard, OR 97223
(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcocpas.com

March 15, 2013

To the City Council
City of Canby
Canby, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canby, Oregon as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. The financial statements as of June 30, 2011, were audited by other auditors whose report dated December 22, 2011 issued an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canby, Oregon as of June 30, 2012, the results of its operations and the cash flows, where applicable, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 15, 2013 on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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 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 Management's Discussion and Analysis, Notes to the Required Supplementary Information, or Schedule of Funding Progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for the 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 budgetary comparison information for all appropriated funds, the supplementary information, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.


PAULY, ROGERS AND CO., P.C

Management's Discussion & Analysis

This discussion and analysis presents the highlights of financial activities and financial position for the City of Canby, Oregon (the City) and the Canby Utility Board (CUB), a discretely presented component unit of the City, for the fiscal year ended June 30, 2012. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget. Please read this analysis in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The City's combined net assets (total assets less total liabilities) were \$110,425,446 at June 30, 2012, a decrease of \$401,324 relative to the prior year. The City's General Fund reported an ending fund balance of \$2,246,447, a decrease of \$70,162 versus the prior year.

The City issued \$9 million in full faith and credit obligations during the year in support of construction related to urban renewal projects.

Government-Wide Financial Statements

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

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

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

Both of these 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 user fees and charges (business-type activities).

The **governmental activities** of the city include seven major funds: general fund, street fund, parks development fund, transit fund, street reserve fund, urban renewal agency general fund, and urban renewal debt service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for each of these major funds. Data from the remaining governmental funds are combined into a single, aggregated

Management's Discussion & Analysis (Continued)

Government-Wide Financial Statements (Continued)

presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in the report.

The **business-type activity** of the City encompasses the sewer treatment plant.

The Canby Utility Board (CUB) is responsible for providing water and electric services to residential and commercial customers within the city limits of Canby. CUB is a legally separate entity from the City, governed by a board appointed by the Mayor of the City and confirmed by the majority of the City Council. CUB is reported as a discretely presented component unit, consistent with GASB Statement No. 61. Complete financial statements may be obtained at CUB's administrative office, 154 NW First Avenue, Canby, Oregon 97013.

The City also has one blended component unit, the Urban Renewal Agency (URA). Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The activities of the URA are reported within a capital projects fund and a debt service fund for the City. Complete financial statements for the URA for the year ended June 30, 2012, may be obtained at Canby City Hall, 182 North Holly Street, Canby, Oregon 97013.

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 the following three categories: **Governmental Funds**, **Proprietary Funds**, and **Fiduciary Funds**.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the 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 determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the 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 of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Management's Discussion & Analysis (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$10,653,048 (43% unrestricted), an increase in total fund balances of \$372,863 (4%).

The net change in the General Fund's fund balance versus the prior year was a decrease of \$70,162 (a 3% decrease).

Significant changes in the City's other major funds consisted of the following:

- Street Fund – fund balance increased by \$197,217, an increase of 41% over the prior year. The change is due to increased receipts from state gasoline tax and street maintenance fees.
- Transit Fund – fund balance increased by \$256,130 related to a \$250,000 capital interfund loan which had not been spent as of year end.
- Street Reserve Fund – fund balance decreased \$795,120 relative to the prior year, a 44% decrease due to increased spending on capital projects.
- Urban Renewal Agency – General Fund – fund balance increased \$1,163,202 over the prior year due to unspent bond proceeds.

Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers. Proprietary Funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two proprietary funds. The Sewer Combined Fund which accounts for the operations of the sewer treatment plant, debt service and funds reserved for future sewer improvements. The fund is treated as a major fund of the City. The City also maintains an internal service fund, the Facilities Fund, which accounts for maintenance of the City's buildings.

Fiduciary Funds

Fiduciary funds account for resources held for the benefit of parties outside the government. The City reports for an Agency Fund under the heading of fiduciary fund type. This fund accounts for resources received and held by the City for the City's municipal court activities. Disbursements are made in accordance with the determination of distribution by the court.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Management's Discussion & Analysis

(Continued)

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information (RSI) concerning the City. The RSI (excluding the MD&A) is presented immediately following the notes to the financial statements.

Government Wide Financial Statements

Statement of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, net assets totaled \$110,425,446 as of June 30, 2012. The table below reflects the condensed Government-Wide Statement of Net Assets.

The largest portion of the City's net assets (90%) reflects its investment of \$99,613,865 in capital assets – net of related debt (i.e. land, buildings, infrastructure, and equipment). The City uses these 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 liquidated to retire the associated debt.

Noncurrent liabilities for governmental activities nearly doubled as a result of an urban renewal related debt issued during the year. The business-type activities' (combined sewer fund) noncurrent liabilities decreased 14% as a result of paying down principal on outstanding debt.

Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total 2012</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	
Assets					
Current assets	\$ 13,378,936	\$ 11,438,872	\$ 2,983,723	\$ 1,974,308	\$ 16,362,659
Capital assets	105,009,925	98,878,552	10,309,784	10,362,340	115,319,709
Total assets	<u>118,388,861</u>	<u>110,317,424</u>	<u>13,293,507</u>	<u>12,336,648</u>	<u>131,682,368</u>
Liabilities					
Current liabilities	2,987,571	1,594,929	355,728	306,730	3,343,299
Noncurrent liabilities	16,477,206	8,252,952	1,436,417	1,672,691	17,913,623
Total liabilities	<u>19,464,777</u>	<u>9,847,881</u>	<u>1,792,145</u>	<u>1,979,421</u>	<u>21,256,922</u>
Net Assets					
Capital assets, net of related debt	90,930,273	93,081,870	8,683,592	8,532,340	99,613,865
Restricted	6,012,709	3,969,331	250,500	250,500	6,263,209
Unrestricted	1,981,102	3,418,342	2,567,270	1,574,387	4,548,372
Total net assets	<u>\$ 98,924,084</u>	<u>\$ 100,469,543</u>	<u>\$ 11,501,362</u>	<u>\$ 10,357,227</u>	<u>\$ 110,425,446</u>

Management's Discussion & Analysis

(Continued)

Government Wide Financial Statements (Continued)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total 2012
	2012	2011	2012	2011	
Revenues					
Program revenues					
Charges for services	\$ 1,786,810	\$ 2,486,418	\$ 3,230,157	\$ 2,576,118	\$ 5,016,967
Operating grants and contributions	2,456,959	576,493	-	-	2,456,959
Capital grants and contributions	534,089	285,355	-	-	534,089
General revenues					
Property taxes	6,150,855	5,968,707	-	-	6,150,855
Franchise	463,062	428,301	-	-	463,062
Unrestricted intergovernmental	2,001,883	2,924,817	-	-	2,001,883
Transit tax	946,398	849,806	-	-	946,398
Interest and investment income	110,052	71,184	11,753	9,295	121,805
Other revenues	86,428	49,858	7,720	3,587	94,148
Total revenues	14,536,536	13,640,939	3,249,630	2,589,000	17,786,166
Program Expenses					
General government	3,284,765	2,820,495	-	-	3,284,765
Public safety	4,516,634	4,168,007	-	-	4,516,634
Highways and streets	3,942,233	3,826,242	-	-	3,942,233
Transportation	1,134,285	1,304,747	-	-	1,134,285
Culture and recreation	2,108,559	1,920,450	-	-	2,108,559
Community development	644,529	657,712	-	-	644,529
Interest on long-term debt	745,573	340,041	-	-	745,573
Sewer operations	-	-	1,810,912	1,517,463	1,810,912
Total expenses	16,376,578	15,037,694	1,810,912	1,517,463	18,187,490
Change in net assets before transfers	(1,840,042)	(1,396,755)	1,438,718	1,071,537	(401,324)
Transfers in (out)	294,583	282,303	(294,583)	(282,303)	-
Change in net assets	(1,545,459)	(1,114,452)	1,144,135	789,234	(401,324)
Net assets, beginning of year	100,469,543	100,733,253	10,357,227	9,567,993	110,826,770
Prior period adjustment	-	850,742	-	-	-
Net assets, end of year	\$ 98,924,084	\$ 100,469,543	\$ 11,501,362	\$ 10,357,227	\$ 110,425,446

Business-type activities

Business-type activities provided \$1,144,135 to the sewer combined fund's net assets. At the end of the year, total net assets for the sewer combined fund were \$11,501,362. Of that amount, \$2,567,270 is unrestricted.

Governmental activities

Governmental activities decreased the City's net assets by \$1,545,459, a decrease of approximately 1.5%.

Management's Discussion & Analysis

(Continued)

Government Wide Financial Statements (Continued)

General Fund budget highlights

Original budgeted appropriations for general fund expenditures were \$7,261,187. In budget changes approved by the City Council, general fund contingency was reduced to cover increases in other functions, and an increase in overall appropriations of \$577,690.

Capital Assets

As the schedule below displays, infrastructure is the largest component of governmental activities which includes streets, street improvements, sidewalks and curbs. The largest component for business-type activities is the wastewater treatment plant and building that houses the plant. The second largest component for governmental activities is land for buildings, parks and roadways. Within business-type activities, the second largest component is for the sewer lines and associated sewer pumps. Capital assets used in governmental activities increased by more than \$6 million with increases to construction in process primarily related to the police facility project funded by full faith and credit bonds to be repaid with urban renewal tax increment revenue; and those used in business-type activities decreased by \$52,556 with depreciation exceeding additions. Additional information about the City's capital assets and depreciation can be found in the Notes to the Financial Statements (pages 30-32).

Capital Assets at Fiscal Year End Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and intangibles	\$ 41,104,287	\$ 41,104,286	\$ 1,086,777	\$ 1,086,777	\$ 42,191,064	\$ 42,191,063
Buildings and improvements	4,996,638	5,169,718	4,595,743	4,748,464	9,592,381	9,918,182
Infrastructure	48,223,657	50,480,974	1,984,087	1,947,477	50,207,744	52,428,451
Vehicles and Equipment	1,442,774	1,473,100	123,777	138,609	1,566,551	1,611,709
Construction in Process	9,242,569	650,474	2,519,400	2,441,013	11,761,969	3,091,487
Total Capital Assets	\$ 105,009,925	\$ 98,878,552	\$ 10,309,784	\$ 10,362,340	\$ 115,319,709	\$ 109,240,892

Management's Discussion & Analysis

(Continued)

Debt Administration

At year-end, the City had \$18,950,961 in long-term obligations outstanding compared to \$11,017,616 in the prior year. \$1,433,977 of the obligations outstanding at June 30, 2012, is due within one year. Additional information can be found in the Notes to the Financial Statements on pages 33-39.

Outstanding Obligations at Fiscal Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Bonds	\$ 11,935,239	\$ 3,330,831	\$ 1,626,192	\$ 1,866,616	\$ 13,561,431	\$ 5,197,447
Loans	4,736,852	5,044,592	-	-	4,736,852	5,044,592
Capital leases	184,991	312,178	-	-	184,991	312,178
Compensated absences	412,959	416,551	54,728	46,848	467,687	463,399
 Total obligations	 <u>\$17,270,041</u>	 <u>\$ 9,104,152</u>	 <u>\$ 1,680,920</u>	 <u>\$ 1,913,464</u>	 <u>\$ 18,950,961</u>	 <u>\$ 11,017,616</u>

During the fiscal year ended June 30, 2012, the following debt issuances and highlights occurred:

- \$9 million in full faith and credit obligations were issued for urban renewal projects.
- A capital lease was obtained for \$74,899 for public safety vehicles.

Under Oregon Revised Statutes, general obligation debt issues are limited to 3% of the real market value of all taxable property within the City's boundaries. The City is well within the limitation.

Economic Factors and Next Year's Budget

Oregon's seasonally adjusted unemployment rate was 7.8%. Prolonged unemployment could eventually have an impact on residents' ability to pay property taxes. It is not possible to accurately predict unemployment levels for the coming year.

The General Fund is the one fund in the City that is the narrowest in its ability to grow in terms of increased revenues (due to property tax limitations) yet it supports a wide range of critical governmental functions such as public safety, municipal court services, parks and community development. Property tax collections increased slightly over the prior year.

Requests for Information

This financial report is designed to provide our citizens, customers, creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Department at 182 North Holly Street, PO Box 930, Canby, Oregon 97013.

BASIC FINANCIAL STATEMENTS

CITY OF CANBY, OREGON
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-Type Activities	Total	Component Unit Canby Utility Board
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,607,286	\$ 2,374,344	\$ 13,981,630	\$ 3,358,748
Due from other Governments	19,135	-	19,135	-
Accounts receivable, net	1,446,106	310,948	1,757,054	1,259,757
Property taxes receivable	415,857	-	415,857	-
Deferred bond issue costs	140,552	48,431	188,983	-
Internal balances	(250,000)	250,000	-	-
Prepays	-	-	-	70,008
Materials and supplies	-	-	-	987,558
Customer deposits-cash and cash equivalents	-	-	-	193,732
Total current assets	13,378,936	2,983,723	16,362,659	5,869,803
Noncurrent assets:				
Restricted cash and investments	-	-	-	7,538,320
Capital assets:				
Nondepreciable	50,346,856	3,606,177	53,953,033	1,926,625
Depreciable, net	54,663,069	6,703,607	61,366,676	31,544,796
Total noncurrent assets	105,009,925	10,309,784	115,319,709	41,009,741
Total assets	118,388,861	13,293,507	131,682,368	46,879,544
LIABILITIES				
Current liabilities:				
Accounts payable	1,678,324	64,440	1,742,764	657,591
Accrued expenses	-	-	-	250,244
Interest payable	161,740	4,818	166,558	-
Customer deposits	-	-	-	193,732
Current portion of long-term obligations	1,147,507	286,470	1,433,977	250,000
Total current liabilities	2,987,571	355,728	3,343,299	1,351,567
Noncurrent liabilities:				
Deferred credits	-	-	-	41,384
Post employment health care benefits	354,672	41,967	396,639	-
Noncurrent portion of long-term obligations	16,122,534	1,394,450	17,516,984	4,630,000
Total noncurrent liabilities	16,477,206	1,436,417	17,913,623	4,671,384
Total liabilities	19,464,777	1,792,145	21,256,922	6,022,951
NET ASSETS				
Invested in capital assets, net of related debt	90,930,273	8,683,592	99,613,865	28,591,421
Restricted for:				
Street projects	677,298	-	677,298	-
Drug enforcement and equipment	13,587	-	13,587	-
911 services	24,452	-	24,452	-
System development	962,502	-	962,502	-
Urban renewal projects	4,165,137	-	4,165,137	-
Urban renewal debt service	169,733	-	169,733	-
Debt service	-	250,500	250,500	-
Unrestricted	1,981,102	2,567,270	4,548,372	12,265,172
Total net assets	\$ 98,924,084	\$ 11,501,362	\$ 110,425,446	\$ 40,856,593

The accompanying notes are an integral part of the basic financial statements.

CITY OF CANBY, OREGON
STATEMENT OF ACTIVITIES
June 30, 2012

Functions/Programs	Net (Expense) Revenue and Change in Net Asset						Component Unit Canby Utility Board
	Program Revenues			Business		Total	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Type Activities		
Primary government:							
Governmental activities:							
General government	\$ 3,284,765	\$ 535,139	\$ -	\$ (2,658,288)	\$ -	\$ (2,658,288)	\$ -
Public safety	4,516,634	506,205	-	(3,968,287)	-	(3,968,287)	-
Highways and streets	3,942,233	531,122	-	(1,835,868)	-	(1,835,868)	-
Transportation	1,134,285	1,005	271,537	(211,944)	-	(211,944)	-
Culture and recreation	2,108,559	213,339	-	(1,796,783)	-	(1,796,783)	-
Community development	644,529	-	262,552	(381,977)	-	(381,977)	-
Interest on long-term debt	745,573	-	-	(745,573)	-	(745,573)	-
Total governmental activities	16,376,578	1,786,810	534,089	(11,598,720)	-	(11,598,720)	-
Business type activities:							
Sewer operations	1,807,247	3,230,157	-	-	1,422,910	1,422,910	-
Total business type activities	1,807,247	3,230,157	-	-	1,422,910	1,422,910	-
Total primary government	\$ 18,183,825	\$ 5,016,967	\$ 534,089	(11,598,720)	1,422,910	(10,175,810)	-
Component Units:							
Electric system	\$ -	\$ -	\$ -	-	-	-	684,727
Water system	-	-	-	-	-	-	27,485
Total component units	\$ -	\$ -	\$ -	-	-	-	712,212
General revenues:							
Taxes:							
Property taxes				6,150,855	-	6,150,855	-
Franchise				463,062	-	463,062	-
Unrestricted intergovernmental revenues				2,001,883	-	2,001,883	-
Transit tax				946,398	-	946,398	-
Interest and investment earnings				110,052	8,088	118,140	59,040
Other revenues				86,428	7,720	94,148	-
Transfers in (out)				294,583	(294,583)	-	-
Total general revenues, transfers				10,053,261	(278,775)	9,774,486	59,040
Change in net assets				(1,545,459)	1,144,135	(401,324)	771,252
Net assets - beginning				100,469,543	10,357,227	110,826,770	40,085,341
Net assets - ending				\$ 98,924,084	\$ 11,501,362	\$ 110,425,446	\$ 40,856,593

The accompanying notes are an integral part of the basic financial statements.

CITY OF CANBY, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Street Fund	Parks Development Fund	Transit Fund	Street Reserve Fund	Urban Renewal Agency - General Fund	Urban Renewal Debt Service Fund	Other Governmental	Total Governmental
ASSETS									
Cash and cash equivalents	\$ 1,954,618	\$ 544,103	\$ 922,079	\$ -	\$ 1,131,422	\$ 5,410,120	\$ 148,414	\$ 1,397,162	\$ 11,508,008
Due from other governments	17,083	-	-	-	-	-	-	2,052	19,135
Accounts receivable	185,767	140,735	-	594,840	-	-	436,442	86,402	1,444,186
Property taxes receivable	251,183	-	-	-	-	-	134,420	30,254	415,857
Due from other funds	264,322	-	16,811	-	-	-	-	24,016	305,149
Total assets	\$ 2,672,973	\$ 684,928	\$ 938,890	\$ 594,840	\$ 1,131,422	\$ 5,410,120	\$ 719,276	\$ 1,539,886	\$ 13,692,335
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts payable and other current liabilities	193,915	7,630	2,345	54,737	125,867	1,244,983	-	44,487	1,673,964
Due to other funds	-	-	-	514,320	-	-	-	40,829	555,149
Deferred revenue	232,611	-	-	-	-	-	549,543	28,020	810,174
Total liabilities	426,526	7,630	2,345	569,057	125,867	1,244,983	549,543	113,336	3,039,287
FUND BALANCES:									
Nonspendable:									
Restricted for:									
Street projects	-	677,298	-	-	-	-	-	-	677,298
Drug enforcement and equipment	-	-	-	-	-	-	-	13,587	13,587
911 services	-	-	-	-	-	-	-	24,452	24,452
System development	-	-	936,545	-	25,957	-	-	-	962,502
Urban renewal projects	-	-	-	-	-	4,165,137	-	-	4,165,137
Urban renewal debt service	-	-	-	-	-	-	169,733	-	169,733
Committed to transportation services	-	-	-	25,783	-	-	-	-	25,783
Assigned for:									
Library services and improvement	-	-	-	-	-	-	-	373,487	373,487
Cemetery care	-	-	-	-	-	-	-	813,130	813,130
Swim center	-	-	-	-	-	-	-	179,952	179,952
Capital projects	-	-	-	-	979,598	-	-	60,809	1,040,407
Capital asset acquisition/maintenance	404,238	-	-	-	-	-	-	-	404,238
Information Technology Services	232,836	-	-	-	-	-	-	-	232,836
Unassigned	1,609,373	-	-	-	-	-	-	(38,867)	1,570,506
Total fund balance	2,246,447	677,298	936,545	25,783	1,005,555	4,165,137	169,733	1,426,550	10,653,048
Total liabilities and fund balance	\$ 2,672,973	\$ 684,928	\$ 938,890	\$ 594,840	\$ 1,131,422	\$ 5,410,120	\$ 719,276	\$ 1,539,886	\$ 105,009,925

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term items are not available to pay for current-period expenditures

Deferred revenue	810,174
Bond cost	140,552
	950,726

Post employment benefits not payable in the current period and therefore are not reported in the funds

Long-term liabilities	(354,672)
Accrued interest on long-term liabilities	(17,270,041)
Internal Service Fund included as a governmental activity	(161,740)
	96,838

Net assets

	\$ 98,924,084
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CITY OF CANBY, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Street Fund	Parks Development Fund	Transit Fund	Street Reserve Fund	Urban Renewal Agency - General Fund	Urban Renewal Debt Service Fund	Other Governmental	Total Governmental
REVENUES:									
Intergovernmental	\$ 1,161,343	\$ 1,575,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 753,412	\$ 3,489,998
Charges for services	176,760	531,122	-	1,005	-	62	-	213,339	922,288
Property taxes	3,722,477	-	-	-	-	-	1,918,625	448,261	6,089,363
Franchise	463,062	-	-	-	-	-	-	-	463,062
License fees permits	295,930	-	-	-	-	-	-	13,474	309,404
Fines and forfeitures	506,205	-	-	-	-	-	-	-	506,205
Special assessments	-	-	-	-	-	-	48,913	-	48,913
Grants & donations	66,902	-	-	921,336	-	-	66,578	98,437	1,153,253
Interest	13,865	3,448	4,623	(1,337)	5,814	42,937	33,322	7,380	110,052
Miscellaneous	18,593	1,859	600	27,005	9,311	-	-	27,745	85,113
System development charges	-	-	58,657	-	203,895	-	-	-	262,552
Excise tax	-	9,740	-	-	-	-	-	77,388	87,128
Transit tax	-	-	-	946,398	-	-	-	-	946,398
Total revenues	6,425,137	2,121,412	63,880	1,894,407	219,020	42,999	2,067,438	1,639,436	14,473,729
EXPENDITURES:									
Current:									
General government	2,261,763	-	-	-	-	422,018	-	219,296	2,903,077
Public safety	3,933,992	-	-	-	-	-	-	154,112	4,088,104
Highways and streets	-	525,337	-	-	-	-	-	-	525,337
Transportation	-	-	-	919,224	-	-	-	-	919,224
Culture and recreation	459,995	-	-	-	-	-	-	1,349,362	1,809,357
Community development	549,671	-	92	-	-	-	-	-	549,763
Capital outlay	182,957	1,144	21,108	254,876	2,118,827	8,334,074	-	35,828	10,948,814
Debt service:									
Principal	-	-	-	-	-	-	628,744	53,044	681,788
Interest	-	-	-	-	-	-	725,507	16,474	741,981
Total expenditures	7,388,378	526,481	21,200	1,174,100	2,118,827	8,756,092	1,354,251	1,828,116	23,167,445
Revenues over (under) expenditures	(963,241)	1,594,931	42,680	720,307	(1,899,807)	(8,713,093)	713,187	(188,680)	(8,693,716)
OTHER FINANCING SOURCES (USES):									
Gain on disposal of assets	4,260	-	-	-	-	-	-	-	4,260
Debt proceeds	74,899	-	-	-	-	8,976,251	-	-	9,051,150
Transfers in	1,816,109	-	1,792	-	1,105,287	1,000,000	-	441,864	4,365,052
Transfers out	(1,002,189)	(1,397,714)	(600)	(464,177)	(600)	(99,956)	(1,000,000)	(388,647)	(4,353,883)
Total other financing sources (uses)	893,079	(1,397,714)	1,192	(464,177)	1,104,687	9,876,295	(1,000,000)	53,217	9,066,579
Net changes in fund balances	(70,162)	197,217	43,872	256,130	(795,120)	1,163,202	(286,813)	(135,463)	372,863
FUND BALANCES, BEGINNING	2,316,609	480,081	892,673	(230,347)	1,800,675	3,001,935	456,546	1,562,013	10,280,185
FUND BALANCES, ENDING	\$ 2,246,447	\$ 677,298	\$ 936,545	\$ 25,783	\$ 1,005,555	\$ 4,165,137	\$ 169,733	\$ 1,426,550	\$ 10,653,048

The accompanying notes are an integral part of the basic financial statements.

CITY OF CANBY, OREGON
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds		\$ 372,863
<p>The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital acquisitions in the current period.</p>		
Current year depreciation	(4,008,544)	
Capital acquisitions	<u>11,289,212</u>	7,280,668
Loss on disposal of assets		(22,492)
Disposal of Construction in progress		(1,126,804)
Some revenue reported in the Statement of Activities do not provide current financial resources in the governmental funds.		61,492
Some expenses reported in the Statemet of Activities do not consume current resources so are not reported in the funds.		(75,328)
Internal Service Fund reported as governmental activities		96,838
Other postemployment benefits		(71,679)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which payments exceeded proceeds.</p>		
Debt service principal payments	881,668	
Proceeds of borrowing	(9,051,149)	
Cost of issuance	111,100	
Amortization of bond issuance cost	(6,228)	
Change in compensated absences	<u>3,592</u>	<u>(8,061,017)</u>
Change in net assets of governmental activities		<u>\$ (1,545,459)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CANBY, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2012

	Total Sewer Operations	Internal Service Facilities Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,374,344	\$ 99,278
Accounts receivables, net	310,948	1,920
Due from other funds	250,000	-
Deferred bond issue cost	48,431	-
Total current assets	<u>2,983,723</u>	<u>101,198</u>
Noncurrent Assets:		
Capital assets, net	<u>10,309,784</u>	<u>-</u>
Total assets	<u>\$ 13,293,507</u>	<u>\$ 101,198</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current Liabilities:		
Accounts payable	\$ 64,440	\$ 4,360
Accrued Interest	4,818	-
Long-term debt-within one year	<u>286,470</u>	<u>-</u>
Total current liabilities	355,728	4,360
Noncurrent Liabilities:		
Long-term debt-past one year	1,394,450	-
OPEB liability	<u>41,967</u>	<u>-</u>
Total liabilities	<u>1,792,145</u>	<u>4,360</u>
NET ASSETS:		
Invested in capital assets, net of related debt	8,628,864	-
Restricted for:		
Debt Service	250,500	-
Unrestricted	<u>2,621,998</u>	<u>96,838</u>
Total net assets	<u>11,501,362</u>	<u>96,838</u>
Total liabilities and net assets	<u>\$ 13,293,507</u>	<u>\$ 101,198</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF CANBY, OREGON
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 For the Fiscal Year Ended June 30, 2012**

	<u>Enterprise Total Sewer Operations</u>	<u>Internal Service Facilities Fund</u>
OPERATING REVENUES:		
Charges for services	\$ 3,181,472	\$ -
Miscellaneous	7,720	1,315
System development charges	48,685	-
	<u>3,237,877</u>	<u>1,315</u>
OPERATING EXPENSES:		
Cost of sales and services	1,492,413	188,334
Depreciation and amortization	251,300	-
	<u>1,743,713</u>	<u>188,334</u>
Total operating expenses	1,743,713	188,334
Operating income	1,494,164	(187,019)
NON-OPERATING INCOME (EXPENSE):		
Interest income	8,088	442
Interest expense	(63,534)	-
	<u>(55,446)</u>	<u>442</u>
Total non-operating income (expenses)	(55,446)	442
Change in net assets before transfers	1,438,718	(186,577)
TRANSFERS:		
Transfers in	10,939	285,415
Transfers out	(305,522)	(2,000)
	<u>1,144,135</u>	<u>96,838</u>
Change in net assets	1,144,135	96,838
NET ASSETS, BEGINNING	<u>10,357,227</u>	<u>-</u>
NET ASSETS, ENDING	<u>\$ 11,501,362</u>	<u>\$ 96,838</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CANBY, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	Total Sewer Operations	Internal Service Facilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,180,121	\$ (605)
Cash paid to employees for salaries and benefits	(892,068)	(47,203)
Cash paid to suppliers and others	(546,649)	(136,771)
Net cash from operating activities	<u>1,741,404</u>	<u>(184,579)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(294,583)	283,415
Interfund loan	(250,000)	-
Net cash from non-capital financing activities	<u>(544,583)</u>	<u>283,415</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(198,744)	-
Payment of principal debt	(235,000)	-
Payment of interest on debt	(63,534)	-
Net cash from capital and related financing activities	<u>(497,278)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	11,043	442
Net increase in cash and cash equivalents	710,586	99,278
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,663,758</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 2,374,344</u>	<u>\$ 99,278</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,490,499	\$ (187,019)
Adjustments:		
Depreciation	251,300	-
Amortization	3,504	-
Decrease (increase) in:		
Accounts receivable	(57,756)	(1,920)
Increase (decrease) in:		
Accounts payable and accrued expenses	35,454	4,360
Accrued compensated absences	7,880	-
OPEB obligation	10,523	-
Net cash from operating activities	<u>\$ 1,741,404</u>	<u>\$ (184,579)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CANBY, OREGON
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	<u>Municipal Court Fund</u>
<u>ASSETS:</u>	
Cash and cash equivalents	<u>\$ 720</u>
Total assets	<u><u>\$ 720</u></u>
<u>LIABILITIES:</u>	
Accounts payable and other current liabilities	<u>\$ 720</u>
Total liabilities	<u><u>\$ 720</u></u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

I. Summary of Significant Accounting Policies

A. Description of Reporting Entity

The City of Canby, Oregon, (the City) is located in Clackamas County 21 miles south of Portland, Oregon, and 35 miles north of Salem, Oregon. The City was incorporated as a municipal corporation in 1893 and operates under a council-administrator form of government. The City Council consists of a mayor elected for a two-year term, and six members each elected to four-year terms. The City Council appoints the City Administrator, who is responsible for the day-to-day management of the City.

The accompanying financial statements present the City and its component units, entities for which the City is considered financially responsible. The City is the primary government. A primary government is a financial reporting entity, which has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the City and its component units. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statement to emphasize it is legally separate from the government.

Blended Component Unit

The City has one blended component unit, the Urban Renewal Agency (the Agency). The Agency was formed to plan, direct, and manage certain projects within the City. Pursuant to ORS 457.055, the City Council has been appointed governing body of the Agency, which is the same governing board as the primary government. The Urban Renewal District General Fund and Urban Renewal Debt Service Fund are reported as governmental fund types. Complete financial statements for the Urban Renewal Agency for the year ended June 30, 2012, may be obtained at Canby City Hall, located at 182 N. Holly Street, Canby, Oregon 97013.

Discretely Presented Component Unit

The Canby Utility Board (CUB) is responsible for providing Water and Electricity services to residential and commercial customers within the city limits of Canby. CUB is a legally separate entity from the City, which is currently governed by a board appointed by the members of the City Council. A financial benefit exists. Complete financial statements for CUB for the year ended June 30, 2012, may be obtained at CUB's administrative office located at 154 N.W. First Avenue, Canby, Oregon 97013.

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

Government-wide financial statements

Government-wide financial statements display information about the City as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities. Eliminations have been made to minimize the double-counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's activities. Direct expenses are those that are specifically associated and therefore clearly identifiable with a program or function. Indirect expense allocations that have been made in the funds have been eliminated in the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Major individual funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The City reports the following major governmental funds:

- **General Fund**
This is the City's primary operating fund. It accounts for the financial resources of the City that are not accounted for in any other fund. Principal sources of revenue are property taxes, intergovernmental proceeds from the State of Oregon and Clackamas County, licenses and permits, and fines and forfeitures. Primary expenditures are for general administration, public safety, and culture and recreation.
- **Street Fund**
This fund accounts for revenues from gas tax apportionments received from the State of Oregon and expenditures for maintenance of public streets.

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

- **Parks Development Fund**
This fund accounts for revenues and expenditures for improvements of City parks. The principal resource to this fund is systems development charges restricted for such improvements.
- **Transit Fund**
This fund accounts for payroll taxes collected from the local business community as well as grants received and used to fund the City's mass transit program.
- **Street Reserve Fund**
This fund accounts for revenues being accumulated for the construction and reconstruction of local streets.
- **Urban Renewal Agency - General Fund**
This fund accounts for revenues for construction and reconstruction improvements related to revitalization of property within the district boundaries. The primary source of funds is proceeds from debt issuance.
- **Urban Renewal - Debt Service Fund**
This fund is used to account for the payment of principal and interest on bonds and loans issued to fund projects as planned and executed through the Urban Renewal Agency – General Fund. The primary sources of funds are property taxes.

Additionally the City reports non-major funds within the governmental fund type.

- **Special Revenue Funds**
These funds are used to account for proceeds of specific revenue sources that are earmarked for specific purposes including 911 emergency services, library services, cemetery operations and swim center operations. Principal resources include property taxes, intergovernmental revenues, and charges of services.
- **Capital Projects Funds**
Capital projects funds are used to account for asset acquisition and replacement. Principal resources include special assessments and operating transfers from other funds.
- **Debt Service Funds**
Debt service funds account for the accumulation of resources and payment of principal and interest on other long-term debt and capital leases of governmental funds.

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

The City reports the following major enterprise fund:

- **Sewer Combined Fund**
The fund accounts for business type activities of the City that receive a significant portion of funding through user charges with the intent to fully recover the cost of service. The fund accounts for the day-to-day operation of the City's sanitary sewer collection and treatment processes.

The City reports the following internal service fund:

- **Facilities Fund**
The facilities fund accounts for utilities and maintenance for all City operating locations with the intent of then recovering the cost by charging all operating units based on their applicable portion, attributed based on a percentage of square footage.

The City reports the following fiduciary fund:

- **Agency Fund**
The City reports for an Agency Fund under the heading of fiduciary fund type. This fund accounts for resources received and held by the City in a fiduciary capacity for the City's municipal court activities. Disbursements are made in accordance with the determination of distribution by the court.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded with the various financial statements. Basis of accounting refers to when transactions are recorded.

The government-wide financial statements and the proprietary funds financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. An economic resource focus concentrates on an entity or fund's net assets. All transactions and events that affect the total economic resources (net assets) during the period are reported. An economic resources measurement focus is inextricably connected with full accrual accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

transactions and events affecting the fund's current financial resources during the period are reported. Similar to the connection between an economic resource measurement focus and full accrual accounting, a current financial resource measurement focus is inseparable from the modified accrual basis of accounting. Under modified accrual 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. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term compensated absences are recorded only when payment is due or vested.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

A deferred revenue liability arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable deferred revenue consists primarily of uncollected property taxes and assessments not deemed available to financial operation of the current period. In the government-wide Statement of Activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable deferred revenue is eliminated. Note that deferred revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Similar to the way revenues are recorded, governmental funds only record those expenditures that affect current financial resources. Principal and interest on general long-term debt are recorded as fund liabilities only when due, or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Vested compensated absences are recorded as expenditures only to the extent that they are expected to be liquidated with current financial resources. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenditures affecting the economic resource status of the government must be recognized. Thus, the expense and related accrued liability for long term portions of debt and compensated absences must be included.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

I. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses 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 principle ongoing operations. The principle operating revenues of the City's sewer operations are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

The cash and cash equivalents reported on the balance sheet include cash on hand, deposits with financial institutions, and the investment in the Local Government Investment Pool (LGIP). Investments are reported at fair value.

Restricted Assets

Assets whose use is restricted for construction, debt service, by other agreement or to specific purposes by state statute are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets.

Receivables and Payables

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

Receivables and Payables (Continued)

Recorded property taxes receivable that are collected within sixty days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 15 are considered delinquent.

Assessment liens receivable are recognized at the time property owners are assessed for property improvements, and under full accrual accounting those assessments are recognized in the government-wide financial statements as revenue when assessed. Assessment liens receivable are offset by deferred revenue in the fund financial statements and, accordingly, have not been recognized as revenue in those statements.

Receivables of the enterprise funds are recognized as revenue when earned, including service provided but not yet billed. Receivables in governmental and enterprise funds are stated net of any allowance for uncollectible amounts.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, quarries etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital costs are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated fixed assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

Capital Assets and Depreciation (Continued)

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets, and is provided on the straight-line basis over the following estimated useful lives:

<u>ASSET</u>	<u>YEARS</u>
Buildings and improvements	20 - 50
Infrastructure	20 - 40
Vehicles and equipment	3 - 30
Utility plant	33 - 50

Depreciation is taken in the year the assets are acquired or retired.

Compensated Absences

Accumulated vested vacation pay is accrued as it is earned. For governmental funds, the non-current portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Compensated absences are only reported in the entity-wide governmental financial statement, and are calculated based on historical trends. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement. Accumulated vested vacation pay is reported in governmental funds only if they matured.

The General Fund is used to liquidate the liability for compensated absences.

Other Postemployment Benefit Obligations

The City’s net other postemployment benefit (OPEB) obligation is recognized as a long-term liability in the government-wide financial statements and in the proprietary fund statements, the amount of which is actuarially determined. The annual required contribution is recognized on the accrual basis based upon actuarial accounting principles.

Long-Term Debt

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are capitalized and amortized over the term of the respective bond issue.

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

Long-Term Debt (Continued)

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

Net Assets

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments). The City's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components:

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the City Council, by formal council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes items assigned for specific uses, authorized by the City. Assignments of fund balance can be done at any time, including after the fiscal year end date. In accordance with the City's fund balance policy, amounts may be assigned by the City Administrator.

Unassigned – This is the residual classification used for those balances not assigned to another category in the General Fund.

As of yearend the Debt Service fund had a deficit fund balance of (\$35,254).

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Equity (Continued)

Use of Restricted Resources

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. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions which affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

II. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments consist of funds held in the Oregon State Treasurer's Local Government Investment Pool (LGIP). The individual funds' portion of the LGIP's fair value is presented as cash and cash equivalents in the basic financial statements.

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the States short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio includes investments in the State of Oregon Local Government Investment Pool.

Cash on hand	\$ 1,208
Cash on deposit	340,177
Oregon State Local Government Investment Pool	<u>13,640,965</u>
Total	<u><u>13,982,350</u></u>
Reported in the basic financial statements as:	
Governmental activities	\$ 11,607,286
Business-type activities	2,374,344
Fiduciary activities	<u>720</u>
Total	<u><u>\$ 13,982,350</u></u>

II. Cash and Cash Equivalents (Continued)

A. Custodial credit risk

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 for the combined total of all savings deposits and unlimited coverage for non-interest bearing transaction accounts. Deposits in excess of FDIC coverage were held by qualified depositories for public funds included in the multiple financial institution collateral pool administered by the State of Oregon in accordance with Oregon Revised Statutes, Chapter 295.

B. Interest rate risk

The City does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. Credit risk

State statutes authorize the City to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the LGIP, among others. The City has no investment policy that would further limit its investment choices. The LGIP operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Investment Pool (the Pool) is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Pool is not registered with the SEC as an investment company, nor is the Pool rated.

III. Receivables

An allowance for doubtful accounts is not deemed necessary for the City's property taxes receivable as uncollectible because a lien is placed on the property. The City's allowance for doubtful accounts for its business-type activities and street maintenance fees at June 30, 2012, was \$187,111.

Canby Utility Board's accounts receivable primarily represent user charges which are recognized as earned. As of June 30, 2012, an allowance for uncollectible receivables has been provided for the Electric and Water Systems of \$9,396.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue included delinquent property taxes receivable and special assessments not yet due.

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

IV. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 41,104,286	\$ 1	\$ -	\$ 41,104,287
Construction in progress	<u>650,474</u>	<u>9,718,899</u>	<u>(1,126,804)</u>	<u>9,242,569</u>
Total capital assets, not being depreciated	<u>41,754,760</u>	<u>9,718,900</u>	<u>(1,126,804)</u>	<u>50,346,856</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,873,194	107,279	-	7,980,473
Motor vehicles and equipment	4,509,572	364,924	(425,549)	4,448,947
Infrastructure	<u>121,844,705</u>	<u>1,098,110</u>	<u>-</u>	<u>122,942,815</u>
Total capital assets, being depreciated	<u>134,227,471</u>	<u>1,570,313</u>	<u>(425,549)</u>	<u>135,372,235</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(2,703,476)	(280,359)	-	(2,983,835)
Vehicles and equipment	(3,036,472)	(372,758)	403,057	(3,006,173)
Infrastructure	<u>(71,363,731)</u>	<u>(3,355,427)</u>	<u>-</u>	<u>(74,719,158)</u>
Total accumulated depreciation	<u>(77,103,679)</u>	<u>(4,008,544)</u>	<u>403,057</u>	<u>(80,709,166)</u>
Total capital assets, being depreciated, net	<u>57,123,792</u>	<u>(2,438,231)</u>	<u>(22,492)</u>	<u>54,663,069</u>
Governmental activities capital assets, net	<u>\$ 98,878,552</u>	<u>\$ 7,280,669</u>	<u>\$ (1,149,296)</u>	<u>\$ 105,009,925</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental activities:	
General Government	\$ 76,579
Public Safety	161,367
Highways and streets	3,381,243
Transportation	158,525
Culture and recreation	172,688
Economic development	<u>58,142</u>
Total depreciation expense - governmental activities	<u>\$4,008,544</u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

IV. Capital Assets (Continued)

Business-type Activities:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,081,277	\$ -	\$ -	\$ 1,081,277
Intangibles	5,500	-	-	5,500
Construction in progress	2,441,013	78,387	-	2,519,400
Total capital assets, not being depreciated	3,527,790	78,387	-	3,606,177
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	7,108,216	-	-	7,108,216
Vehicles	288,790	-	(5,000)	283,790
Utility plant	3,852,762	120,417	(5,000)	3,968,179
Total capital assets, being depreciated	11,249,768	120,417	(10,000)	11,360,185
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(2,359,752)	(152,721)	-	(2,512,473)
Vehicles	(150,181)	(14,772)	4,940	(160,013)
Utility plant	(1,905,285)	(83,807)	5,000	(1,984,092)
Total accumulated depreciation	(4,415,218)	(251,300)	9,940	(4,656,578)
Total capital assets, being depreciated, net	6,834,550	(130,883)	(60)	6,703,607
Business-type activities capital assets, net	\$ 10,362,340	\$ (52,496)	\$ (60)	\$ 10,309,784

Depreciation expense for business-type activities is charged to functions as follows:

Business-type activities:	
Sewer	\$ 251,300

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

IV. Capital Assets (Continued)

Discretely presented component unit

Activity for the Canby Utility Board for the year ended June 30, 2012, was as follows:

CUB:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,340,579	\$ -	\$ -	\$ 1,340,579
Property held for future use	3,633	-	-	3,633
Construction in progress	355,827	1,405,334	(1,178,748)	582,413
	<u>1,700,039</u>	<u>1,405,334</u>	<u>(1,178,748)</u>	<u>1,926,625</u>
<i>Capital assets, being depreciated:</i>				
Plant	43,259,124	1,245,719	(175,802)	44,329,041
Equipment	2,200,553	444,702		2,645,255
Office furniture and equipment	1,053,169	34,819		1,087,988
	<u>46,512,846</u>	<u>1,725,240</u>	<u>(175,802)</u>	<u>48,062,284</u>
<i>Less accumulated depreciation for:</i>				
Electric and water plant assets	<u>(15,485,989)</u>	<u>(1,204,809)</u>	<u>173,310</u>	<u>(16,517,488)</u>
	<u>(15,485,989)</u>	<u>(1,204,809)</u>	<u>173,310</u>	<u>(16,517,488)</u>
Total capital assets, being depreciated, net	<u>31,026,857</u>	<u>520,431</u>	<u>(2,492)</u>	<u>31,544,796</u>
Business-type activities capital assets, net	<u>\$ 32,726,896</u>	<u>\$ 1,925,765</u>	<u>\$ (1,181,240)</u>	<u>\$ 33,471,421</u>

Depreciation expense for CUB activities is charged to functions as follows:

CUB activities:	
Electric	\$ 644,142
Water	<u>560,667</u>
Total depreciation expense – CUB activities	<u>\$ 1,204,809</u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

V. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Non-major Governmental Funds	General Fund	Mausoleum II	\$ 24,016
Parks Development Fund	General Fund	Logging Road Bridge	16,811
Sewer Combined Fund	Transit Fund	Capital	250,000
General Fund	Transit Fund	Operating deficit	264,322

Interfund Transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General Fund	\$ 1,816,109	\$ 1,002,189
Street Fund	-	1,397,714
Parks Development Fund	1,792	600
Transit Fund	-	464,177
Street Reserve Fund	1,105,287	600
Urban Renewal District – General Fund	1,000,000	99,956
Urban Renewal Debt Service Fund	-	1,000,000
Total Major Governmental Funds	<u>3,923,188</u>	<u>3,965,236</u>
Non-major Governmental Funds	<u>441,866</u>	<u>388,647</u>
Proprietary Funds:		
Sewer Combined Fund	10,939	305,522
Facilities Fund	285,415	2,000
Total Proprietary Funds	<u>296,354</u>	<u>307,522</u>
Total All Funds	<u>\$ 4,661,408</u>	<u>\$ 4,661,408</u>

Interfund transfers are used to pay administrative services, provide funds for debt service, contribute toward the cost of capital projects, and provide operational resources.

VI. Long-term liabilities

The following paragraphs present information on long-term liabilities, presented separately with respect to governmental and business-type activities. The table below presents current year changes in long-term liabilities, and the current portions due for each category of long-term liabilities presented.

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VI. Long-term liabilities (Continued)

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Loans Payable	\$ 5,044,592	\$ -	\$ 307,740	\$ 4,736,852	\$ 315,345
Bonds	3,330,831	8,976,250	371,842	11,935,239	441,842
Capital leases	312,178	74,899	202,086	184,991	80,601
Compensated absences	416,551	436,581	440,173	412,959	309,719
Total governmental activities	<u>\$ 9,104,152</u>	<u>\$ 9,487,730</u>	<u>\$ 1,321,841</u>	<u>\$ 17,270,041</u>	<u>\$ 1,147,507</u>
Business-type Activities					
Bonds	\$ 1,866,616	\$ -	\$ 240,424	\$ 1,626,192	\$ 245,424
Compensated absences	46,848	55,031	47,151	54,728	41,046
Total business-type activities	<u>\$ 1,913,464</u>	<u>\$ 55,031</u>	<u>\$ 287,575</u>	<u>\$ 1,680,920</u>	<u>\$ 286,470</u>

A. Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding at June 30, 2012, are as follows:

Governmental Activities	
In 2011-12, the City issued \$9,000,000 of bonds to finance a new police facility. The bonds carry interest rates from 2.00% to 5.00% and have a final maturity date of June 1, 2036.	\$ 8,960,000
Bond Discount	(22,800)
In 2010, the City issued \$2,500,000 of bonds to finance redevelopment of NE 1 st Avenue. The bonds carry interest rates from 3.75% to 7.00% and have a final maturity date of December 15, 2030. They are Recovery Zone Economic Development Bonds which provide the City a 45% rebate of the amount of interest paid.	\$ 2,405,000
Bond Discount	(41,961)
In 2008, the City issued \$1,915,000 of bonds to finance improvements to NE 2nd Avenue and a public parking lot at the end of the street. The bonds carry an interest rate of 4.15% over the 6 year term. The bonds have a final maturity date of June 1, 2014.	635,000
Total bonds payable	<u>\$ 11,935,239</u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VI. Long-term liabilities (Continued)

A. Bonds Payable (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

	U.S. Bank - URD Bond Series 2008		Bank of New York - Bond Series 2010		Bond Discount
	Principal	Interest	Principal	Interest	Principal
2013	\$ 300,000	\$ 26,353	\$ 100,000	\$ 79,362	\$ (2,208)
2014	335,000	13,902	100,000	77,299	(2,208)
2015	-	-	100,000	75,237	(2,208)
2016	-	-	105,000	73,123	(2,208)
2017	-	-	105,000	70,488	(2,208)
2018-2022	-	-	570,000	302,755	(11,040)
2023-2027	-	-	675,000	192,017	(11,040)
2028-2032	-	-	650,000	51,011	(8,841)
Total	\$ 635,000	\$ 40,255	\$ 2,405,000	\$ 921,292	\$ (41,961)

	Bank of New York - Bond Series 2011		Bond Discount	Total Governmental Bonds	
	Principal	Interest	Principal	Principal	Interest
2013	\$ 45,000	\$ 426,638	\$ (950)	\$ 441,842	\$ 532,353
2014	-	425,738	(950)	431,842	516,939
2015	-	425,738	(950)	96,842	500,975
2016	25,000	425,738	(950)	126,842	498,861
2017	30,000	425,238	(950)	131,842	495,726
2018-2022	535,000	2,089,572	(4,750)	1,089,210	2,392,327
2023-2027	1,335,000	1,940,582	(4,750)	1,994,210	2,132,599
2028-2032	3,065,000	1,471,070	(4,750)	3,701,409	1,522,081
2033-2037	3,925,000	502,750	(3,800)	3,921,200	502,750
Total	\$ 8,960,000	\$ 8,133,064	\$ (22,800)	\$ 11,935,239	\$ 9,094,611

The City also issues bonds where income derived from acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at June 30, 2012 are as follows:

Business-type Activities	
In 2008, the City issued additional revenue bonds to refund prior borrowings related to improvements in the sanitary sewer collection and treatment system in the amount of \$2,505,000. These bonds carry interest rates ranging from 3.5% to 4.0% over the life of the issue, have a premium amortized with them, and have a final maturity date of December 1, 2017.	\$ 1,595,000
Bond Premium	<u>31,192</u>
Total bonds payable	<u><u>\$ 1,626,192</u></u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VI. Long-term liabilities (Continued)

A. Bonds Payable (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

	Bank of New York - Sewer Bond Series 2008		Bond Premium	Total Enterprise Bonds	
	Principal	Interest	Principal	Principal	Interest
2013	\$ 240,000	\$ 54,925	\$ 5,424	\$ 245,424	\$ 54,925
2014	250,000	46,044	5,424	255,424	46,044
2015	255,000	36,891	5,424	260,424	36,891
2016	275,000	27,284	5,424	280,424	27,284
2017	280,000	17,050	5,424	285,424	17,050
2018	295,000	5,900	4,072	299,072	5,900
Total	<u>\$ 1,595,000</u>	<u>\$ 188,094</u>	<u>\$ 31,192</u>	<u>\$ 1,626,192</u>	<u>\$ 188,094</u>

B. Loans/Notes Payable

Governmental Activities

In 1994, the City borrowed \$593,081 through the State of Oregon Economic and Community Development Department's (OECD) Special Public Works Fund program to finance logging road phase 1. The loan carries interest rates ranging from 5.8% to 6.0% over the 20 year term. The loan has a final maturity date of December 1, 2015.	\$ 138,505
A second loan through the OECD in the amount of \$260,000 was taken in 1997 to finance logging road phase 2. The loan carries an interest rate of 5.01% over the 20 year term. The loan has a final maturity date of December 1, 2017.	108,122
In 2003, the City borrowed \$1,300,000 through the Oregon Economic and Community Development Department to finance Sequoia Parkway. The loan carries an interest rate of 4.15% over the 20 year term. The loan has a final maturity date of December 1, 2023.	891,840
In 2005, the City borrowed \$1,962,920 through the Oregon Economic and Community Development Department to finance Canby Pioneer Industrial Park. The loan carries an interest rate of 3.9327% over the 20 year term. The loan has a final maturity date of 2024.	1,431,278
In 2009, the City borrowed \$1,981,047 through the OECD to finance completion of Township Road, Berg Parkway and Sequoia Parkway. The loan included a premium of \$19,067 for a total initial amount of \$2,000,114. The loan carries interest rates from 3.00% to 5.25% over its 20 year term, and has a premium associated with it. The loan has a final maturity date of December 1, 2028.	1,774,034
Loan Premium	16,208
In 2010, the City borrowed \$417,927 from Business Oregon Infrastructure Finance Authority to finance construction of Walnut Street in the Canby Pioneer Industrial Park. The loan carries an interest rate of 5% over a 10-year term. The loan has a final maturity date of December 1, 2020.	376,865
Total loans payable	<u>\$ 4,736,852</u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VI. Long-term liabilities (Continued)

B. Loans/Notes Payable (Continued)

Annual debt service requirements to maturity for outstanding loan obligations are as follows:

	<u>SPWF 94-003 A (OEDD 1 A)</u>		<u>SPWF 94-003 B (OEDD 1)</u>		<u>SPWF 97-007 (OEDD 2)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 40,921	\$ 7,541	\$ 1,939	\$ 509	\$ 17,664	\$ 5,444
2014	43,295	5,168	2,056	393	17,797	4,560
2015	45,806	2,657	2,179	269	17,936	3,670
2016	-	-	2,309	139	18,083	2,774
2017	-	-	-	-	18,238	1,870
2018-2022	-	-	-	-	18,404	939
Total	\$ 130,022	\$ 15,366	\$ 8,483	\$ 1,310	\$ 108,122	\$ 19,257

	<u>OEDD #B03004</u>		<u>OECDD #B04004</u>		<u>OECDD #B08002</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 60,454	\$ 38,074	\$ 85,049	\$ 56,761	\$ 73,085	\$ 79,665
2014	60,470	35,883	90,575	53,784	78,543	77,107
2015	65,488	33,585	96,120	50,614	79,018	74,358
2016	65,508	30,966	96,685	47,250	79,578	71,198
2017	70,528	28,345	102,289	43,745	85,161	68,014
2018-2022	387,997	95,387	562,156	156,277	485,706	284,011
2023-2027	181,395	12,585	398,404	35,223	607,206	162,573
2028-2032	-	-	-	-	285,737	20,477
Total	\$ 891,840	\$ 274,825	\$ 1,431,278	\$ 443,654	\$ 1,774,034	\$ 837,403

	<u>OEDD #B08002 Premium</u>		<u>Business Oregon X090004</u>		<u>Total Government Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 953	\$ -	\$ 35,280	\$ 18,843	\$ 315,345	\$ 206,837
2014	953	-	37,044	17,079	330,733	193,974
2015	953	-	38,896	15,227	346,396	180,380
2016	953	-	40,841	13,282	303,957	165,609
2017	953	-	42,883	11,240	320,052	153,214
2018-2022	4,765	-	181,921	22,421	1,640,949	559,035
2023-2027	4,765	-	-	-	1,191,770	210,381
2028-2032	1,913	-	-	-	287,650	20,477
Total	\$ 16,208	\$ -	\$ 376,865	\$ 98,092	\$ 4,736,852	\$ 1,689,907

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VI. Long-term liabilities (Continued)

C. Capital Leases

The City has entered into lease agreements for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of equipment leased under capital leases as of June 30, 2012:

	<u>Lease Obligation</u>	<u>Equipment Carrying Value</u>
General Fund:		
Street sweeper (Lease #5241010), 5.10%, \$42,455 annual payment including interest, final payment due November 18, 2013.	\$ 78,829	\$ 150,356
Police vehicles (Lease #5241011), 6.15%, \$19,203 annual payment including interest, final payment due October 22, 2013.	35,132	52,016
Police vehicle (Lease #5241012), 6.15%, \$9,046 annual payment including interest, final payment due October 18, 2013.	16,550	22,828
Police vehicles (Lease #5241013), 6.10%, \$20,419 annual payment including interest, final payment due November 10, 2014.	<u>54,480</u>	<u>74,413</u>
Total	<u>\$ 184,991</u>	<u>\$ 299,613</u>

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2012.

Years ending <u>June 30,</u>	<u>General Fund Amount</u>
2013	\$ 91,123
2014	91,123
2015	<u>20,419</u>
Total minimum lease payments	202,665
Less amount representing interest	<u>(17,674)</u>
Present value of future minimum lease payments	<u>\$ 184,991</u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VI. Long-term liabilities (Continued)

Discretely presented component unit

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
CUB:					
Bonds	\$ 5,120,000	\$ -	\$ 240,000	\$ 4,880,000	\$ 250,000
Total CUB	<u>\$ 5,120,000</u>	<u>\$ -</u>	<u>\$ 240,000</u>	<u>\$ 4,880,000</u>	<u>\$ 250,000</u>

D. Revenue Bonds

The CUB issued Water System revenue bonds. The bond purchase agreement provides that principal and interest on the bonds are payable solely from and secured by the net revenues of the Water System.

CUB

In 2004 the CUB issued revenue bonds in the amount of \$2,900,000. These bonds carry interest rates ranging from 2.5% to 4.5% over the life of the issue, and mature in 2025.

\$ 2,130,000

In 2007, the CUB issued revenue bonds in the amount of \$3,200,000. These bonds carry interest rates ranging from 3.625% to 3.75% over the life of the issue, and mature in 2027.

2,750,000

Total bonds payable

\$4,880,000

Annual debt service requirements to maturity for outstanding revenue bonds are as follows:

<u>CUB</u>	
<u>Year Ending June 30,</u>	<u>Principal</u>
2013	\$ 250,000
2014	260,000
2015	270,000
2016	280,000
2017	290,000
2018-2022	1,670,000
2023-2027	1,630,000
Thereafter	230,000
Total	<u><u>\$ 4,880,000</u></u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VII. Post Employment Benefits Other than Pensions

A. Plan Description

The City does not have a formal post employment benefit plan for employees, however, the City is required by Oregon Revised Statutes 243.303 to provide retirees with access to group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. GASB 45 is applicable to the City due only to the implicit rate subsidy. This plan is not a stand-alone plan and therefore does not issue its own financial statements.

B. Funding Policy

The City funds the plan only to the extent of current year insurance premium requirement on a pay-as-you-go basis. At June 30, 2012, the City had 74 active employees and five retirees participating in the program. All insurance premium costs for retirees are paid in full by the individual. The City has not established an irrevocable trust to accumulate assets to fund the cost of the OPEB obligation that arises from the implicit subsidy.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2012, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Normal cost at year end	\$ 74,318
Amortization of UAAL	<u>52,781</u>
Annual required contribution	127,099
Interest on prior year Net OPEB Obligation	12,577
Adjustment to ARC	(21,369)
Implicit benefit payments	<u>(36,105)</u>
Increase in Net OPEB Obligation	82,202
Net OPEB obligation at beginning of year	<u>314,437</u>
Net OPEB obligation at end of year	<u><u>\$ 396,639</u></u>

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VII. Post Employment Benefits Other than Pensions (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years was as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percent of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
06/30/10	\$ 136,604	23%	\$ 211,623
06/30/11	144,015	29	314,437
06/30/12	118,307	31	396,639

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amount determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. As of August 1, 2010 the actuarial accrued liability for benefits was \$722,154, and the actuarial value of assets was zero, resulting in an unfunded accrued liability of \$722,154.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% rate for discounting future liabilities, a payroll growth rate of 3.75% and an annual healthcare cost trend rate of 8.5%, reduced by decrements to an ultimate rate of 5%. The UAAL is being amortized using the level percentage of payroll over an open period of fifteen years.

VII. Post Employment Benefits Other than Pensions (Continued)

F. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (PERS) the City contributes to the RHIA for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR, 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.59% of annual covered payroll for Tier 1/Tier 2 members and 0.50% for PSRP members. The PERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the year ended June, 30, 2012, were included with contributions to PERS.

G. Post Retirement Benefits – Sick Leave

In addition to pension benefits, the City has contractually agreed to pay employees 50% of accumulated sick leave at the time of retirement. The City recognizes this cost when employees retire. During 2011-2012, \$65,157 in costs were recognized.

VIII. Pension Plan

A. Plan Description

The City and CUB contribute to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's and CUB's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City and CUB employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. The actuarial method used for valuing assets of the pension plan is market value of assets. The amortization period used is closed. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377.

B. Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program; this is paid by the City and CUB. The City and CUB are required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan.

The City's OPERF rate in effect for the year ended June 30, 2012 is 11.70%. The City's OPSRP rates in effect for the year ended June 30, 2012 are 6.92% for general service employees and 9.63% for police and fire employees. The CUB's rates for OPERF and OPSRP are 12.26% and 11.25%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

CITY OF CANBY, OREGON
NOTES TO THE FINANCIAL STATEMENTS (Continued)
June 30, 2012

VIII. Pension Plan (Continued)

C. Annual Pension Cost

Contribution information for the City and the CUB for the years ended June 30, 2012, 2011, and 2010 is as follows:

Year Ended	City			CUB		
	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
6/30/12	\$ 912,901	100%	\$ -	\$ 260,105	100%	\$ -
6/30/11	667,202	100%	-	198,296	100%	-
6/30/10	633,480	100%	-	227,577	100%	-

IX. 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 is a member of the City/County Insurance Services Trust and pays an annual premium to the Trust for its general and automobile liability, automobile physical damage and property coverage. Under the membership agreement with the Trust, the Trust is to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits.

The City carries commercial insurance for other risks of loss including workers compensation, boiler and machinery, public official bond, vehicle inspection bond and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

X. Commitments and Contingencies

Grants receivable and grant receipts are subject to adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including claims already collected, could become a liability to the City.

Management of the City believes that the total amount of liability, if any, which may arise from claims and lawsuits pending against the City beyond that, which is covered by insurance, would not have a material effect on the City's financial condition. At June 30, 2012, the City had outstanding commitments for construction totaling approximately \$1,147,000.

XI. Subsequent Event

On December 20, 2012 the City issued \$14,050,000 of bonds to finance the Sequoia Parkway Extension project, the Library/City Hall Remodel project and refund the Oregon Economic and Community Development Department loans B03004 and B04004. The bonds have a true interest cost of 2.85% and a final maturity of June 30, 2035.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF CANBY, OREGON
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 985,000	\$ 1,509,298	\$ 1,161,343	\$ (347,955)
Charges for services	192,969	258,172	168,016	(90,156)
Property taxes	3,778,545	3,778,545	3,722,477	(56,068)
Franchise	412,000	412,000	463,062	51,062
License fees permits	230,980	238,278	295,930	57,652
Fines and forfeitures	436,000	436,000	506,205	70,205
Grants & donations	9,000	17,885	66,902	49,017
Interest	8,400	8,400	10,339	1,939
Miscellaneous	11,000	11,000	15,958	4,958
Total revenues	<u>6,063,894</u>	<u>6,669,578</u>	<u>6,410,232</u>	<u>(259,346)</u>
EXPENDITURES:				
Administration	1,022,723	1,663,566	1,043,659	619,907
Court	269,098	269,098	249,274	19,824
Planning	335,466	335,466	276,770	58,696
Parks	469,888	452,127	398,128	53,999
Building	216,507	358,680	272,901	85,779
Police	3,731,968	3,780,340	3,720,465	59,875
Cemetery	99,856	115,206	103,970	11,236
Finance	441,353	441,353	427,214	14,139
Contingency	674,328	423,041	-	423,041
Total expenditures	<u>7,261,187</u>	<u>7,838,877</u>	<u>6,492,381</u>	<u>1,346,496</u>
Revenues over (under) expenditures	(1,197,293)	(1,169,299)	(82,149)	1,087,150
OTHER FINANCING SOURCES (USES):				
Transfers in	848,497	848,497	847,897	(600)
Transfers out	(895,478)	(923,472)	(919,074)	4,398
Total other financing sources (uses)	<u>(46,981)</u>	<u>(74,975)</u>	<u>(71,177)</u>	<u>3,798</u>
Net changes in fund balances	(1,244,274)	(1,244,274)	(153,326)	1,090,948
FUND BALANCE, BEGINNING	<u>1,244,274</u>	<u>1,244,274</u>	<u>1,762,702</u>	<u>518,428</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,376</u>	<u>\$ 1,609,376</u>

CITY OF CANBY, OREGON
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,618,637	\$ 1,618,637	\$ 1,575,243	\$ (43,394)
Charges for services	524,000	524,000	531,122	7,122
Interest	2,000	2,000	3,448	1,448
Miscellaneous	1,500	1,500	1,859	359
Excise tax	10,000	10,000	9,740	(260)
Total revenues	2,156,137	2,156,137	2,121,412	(34,725)
EXPENDITURES:				
Personal service	448,406	448,406	374,798	73,608
Materials and service	189,775	189,775	150,539	39,236
Capital outlay	4,500	4,500	1,144	3,356
Contingency	257,517	257,517	-	257,517
Total expenditures	900,198	900,198	526,481	373,717
Revenues over (under) expenditures	1,255,939	1,255,939	1,594,931	338,992
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,445,916)	(1,445,916)	(1,397,714)	48,202
Net changes in fund balances	(189,977)	(189,977)	197,217	387,194
FUND BALANCES, BEGINNING	426,694	426,694	480,081	53,387
FUND BALANCES, ENDING	<u>\$ 236,717</u>	<u>\$ 236,717</u>	<u>\$ 677,298</u>	<u>\$ 440,581</u>

CITY OF CANBY, OREGON
PARKS DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants & donations	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Interest	4,000	4,000	4,623	623
Miscellaneous	-	-	600	600
System development charges	35,000	35,000	58,657	23,657
Total revenues	64,000	64,000	63,880	(120)
EXPENDITURES:				
Materials and service	5,000	5,000	92	4,908
Capital outlay	923,358	923,358	21,108	902,250
Total expenditures	928,358	928,358	21,200	907,158
Revenues over (under) expenditures	(864,358)	(864,358)	42,680	907,038
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	34,133	34,133	34,133	-
Transfers out	(600)	(600)	(600)	-
Total other financing sources (uses)	33,533	33,533	33,533	-
Net changes in fund balances	(830,825)	(830,825)	76,213	907,038
FUND BALANCE, BEGINNING BUDGETARY BASIS	830,825	830,825	843,521	12,696
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	919,734	\$ 919,734
Interfund loan			16,811	
Total fund balance - generally accepted accounting principles			\$ 936,545	

CITY OF CANBY, OREGON
TRANSIT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 1,005	\$ 1,005
Grants & donations	792,815	792,815	921,336	128,521
Interest	-	-	(1,337)	(1,337)
Miscellaneous	28,220	28,220	27,005	(1,215)
Transit tax	875,000	875,000	946,398	71,398
Total revenues	1,696,035	1,696,035	1,894,407	198,372
EXPENDITURES:				
Personal service	147,479	147,479	140,075	7,404
Materials and service	798,578	798,578	779,149	19,429
Capital outlay	274,785	274,785	254,876	19,909
Total expenditures	1,220,842	1,220,842	1,174,100	46,742
Revenues over (under) expenditures	475,193	475,193	720,307	245,114
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	-	-	250,000	250,000
Transfers out	(475,193)	(475,193)	(464,177)	11,016
Total other financing sources (uses)	(475,193)	(475,193)	(214,177)	261,016
Net changes in fund balances	-	-	506,130	506,130
FUND BALANCES, BEGINNING	-	-	(230,347)	(230,347)
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,783</u>	<u>\$ 275,783</u>
Interfund loan			(250,000)	
Total fund balance - generally accepted accounting principles			<u>\$ 25,783</u>	

CITY OF CANBY, OREGON
SCHEDULE OF FUNDING PROGRESS
June 30, 2012

Other Postemployment Benefits Plan

<u>Valuation Date</u>	<u>Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL/ Payroll</u>
08/01/08	\$ -	\$ 826,003	\$ 826,003	0%	\$7,554,600	10.93%
08/01/10	-	722,154	722,154	0	7,924,953	9.11

CITY OF CANBY, OREGON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

Budgetary Information

Annual budgets for all funds are adopted on a basis consistent with Oregon Revised Statutes (ORS 294—Local Budget Law). The process under which the budget is adopted is described in the following paragraphs.

Each spring, the City Administrator submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). The City is required to budget all funds except the Agency Fund. The City budgets each governmental fund type on a modified accrual GAAP basis.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget and submits it to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by Council without returning to the Budget Committee for a second approval. After the Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for the General Fund is at the department level. The level of control for all other funds, except the Cemetery Perpetual Care and Debt Service Funds, which are controlled at the fund level, is by the expenditure categories of personal services, materials and services, capital outlay, service agencies and transfers. The City discloses budgetary expenditures by function. The budget document contains more specific, detailed information for the aforementioned expenditure categories. Appropriations lapse as of the year-end.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Expenditure appropriations may not be legally over-expended except in the case of grant receipts that could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year. Management may transfer budget amounts between individual line items within the legally adopted appropriation levels, but cannot make changes to those levels themselves. The city had one supplemental budget and one appropriation transfer during the year-ended June 30, 2012.

**OTHER SUPPLEMENTARY
INFORMATION**

CITY OF CANBY, OREGON
GENERAL FUND
COMBINING BALANCE SHEET
For the Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Fleet Services</u>	<u>Technical Services</u>	<u>Total General Fund</u>
ASSETS				
Cash and cash equivalents	\$ 1,295,888	\$ 410,610	\$ 248,120	\$ 1,954,618
Due from other governments	17,083	-	-	17,083
Accounts receivable	184,729	1,038	-	185,767
Property taxes receivable	251,183	-	-	251,183
Due from other funds	264,322	-	-	264,322
	<u>2,013,205</u>	<u>411,648</u>	<u>248,120</u>	<u>2,672,973</u>
Total assets	<u>\$ 2,013,205</u>	<u>\$ 411,648</u>	<u>\$ 248,120</u>	<u>\$ 2,672,973</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and other current liabilities	\$ 171,221	\$ 7,410	\$ 15,284	\$ 193,915
Deferred revenue	232,611	-	-	232,611
	<u>403,832</u>	<u>7,410</u>	<u>15,284</u>	<u>426,526</u>
Total liabilities	<u>403,832</u>	<u>7,410</u>	<u>15,284</u>	<u>426,526</u>
FUND BALANCES:				
Assigned for:				
Capital asset acquisition/maintenance	-	404,238	-	404,238
Information Technology Services	-	-	232,836	232,836
Unassigned	1,609,373	-	-	1,609,373
	<u>1,609,373</u>	<u>404,238</u>	<u>232,836</u>	<u>2,246,447</u>
Total fund equity	<u>1,609,373</u>	<u>404,238</u>	<u>232,836</u>	<u>2,246,447</u>
Total liabilities and fund equity	<u>\$ 2,013,205</u>	<u>\$ 411,648</u>	<u>\$ 248,120</u>	<u>\$ 2,672,973</u>

**CITY OF CANBY, OREGON
GENERAL FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012**

	General Fund	Fleet Services Fund	Technical Services Fund	Total General Fund
REVENUES:				
Intergovernmental	\$ 1,161,343	\$ -	\$ -	\$ 1,161,343
Charges for services	168,016	8,744	-	176,760
Property taxes	3,722,477	-	-	3,722,477
Franchise	463,062	-	-	463,062
License fees permits	295,930	-	-	295,930
Fines and forfeitures	506,205	-	-	506,205
Grants & donations	66,902	-	-	66,902
Interest	10,339	2,049	1,477	13,865
Miscellaneous	15,958	2,635	-	18,593
Total revenues	6,410,232	13,428	1,477	6,425,137
EXPENDITURES:				
General government	1,470,873	610,233	180,657	2,261,763
Public safety	3,933,992	-	-	3,933,992
Culture and recreation	459,995	-	-	459,995
Community development	549,671	-	-	549,671
Capital outlay	77,850	-	30,208	108,058
Total expenditures	6,492,381	610,233	210,865	7,313,479
Revenues over (under) expenditures	(82,149)	(596,805)	(209,388)	(888,342)
OTHER FINANCING SOURCES (USES):				
Gain on disposal of asset	-	4,260	-	4,260
Transfers in	847,897	777,600	190,612	1,816,109
Transfers out	(872,150)	(52,866)	(77,173)	(1,002,189)
Total other financing sources (uses)	(24,253)	728,994	113,439	818,180
Net changes in fund balances	(106,402)	132,189	(95,949)	(70,162)
FUND BALANCES, BEGINNING	1,715,775	272,049	328,785	2,316,609
FUND BALANCES, ENDING	\$ 1,609,373	\$ 404,238	\$ 232,836	\$ 2,246,447

CITY OF CANBY, OREGON
FLEET SERVICES COMBINED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 8,000	\$ 8,000	\$ 8,744	\$ 744
Interest	800	800	2,049	1,249
Miscellaneous	1,500	1,500	2,635	1,135
Total revenues	10,300	10,300	13,428	3,128
EXPENDITURES:				
Personal service	319,042	319,042	215,418	103,624
Materials and service	528,379	528,379	394,815	133,564
Capital outlay	75,450	75,450	-	75,450
Contingency	56,408	56,408	-	56,408
Total expenditures	979,279	979,279	610,233	369,046
Revenues over (under) expenditures	(968,979)	(968,979)	(596,805)	372,174
OTHER FINANCING SOURCES (USES):				
Gain on disposal	-	-	4,260	4,260
Debt proceeds	75,450	75,450	-	(75,450)
Transfers in	804,510	804,510	777,600	(26,910)
Transfers out	(52,866)	(52,866)	(52,866)	-
Total other financing sources (uses)	827,094	827,094	728,994	(98,100)
Net changes in fund balances	(141,885)	(141,885)	132,189	274,074
FUND BALANCES, BEGINNING BUDGETARY BASIS	141,885	141,885	272,049	130,164
FUND BALANCES, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 404,238	\$ 404,238

CITY OF CANBY, OREGON
TECHNICAL SERVICES COMBINED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 1,400	\$ 1,400	\$ 1,477	\$ 77
Total revenues	1,400	1,400	1,477	77
EXPENDITURES:				
Personal service	99,211	99,211	87,318	11,893
Materials and service	96,000	103,500	93,339	10,161
Capital outlay	214,854	225,354	30,208	195,146
Contingency	25,223	17,723	-	17,723
Total expenditures	435,288	445,788	210,865	234,923
Revenues over (under) expenditures	(433,888)	(444,388)	(209,388)	235,000
OTHER FINANCING SOURCES (USES):				
Transfers in	180,112	190,612	190,612	-
Transfers out	(77,173)	(77,173)	(77,173)	-
Total other financing sources (uses)	102,939	113,439	113,439	-
Net changes in fund balances	(330,949)	(330,949)	(95,949)	235,000
FUND BALANCES, BEGINNING BUDGETARY BASIS	330,949	330,949	328,785	(2,164)
FUND BALANCES, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 232,836	\$ 232,836

CITY OF CANBY, OREGON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
For the Fiscal Year Ended June 30, 2012

	Total Non-major Special Revenue Funds	Non-major Debt Service Fund	Non-major Capital Projects Fund	Total
ASSETS				
Cash and cash equivalents	\$ 1,333,233	\$ 5,575	\$ 58,354	\$ 1,397,162
Due from other governments	2,052	-	-	2,052
Accounts receivable	83,947	-	2,455	86,402
Property taxes receivable	30,254	-	-	30,254
Due from other funds	24,016	-	-	24,016
	<u>1,473,502</u>	<u>5,575</u>	<u>60,809</u>	<u>1,539,886</u>
Total assets	<u>\$ 1,473,502</u>	<u>\$ 5,575</u>	<u>\$ 60,809</u>	<u>\$ 1,539,886</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and other current liabilities	\$ 44,487	\$ -	\$ -	\$ 44,487
Due to other funds	-	40,829	-	40,829
Deferred revenue	28,020	-	-	28,020
	<u>72,507</u>	<u>40,829</u>	<u>-</u>	<u>113,336</u>
Total liabilities	<u>72,507</u>	<u>40,829</u>	<u>-</u>	<u>113,336</u>
FUND BALANCES:				
Restricted for:				
Drug enforcement and equipment	13,587	-	-	13,587
911 services	24,452	-	-	24,452
Committed for:				
Assigned for:				
Library services and improvement	373,487	-	-	373,487
Cemetery care	813,130	-	-	813,130
Swim center	176,294	-	-	176,294
Capital projects	-	-	60,809	60,809
Committed to library services	45	-	-	45
Unassigned	-	(35,254)	-	(35,254)
	<u>1,400,995</u>	<u>(35,254)</u>	<u>60,809</u>	<u>1,426,550</u>
Total fund balance	<u>1,400,995</u>	<u>(35,254)</u>	<u>60,809</u>	<u>1,426,550</u>
Total liabilities and fund balance	<u>\$ 1,473,502</u>	<u>\$ 5,575</u>	<u>\$ 60,809</u>	<u>\$ 1,539,886</u>

CITY OF CANBY, OREGON
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	Total Non-major Special Revenue Funds	Non-major Debt Service Fund	Non-major Capital Projects Fund	Total
REVENUES:				
Intergovernmental	\$ 753,412	\$ -	\$ -	\$ 753,412
Charges for services	213,339	-	-	213,339
Property taxes	448,261	-	-	448,261
License fees permits	-	-	13,474	13,474
Grants & donations	98,437	-	-	98,437
Interest	7,206	(60)	234	7,380
Miscellaneous	26,667	1,078	-	27,745
Excise tax	77,388	-	-	77,388
	<u>1,624,710</u>	<u>1,018</u>	<u>13,708</u>	<u>1,639,436</u>
EXPENDITURES:				
General government	-	219,296	-	219,296
Public safety	154,112	-	-	154,112
Culture and recreation	1,349,362	-	-	1,349,362
Capital outlay	34,181	-	1,647	35,828
Debt service:				
Principal	-	53,044	-	53,044
Interest	-	16,474	-	16,474
	<u>1,537,655</u>	<u>288,814</u>	<u>1,647</u>	<u>1,828,116</u>
Total expenditures	<u>1,537,655</u>	<u>288,814</u>	<u>1,647</u>	<u>1,828,116</u>
Revenues over (under) expenditures	87,055	(287,796)	12,061	(188,680)
OTHER FINANCING SOURCES (USES):				
Transfers in	118,153	311,311	12,400	441,864
Transfers out	(312,406)	(58,769)	(17,472)	(388,647)
	<u>(194,253)</u>	<u>252,542</u>	<u>(5,072)</u>	<u>53,217</u>
Total other financing sources (uses)	<u>(194,253)</u>	<u>252,542</u>	<u>(5,072)</u>	<u>53,217</u>
Net changes in fund balances	(107,198)	(35,254)	6,989	(135,463)
FUND BALANCES, BEGINNING	<u>1,508,193</u>	<u>-</u>	<u>53,820</u>	<u>1,562,013</u>
FUND BALANCES, ENDING	<u>\$ 1,400,995</u>	<u>\$ (35,254)</u>	<u>\$ 60,809</u>	<u>\$ 1,426,550</u>

**CITY OF CANBY, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
For the Fiscal Year Ended June 30, 2012**

	Forfeiture Fund	Library Endowment Fund	Library Fund	911 Emergency Fund	Cemetery Perpetual Care Fund	Swim Center Local Option Tax Levy Fund	Total
ASSETS							
Cash and cash equivalents	\$ 51,272	\$ 135,411	\$ 182,981	\$ 5,015	\$ 789,114	\$ 169,440	\$ 1,333,233
Due from other governments	-	-	-	-	-	2,052	2,052
Accounts receivable	-	-	58,350	19,437	-	6,160	83,947
Property taxes receivable	-	-	-	-	-	30,254	30,254
Due from other funds	-	-	-	-	24,016	-	24,016
Total assets	\$ 51,272	\$ 135,411	\$ 241,331	\$ 24,452	\$ 813,130	\$ 207,906	\$ 1,473,502

LIABILITIES AND FUND BALANCES

LIABILITIES:							
Accounts payable and other current liabilities	\$ 37,685	\$ -	\$ 3,210	\$ -	\$ -	\$ 3,592	\$ 44,487
Deferred revenue	-	-	-	-	-	28,020	28,020
Total liabilities	37,685	-	3,210	-	-	31,612	72,507

FUND BALANCES:

Restricted for:							
Drug enforcement and equipment	13,587	-	-	-	-	-	13,587
911 services	-	-	-	24,452	-	-	24,452
Library services and improvement	-	135,366	238,121	-	-	-	373,487
Swim center	-	-	-	-	-	176,294	176,294
Committed:							
Library services	-	45	-	-	-	-	45
Cemetery care	-	-	-	-	813,130	-	813,130
Total fund equity	13,587	135,411	238,121	24,452	813,130	176,294	1,400,995
Total liabilities and fund equity	\$ 51,272	\$ 135,411	\$ 241,331	\$ 24,452	\$ 813,130	\$ 207,906	\$ 1,473,502

CITY OF CANBY, OREGON
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	Forfeiture Fund	Library Endowment Fund	Library Fund	911 Emergency Fund	Cemetery Perpetual Care Fund	Swim Center Local Option Tax Levy Fund	Total
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ 753,412	\$ -	\$ -	\$ -	\$ 753,412
Charges for services	-	-	4,352	-	15,505	193,482	213,339
Property taxes	-	-	-	-	-	448,261	448,261
Special assessments	-	-	-	-	-	-	-
Grants & donations	-	-	98,387	-	-	50	98,437
Interest	250	696	1,125	214	3,951	970	7,206
Miscellaneous	1,181	-	25,486	-	-	-	26,667
Excise tax	-	-	-	77,388	-	-	77,388
Total revenues	1,431	696	882,762	77,602	19,456	642,763	1,624,710
EXPENDITURES:							
General government	-	-	-	-	-	-	-
Public safety	1,915	-	-	152,197	-	-	154,112
Culture and recreation	-	-	825,886	-	-	523,476	1,349,362
Capital outlay	-	-	-	-	-	34,181	34,181
Total expenditures	1,915	-	825,886	152,197	-	557,657	1,537,655
Revenues over (under) expenditures	(484)	696	56,876	(74,595)	19,456	85,106	87,055
OTHER FINANCING SOURCES (USES):							
Transfers in	3,160	-	113,266	-	1,727	-	118,153
Transfers out	-	(600)	(221,842)	(600)	(600)	(88,764)	(312,406)
Total other financing sources (uses)	3,160	(600)	(108,576)	(600)	1,127	(88,764)	(194,253)
Net changes in fund balances	2,676	96	(51,700)	(75,195)	20,583	(3,658)	(107,198)
FUND BALANCES, BEGINNING	10,911	135,315	289,821	99,647	792,547	179,952	1,508,193
FUND BALANCES, ENDING	\$ 13,587	\$ 135,411	\$ 238,121	\$ 24,452	\$ 813,130	\$ 176,294	\$ 1,400,995

**CITY OF CANBY, OREGON
FORFIETURE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 195	\$ 195	\$ 250	\$ 55
Miscellaneous	1,500	1,500	1,181	(319)
Total revenues	1,695	1,695	1,431	(264)
EXPENDITURES:				
Materials and service	14,054	17,814	1,915	15,899
Total expenditures	14,054	17,814	1,915	15,899
Revenues over (under) expenditures	(12,359)	(16,119)	(484)	15,635
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,160	3,160	-
Transfers out	(600)	-	-	-
Total other financing sources (uses)	(600)	3,160	3,160	-
Net changes in fund balances	(12,959)	(12,959)	2,676	15,635
FUND BALANCES, BEGINNING	12,959	12,959	10,911	(2,048)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 13,587	\$ 13,587

**CITY OF CANBY, OREGON
LIBRARY ENDOWMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 686	686	\$ 696	\$ 10
EXPENDITURES:				
Capital outlay	135,400	135,400	-	135,400
Revenues over (under) expenditures	(134,714)	(134,714)	696	135,410
OTHER FINANCING SOURCES (USES):				
Transfers out	(600)	(600)	(600)	-
Net changes in fund balances	(135,314)	(135,314)	96	135,410
FUND BALANCES, BEGINNING	135,314	135,314	135,315	1
FUND BALANCES, ENDING	\$ -	\$ -	\$ 135,411	\$ 135,411

CITY OF CANBY, OREGON
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 744,619	\$ 753,317	\$ 753,412	\$ 95
Charges for services	3,000	3,000	4,352	1,352
Grants & donations	85,427	100,134	98,387	(1,747)
Interest	1,000	1,000	1,125	125
Miscellaneous	20,000	20,000	25,486	5,486
Total revenues	854,046	877,451	882,762	5,311
EXPENDITURES:				
Personal service	646,396	664,865	644,165	20,700
Materials and service	193,546	203,050	181,721	21,329
Contingency	146,618	635	-	635
Total expenditures	986,560	868,550	825,886	42,664
Revenues over (under) expenditures	(132,514)	8,901	56,876	47,975
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	113,266	113,266	-
Transfers out	(221,842)	(221,842)	(221,842)	-
Total other financing sources (uses)	(121,842)	(108,576)	(108,576)	-
Net changes in fund balances	(254,356)	(99,675)	(51,700)	47,975
FUND BALANCES, BEGINNING	444,502	289,821	289,821	-
FUND BALANCES, ENDING	\$ 190,146	\$ 190,146	\$ 238,121	\$ 47,975

CITY OF CANBY, OREGON
911 EMERGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 400	\$ 400	\$ 214	\$ (186)
Excise tax	75,000	75,000	77,388	2,388
Total revenues	75,400	75,400	77,602	2,202
EXPENDITURES:				
Materials and service	173,147	173,147	152,197	20,950
Revenues over (under) expenditures	(97,747)	(97,747)	(74,595)	23,152
OTHER FINANCING SOURCES (USES):				
Transfers out	(600)	(600)	(600)	-
Net changes in fund balances	(98,347)	(98,347)	(75,195)	23,152
FUND BALANCES, BEGINNING	98,347	98,347	99,647	1,300
FUND BALANCES, ENDING	\$ -	\$ -	\$ 24,452	\$ 24,452

CITY OF CANBY, OREGON
CEMETARY PERPETUAL CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 10,175	\$ 10,175	\$ 15,505	\$ 5,330
Grants & donations	100	100	-	(100)
Interest	3,500	3,500	3,951	451
Total revenues	13,775	13,775	19,456	5,681
OTHER FINANCING SOURCES (USES):				
Interfund loan proceeds (payments)	24,636	24,636	24,636	-
Transfers out	(600)	(600)	(600)	-
Total other financing sources (uses)	24,036	24,036	24,036	-
Net changes in fund balances	37,811	37,811	43,492	5,681
FUND BALANCE, BEGINNING BUDGETARY BASIS	742,000	742,000	745,622	3,622
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 779,811</u>	<u>\$ 779,811</u>	789,114	<u>\$ 9,303</u>
Interfund loan			24,016	
Total fund balance - generally accepted accounting principles			<u>\$ 813,130</u>	

CITY OF CANBY, OREGON
SWIM CENTER LOCAL OPTION LEVY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 167,800	\$ 167,800	\$ 193,482	\$ 25,682
Property taxes	453,491	453,491	448,261	(5,230)
Grants & donations	-	-	50	50
Interest	800	800	970	170
Total revenues	<u>622,091</u>	<u>622,091</u>	<u>642,763</u>	<u>20,672</u>
EXPENDITURES:				
Personal service	418,301	419,301	420,419	(1,118)
Materials and service	121,560	121,560	103,057	18,503
Capital outlay	35,000	42,500	34,181	8,319
Contingency	93,760	85,260	-	85,260
Total expenditures	<u>668,621</u>	<u>668,621</u>	<u>557,657</u>	<u>110,964</u>
Revenues over (under) expenditures	(46,530)	(46,530)	85,106	131,636
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(88,764)</u>	<u>(88,764)</u>	<u>(88,764)</u>	<u>-</u>
Total other financing sources (uses)	<u>(88,764)</u>	<u>(88,764)</u>	<u>(88,764)</u>	<u>-</u>
Net changes in fund balances	(135,294)	(135,294)	(3,658)	131,636
FUND BALANCES, BEGINNING	<u>135,294</u>	<u>135,294</u>	<u>179,952</u>	<u>44,658</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,294</u>	<u>\$ 176,294</u>

CITY OF CANBY, OREGON
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest	600	600	(60)	(660)
Miscellaneous	-	-	1,078	1,078
Total revenues	600	600	1,018	418
EXPENDITURES:				
Materials and service	219,453	219,453	219,296	157
Debt service:				
Principal	53,044	53,044	53,044	-
Interest	16,474	16,474	16,474	-
Contingency	5,000	5,000	-	5,000
Total expenditures	293,971	293,971	288,814	5,157
Revenues over (under) expenditures	(293,371)	(293,371)	(287,796)	5,575
OTHER FINANCING SOURCES (USES):				
Transfers in	352,140	352,140	352,140	-
Transfers out	(58,769)	(58,769)	(58,769)	-
Total other financing sources (uses)	293,371	293,371	293,371	-
Net changes in fund balances	-	-	5,575	5,575
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	\$ 5,575	<u>\$ 5,575</u>
Interfund loan			(40,829)	
Total fund balance - generally accepted accounting principles			<u>\$ (35,254)</u>	

**CITY OF CANBY, OREGON
CAPITAL RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
License fees permits	\$ -	\$ -	\$ 13,474	\$ 13,474
Interest	-	-	234	234
Total revenues	-	-	13,708	13,708
EXPENDITURES:				
Capital outlay	24,800	48,747	1,647	47,100
Total expenditures	24,800	48,747	1,647	47,100
Revenues over (under) expenditures	(24,800)	(48,747)	12,061	60,808
OTHER FINANCING SOURCES (USES):				
Transfers in	12,400	12,400	12,400	-
Transfers out	(61,700)	(66,625)	(66,624)	1
Total other financing sources (uses)	(49,300)	(54,225)	(54,224)	1
Net changes in fund balances	(74,100)	(102,972)	(42,163)	60,809
FUND BALANCE, BEGINNING	74,100	102,972	102,972	-
FUND BALANCE, ENDING	\$ -	\$ -	\$ 60,809	\$ 60,809

CITY OF CANBY, OREGON
STREET RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants & donations	\$ 190,000	\$ 190,000	\$ -	\$ (190,000)
Interest	7,500	7,500	5,814	(1,686)
Miscellaneous		-	9,311	9,311
System development charges	16,000	16,000	203,895	187,895
Total revenues	213,500	213,500	219,020	5,520
EXPENDITURES:				
Capital outlay	3,009,216	3,009,216	2,118,827	890,389
Total expenditures	3,009,216	3,009,216	2,118,827	890,389
Revenues over (under) expenditures	(2,795,716)	(2,795,716)	(1,899,807)	895,909
OTHER FINANCING SOURCES (USES):				
Transfers in	1,161,087	1,161,087	1,105,287	(55,800)
Transfers out	(600)	(600)	(600)	-
Total other financing sources (uses)	1,160,487	1,160,487	1,104,687	(55,800)
Net changes in fund balances	(1,635,229)	(1,635,229)	(795,120)	840,109
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,635,229	1,635,229	1,800,675	165,446
FUND BALANCE, ENDING BUDGETARY BASIS	\$ -	\$ -	\$ 1,005,555	\$ 1,005,555

CITY OF CANBY, OREGON
URBAN RENEWAL AGENCY - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 800	\$ 800	\$ 62	\$ (738)
Grants & donations	10,000	10,000	-	(10,000)
Interest	4,500	4,500	42,937	38,437
Miscellaneous	1,000,000	1,000,000	-	(1,000,000)
Total revenues	1,015,300	1,015,300	42,999	(972,301)
EXPENDITURES:				
Materials and service	558,691	558,691	422,018	136,673
Capital outlay	13,068,556	13,068,556	8,334,074	4,734,482
Contingency	150,000	150,000	-	150,000
Total expenditures	13,777,247	13,777,247	8,756,092	5,021,155
Revenues over (under) expenditures	(12,761,947)	(12,761,947)	(8,713,093)	4,048,854
OTHER FINANCING SOURCES (USES):				
Original Bond Discount	-	-	(23,749)	(23,749)
Debt proceeds	9,000,000	9,000,000	9,000,000	-
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(99,956)	(99,956)	(99,956)	-
Total other financing sources (uses)	9,900,044	9,900,044	9,876,295	(23,749)
Net changes in fund balances	(2,861,903)	(2,861,903)	1,163,202	4,025,105
FUND BALANCES, BEGINNING	2,861,903	2,861,903	3,001,935	140,032
FUND BALANCES, ENDING	\$ -	\$ -	\$ 4,165,137	\$ 4,165,137

CITY OF CANBY, OREGON
URBAN RENEWAL DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,050,000	\$ 2,050,000	\$ 1,918,625	\$ (131,375)
Special assessments	39,617	39,617	48,913	9,296
Grants & donations	66,577	66,577	66,578	1
Interest	31,043	31,043	33,322	2,279
Total revenues	<u>2,187,237</u>	<u>2,187,237</u>	<u>2,067,438</u>	<u>(119,799)</u>
EXPENDITURES:				
Debt service:				
Principal	897,725	897,725	628,744	268,981
Interest	728,933	728,933	725,507	3,426
Total expenditures	<u>1,626,658</u>	<u>1,626,658</u>	<u>1,354,251</u>	<u>272,407</u>
Revenues over (under) expenditures	<u>560,579</u>	<u>560,579</u>	<u>713,187</u>	<u>152,608</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Net changes in fund balances	(439,421)	(439,421)	(286,813)	152,608
FUND BALANCES, BEGINNING	<u>439,421</u>	<u>439,421</u>	<u>456,546</u>	<u>17,125</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,733</u>	<u>\$ 169,733</u>

**CITY OF CANBY, OREGON
SEWER COMBINED FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 2,600,000	\$ 2,600,000	\$ 3,181,472	\$ 581,472
Interest	6,000	6,000	11,043	5,043
Miscellaneous	2,500	2,500	7,720	5,220
System development charges	20,700	20,700	48,685	27,985
Total revenues	<u>2,629,200</u>	<u>2,629,200</u>	<u>3,248,920</u>	<u>619,720</u>
EXPENDITURES:				
Personal service	1,095,527	1,095,527	867,326	228,201
Materials and service	641,975	756,975	583,127	173,848
Capital outlay	1,500,164	1,500,164	222,461	1,277,703
Debt service:				
Principal	505,000	505,000	235,000	270,000
Interest	63,265	63,265	63,534	(269)
Contingency	200,000	85,000	-	85,000
Total expenditures	<u>4,005,931</u>	<u>4,005,931</u>	<u>1,971,448</u>	<u>2,034,483</u>
Revenues over (under) expenditures	(1,376,731)	(1,376,731)	1,277,472	2,654,203
OTHER FINANCING SOURCES (USES):				
Debt proceeds	115,000	115,000	-	(115,000)
Transfers in	10,936	10,936	10,939	3
Transfers out	(325,685)	(325,685)	(305,522)	20,163
Total other financing sources (uses)	<u>(199,749)</u>	<u>(199,749)</u>	<u>(294,583)</u>	<u>(94,834)</u>
Net change in fund balances	(1,576,480)	(1,576,480)	982,889	2,559,369
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>1,576,480</u>	<u>1,576,480</u>	<u>3,763,029</u>	<u>2,186,549</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,745,918</u>	<u>\$ 4,745,918</u>
Budget basis net change in fund balance				\$ 982,889
Expenditures capitalized				198,804
Debt service principal payments				235,000
Depreciation and amortization expense				(251,300)
Accrued interest (net)				(2,955)
Accrued OPEB liability				(10,523)
Accrued vacation				(7,780)
GAAP net change in fund balance				<u>\$ 1,144,135</u>

**CITY OF CANBY, OREGON
 FACILITIES FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2012**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,800	\$ 1,800	\$ 1,315	\$ (485)
Interest	400	400	442	42
Total revenues	<u>2,200</u>	<u>2,200</u>	<u>1,757</u>	<u>(443)</u>
EXPENDITURES:				
Personal service	47,830	47,830	47,205	625
Materials and service	102,000	102,000	93,717	8,283
Capital outlay	89,160	98,160	47,412	50,748
Contingency	41,701	32,701	-	32,701
Total expenditures	<u>280,691</u>	<u>280,691</u>	<u>188,334</u>	<u>92,357</u>
Revenues over (under) expenditures	(278,491)	(278,491)	(186,577)	91,914
OTHER FINANCING SOURCES (USES):				
Transfers in	280,491	280,491	285,415	4,924
Transfers out	(2,000)	(2,000)	(2,000)	-
Total other financing sources (uses)	<u>278,491</u>	<u>278,491</u>	<u>283,415</u>	<u>4,924</u>
Net changes in fund balances	-	-	96,838	96,838
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,838</u>	<u>\$ 96,838</u>

CITY OF CANBY, OREGON
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Municipal Court Fund				
Assets				
Cash	<u>\$ 3,271</u>	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ 720</u>
Liabilities				
Other current liabilities	<u>\$ 3,271</u>	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ 720</u>

CITY OF CANBY, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND OUTSTANDING BALANCES
For the Fiscal Year Ended June 30, 2012

Fiscal Year	Uncollected Balance		Collections	Interest	Comcast Adjustment	Discounts and Adjustments	Uncollected Balance
	June 30, 2011	Levy					
2011-12	\$ -	\$6,293,904	\$ (5,908,951)	\$ 1,852	\$ -	\$ (174,882)	211,923
2010-11	198,169		(112,557)	5,878	18,164	(3,682)	105,972
2009-10	87,261	-	(22,076)	5,025	-	(1,278)	68,932
2008-09	43,092	-	(27,054)	5,054	-	(770)	20,322
2007-08	11,859	-	(10,237)	2,189	-	(303)	3,508
Prior years	7,526	-	(2,030)	51	-	(347)	5,200
Totals	<u>\$ 347,907</u>	<u>\$6,293,904</u>	<u>\$ (6,082,905)</u>	<u>\$ 20,049</u>	<u>\$ 18,164</u>	<u>\$ (181,262)</u>	<u>\$ 415,857</u>

Taxes receivable classified by fund:

General fund	\$ 251,183
Urban renewal debt service fund	134,420
Non-major funds	30,254
	<u>\$ 415,857</u>

Modified accrual revenue:

Collections per above	6,082,905
Change in receivables	7,649
Change in deferred revenue	(1,191)
	<u>\$ 6,089,363</u>

Full accrual revenue:

Levy	6,293,904
Discounts and Adjustments	(181,262)
Interest	20,049
Comcast Adjustment	18,164
	<u>\$ 6,150,855</u>

CITY OF CANBY, OREGON
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ Pass-through Agency/ Program Title	Federal CFDA Number	Pass-through Number	Total
<u>National Endowment for the Humanities:</u>			
Pass-through Oregon State Library: Promotion of the Humanities-Federal/State Partnership	45.129		57,269
Total National Endowment for the Humanities			57,269
<u>Dept of Justice</u>			
Direct: Bulletproof Vest Partnership	16.607		1,722
Total Department of Justice			1,722
<u>Department of Transportation Federal Transit Administration:</u>			
Pass-through Oregon Department of Transportation: Formula Grants for Other Than Urbanized Areas	20.509		232,243
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513		295,032
Job Access-Reverse Commute	20.516		81,583
New Freedom Program	20.521		56,960
Pass-through Oregon Association of Chiefs of Police: Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		4,400
Occupant Protection Incentive Grants	20.602		3,000
Total Department of Transportation Federal Transit Administration			673,218
<u>Department of Homeland Security:</u>			
Pass-through State of Oregon Military Department: State Homeland Security Program	97.073		29,938
Pass-through State of Oregon, Orefon Emergency Management Flood Mitigation Assistance	97.029		22,511
Total Department of Homeland Security			52,449
<u>General Services Administration:</u>			
Pass-through Oregon Department of Administrative Services: Donation of Federal Surplus Personal Property	39.003		634
Total General Services Administration			634
 Total Federal Expenditures			\$ 785,292

STATISTICAL SECTION

CITY OF CANBY, OREGON
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 103,933,527	\$ 102,171,759	\$ 98,153,951	\$ 94,970,574	\$ 93,915,584	\$ 96,860,818	\$ 92,938,045	\$ 92,387,365	\$ 93,081,870	\$ 90,930,273
Restricted	399,157	792,930	1,086,871	-	-	-	191,500	-	3,969,331	6,012,709
Unrestricted	4,586,926	3,960,048	5,375,096	8,146,929	9,102,279	8,642,876	10,469,038	8,345,888	3,418,342	1,981,102
Total governmental activities net assets	\$ 108,919,610	\$ 106,924,737	\$ 104,615,918	\$ 103,117,503	\$ 103,017,863	\$ 105,503,694	\$ 103,598,583	\$ 100,733,253	\$ 100,469,543	\$ 98,924,084
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,497,748	\$ 3,160,359	\$ 3,189,108	\$ 3,601,028	\$ 4,120,266	\$ 5,142,642	\$ 5,976,467	\$ 7,195,320	\$ 8,532,340	\$ 8,683,592
Restricted for: Debt service	-	-	-	-	-	-	250,500	250,500	250,500	250,500
Unrestricted	2,873,374	2,835,621	3,346,132	3,827,293	4,045,984	3,354,199	2,883,513	2,122,173	1,574,387	2,567,270
Total business-type activities net assets	\$ 5,371,122	\$ 5,995,980	\$ 6,535,240	\$ 7,428,321	\$ 8,166,250	\$ 8,496,841	\$ 9,110,480	\$ 9,567,993	\$ 10,357,227	\$ 11,501,362
Total - City										
Invested in capital assets, net of related debt	\$ 106,431,275	\$ 105,332,118	\$ 101,343,059	\$ 98,571,602	\$ 98,035,850	\$ 102,003,460	\$ 98,914,512	\$ 99,582,685	\$ 101,614,210	\$ 99,613,865
Restricted	399,157	792,930	1,086,871	-	-	-	191,500	250,500	4,219,831	6,263,209
Unrestricted	7,460,300	6,795,669	8,721,228	11,974,222	13,148,263	11,997,075	13,352,551	10,468,061	4,992,729	4,548,372
Total primary government net assets	\$ 114,290,732	\$ 112,920,717	\$ 111,151,158	\$ 110,545,824	\$ 111,184,113	\$ 114,000,535	\$ 112,458,563	\$ 110,301,246	\$ 110,826,770	\$ 110,425,446

CITY OF CANBY, OREGON
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
General government	\$ 1,759,315	\$ 1,532,134	\$ 1,514,968	\$ 1,763,108	\$ 1,975,006	\$ 2,092,600	\$ 2,020,409	\$ 2,061,735	\$ 2,820,495	\$ 3,284,765
Public safety	2,198,030	2,764,920	3,202,770	3,735,926	3,687,446	4,161,197	4,221,405	4,081,875	4,168,007	4,516,634
Highways and streets	4,189,043	4,382,835	4,550,981	4,703,762	4,605,655	4,210,949	4,520,725	4,981,906	3,826,242	3,942,233
Transportation	657,279	792,315	1,013,469	1,191,610	1,272,614	1,728,422	1,841,758	1,989,289	1,304,747	1,134,285
Community development	-	428,389	499,842	1,459,534	699,835	1,391,106	682,282	757,344	657,712	644,529
Culture and recreation	1,032,616	1,143,635	1,382,993	691,087	1,371,076	808,945	1,485,754	1,752,634	1,920,450	2,108,559
Interest on long-term debt	42,483	65,127	73,742	166,494	203,650	158,326	235,520	300,883	340,041	745,573
Total governmental activities expenses	9,878,766	11,109,355	12,238,765	13,711,521	13,815,282	14,551,545	15,007,853	15,925,666	15,037,694	16,376,578
Business-type activities:										
Sewer Operations	1,234,510	1,224,414	1,439,799	1,524,620	1,567,159	1,730,630	1,662,222	1,606,323	1,517,463	1,807,247
Total business-type activities expenses	1,234,510	1,224,414	1,439,799	1,524,620	1,567,159	1,730,630	1,662,222	1,606,323	1,517,463	1,807,247
Total primary government expenses	\$ 11,113,276	\$ 12,333,769	\$ 13,678,564	\$ 15,236,141	\$ 15,382,441	\$ 16,282,175	\$ 16,670,075	\$ 17,531,989	\$ 16,555,157	\$ 18,183,825
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,741,265	\$ 99,453	\$ 174,825	\$ 903,727	\$ 1,581,413	\$ 610,163	\$ 382,313	\$ 122,984	\$ 669,801	\$ 535,139
Public safety	-	592,902	724,168	758,098	509,852	589,066	662,994	681,157	704,506	506,205
Highways and streets	-	809,154	888,817	1,348,669	1,427,278	1,447,744	443,341	537,347	565,788	531,122
Transportation	-	-	-	-	-	-	-	-	9,133	1,005
Culture and recreation	-	520,298	608,995	1,181,382	661,631	679,938	209,869	4,314	276,095	213,339
Community development	-	391,996	291,056	178,644	117,761	100,283	197,449	133,158	261,095	-
Operating grants and contributions	1,607,902	886,881	1,012,828	932,838	2,132,594	1,617,995	1,820,849	190,372	576,493	2,456,959
Capital grants and contributions	-	230,784	308,493	1,835	15,368	1,940,316	15,300	-	285,355	534,089
Total governmental activities program revenues	3,349,167	3,531,468	4,009,182	5,305,193	6,445,897	6,985,505	3,732,115	\$ 1,669,332	\$ 3,348,266	\$ 4,777,858
Business-type activities:										
Charges for services:										
Sewer Operations	1,739,618	1,985,260	2,073,095	2,485,329	2,375,247	2,381,987	2,525,053	2,393,574	2,576,118	3,230,157
Capital grants and contributions	310,058	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,049,676	1,985,260	2,073,095	2,485,329	2,375,247	2,381,987	2,525,053	2,393,574	2,576,118	3,230,157
Total primary government program revenues	\$ 5,398,843	\$ 5,516,728	\$ 6,082,277	\$ 7,790,522	\$ 8,821,144	\$ 9,367,492	\$ 6,257,168	\$ 4,062,906	\$ 5,924,384	\$ 8,008,015

CITY OF CANBY, OREGON
CHANGES IN NET ASSETS (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net(expense)/revenue										
Governmental activities	\$ (6,529,599)	\$ (7,577,887)	\$ (8,229,583)	\$ (8,406,328)	\$ (7,305,601)	\$ (7,566,040)	\$ (11,275,738)	\$ (13,071,979)	\$ (11,689,428)	\$ (11,598,720)
Business-type activities	815,166	760,846	633,296	960,709	808,088	651,357	862,831	787,251	1,058,655	1,419,245
Total primary government net expense	\$ (5,714,433)	\$ (6,817,041)	\$ (7,596,287)	\$ (7,445,619)	\$ (6,497,513)	\$ (6,914,683)	\$ (10,412,907)	\$ (12,284,728)	\$ (10,630,773)	\$ (10,179,475)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 3,128,166	\$ 3,448,499	\$ 3,502,798	\$ 3,747,820	\$ 4,056,995	\$ 4,422,054	\$ 5,229,096	\$ 5,826,797	\$ 5,968,707	\$ 6,150,855
Franchise taxes	177,413	757,538	799,068	824,999	908,269	905,840	923,987	925,246	428,301	463,062
Public service tax	-	158,670	158,749	880,438	650,398	826,592	1,699,027	2,170,566	2,924,817	2,001,883
Transit & Excise tax	-	785,682	782,151	728,355	763,301	858,196	813,290	797,622	849,806	946,398
Unrestricted grants and contributions	1,042,345	86,156	90,579	-	-	-	-	-	-	-
Investment earnings	70,888	62,642	137,796	391,665	506,212	610,810	228,993	80,933	71,184	110,052
Miscellaneous	691,714	124,586	291,364	149,391	122,641	72,597	163,256	46,935	49,858	86,428
Gain on sale of capital assets	114,645	-	-	-	-	-	-	-	-	-
Transfers	130,198	159,241	158,259	185,245	261,929	(205,464)	312,978	358,550	282,303	294,583
Total governmental activities	\$ 5,355,369	\$ 5,583,014	\$ 5,920,764	\$ 6,907,913	\$ 7,269,745	\$ 7,490,625	\$ 9,370,627	\$ 10,206,649	\$ 10,574,976	\$ 10,053,261
Business-type activities:										
Investment earnings	61,079	23,253	64,223	127,903	191,754	182,170	61,369	20,166	9,295	11,753
Miscellaneous	13,695	-	-	540	16	141	2,417	19,834	3,587	7,720
Gain on sale of capital assets	-	-	-	(10,826)	-	(297,613)	-	(11,188)	-	-
Transfers	(130,198)	(159,241)	(158,259)	(185,245)	(261,929)	(205,464)	(312,978)	(358,550)	(282,303)	(294,583)
Total business-type activities	(55,424)	(135,988)	(94,036)	(67,628)	(70,159)	(320,766)	(249,192)	(329,738)	(269,421)	(275,110)
Total primary government	\$ 5,299,945	\$ 5,447,026	\$ 5,826,728	\$ 6,840,285	\$ 7,199,586	\$ 7,169,859	\$ 9,121,435	\$ 9,876,911	\$ 10,305,555	\$ 9,778,151
Change in Net Assets										
Governmental activities	\$ (1,174,230)	\$ (1,994,873)	\$ (2,308,819)	\$ (1,498,415)	\$ (99,640)	\$ 245,351	\$ (1,905,111)	\$ (2,865,330)	\$ (11,689,428)	\$ (1,545,459)
Business-type activities	759,742	624,858	539,260	893,081	737,929	330,591	613,639	457,513	1,058,655	1,144,135
Total primary government	\$ (414,488)	\$ (1,370,015)	\$ (1,769,559)	\$ (605,334)	\$ 638,289	\$ 575,942	\$ (1,291,472)	\$ (2,407,817)	\$ (10,630,773)	\$ (401,324)

CITY OF CANBY, OREGON
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Unrestricted		Total
			Intergovernmental	Revenue	
2003	\$ 3,128,166	\$ 177,413	N/A	N/A	\$ 3,305,579
2004	3,423,608	757,538	158,670	785,682	5,125,498
2005	3,502,798	799,068	158,749	782,151	5,242,766
2006	3,747,820	824,999	880,438	728,355	6,181,612
2007	4,056,995	908,268	650,398	763,301	6,378,962
2008	4,422,054	905,840	826,592	858,196	7,012,682
2009	5,229,096	923,987	1,699,027	813,290	8,665,400
2011	5,968,707	428,301	2,924,817	849,806	10,171,631
2010	5,826,797	925,246	2,170,566	797,622	9,720,231
2012	6,150,855	463,062	1,914,755	946,398	9,475,070

CITY OF CANBY, OREGON
FUND BALANCE OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,099,741	\$ 1,183,265	\$ 581,068	\$ -	\$ -
Assigned	-	-	-	-	-	-	-	-	600,835	637,074
Unreserved	2,149,827	2,349,383	1,974,541	3,005,649	3,010,375	642,284	1,262,712	1,477,133	-	-
Unassigned	-	-	-	-	-	-	-	-	1,715,774	1,609,373
Total general fund	\$ 2,149,827	\$ 2,349,383	\$ 1,974,541	\$ 3,005,649	\$ 3,010,375	\$ 2,742,025	\$ 2,445,977	\$ 2,058,201	\$ 2,316,609	\$ 2,246,447
All other governmental funds										
Reserved	\$ 399,157	\$ 792,930	\$ 1,086,871	\$ 943,790	\$ 937,114	\$ 2,845,400	\$ 818,853	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	3,969,331	6,012,709
Committed	-	-	-	-	-	-	-	-	-	25,783
Assigned	-	-	-	-	-	-	-	-	4,224,592	2,406,976
Unassigned	-	-	-	-	-	-	-	-	(230,347)	(38,867)
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	1,535,586	1,848,824	1,956,692	3,127,208	3,763,444	1,822,006	2,899,748	3,032,216	-	-
Capital project funds	658,299	895,586	1,550,540	1,385,125	2,050,832	1,343,928	4,442,115	3,375,665	-	-
Total all other governmental funds	\$ 2,593,042	\$ 3,537,340	\$ 4,594,103	\$ 5,456,123	\$ 6,751,390	\$ 6,011,334	\$ 8,160,716	\$ 6,407,881	\$ 7,963,576	\$ 8,406,601

CITY OF CANBY, OREGON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 3,920,007	\$ 4,209,290	\$ 4,304,868	\$ 4,781,182	\$ 5,018,424	\$ 5,384,310	\$ 6,086,281	\$ 6,667,745	\$ 6,923,675	\$ 7,122,889
Licenses and permits	528,696	297,326	244,163	751,503	536,069	440,652	236,200	175,797	269,191	309,404
Intergovernmental	1,582,902	1,356,717	1,377,497	1,300,149	1,357,083	1,497,278	2,847,244	2,629,636	2,836,815	3,489,998
Franchise	177,413	253,739	284,925	295,674	372,082	375,480	380,917	393,741	428,301	463,062
Charges for services	252,759	433,317	389,931	376,567	354,456	806,208	499,369	931,949	1,015,900	922,288
Fines & forfeitures	427,818	548,039	671,872	707,442	708,044	607,934	608,661	548,191	505,002	506,205
Investment earnings	70,888	62,642	137,796	391,665	506,212	428,640	228,993	80,933	71,184	110,052
Special assessments	76,274	49,879	134,194	170,144	701,105	26,178	8,217	15,652	265,245	48,913
State highway fund	531,992	619,359	679,265	690,437	676,497	648,863	-	-	-	-
Grants & donations	267,006	534,573	707,295	748,313	1,774,336	1,526,153	1,407,503	1,052,461	993,742	1,153,253
System development charges	667,759	465,883	568,436	1,674,427	1,321,764	912,734	161,370	18,603	41,512	262,552
Miscellaneous	36,750	124,586	291,364	149,391	122,641	72,456	163,256	46,935	49,858	85,113
Total revenues	8,540,264	8,955,350	9,791,606	12,036,894	13,448,713	12,726,886	12,628,011	12,561,643	13,400,425	14,473,729
Expenditures										
General government	2,158,305	1,642,796	1,333,735	1,375,489	1,486,777	1,820,855	1,874,941	1,899,810	2,751,290	2,903,077
Public safety	1,854,502	2,204,457	2,603,832	2,986,894	3,218,555	3,978,306	4,124,030	3,823,117	3,931,437	4,088,104
Highways and streets	551,521	665,656	715,074	892,865	954,503	506,953	700,001	492,991	528,822	525,337
Transportation	128,477	736,593	658,009	868,036	955,343	1,654,988	1,708,319	1,819,432	1,126,670	919,224
Community development	-	-	410,569	476,382	608,118	759,503	668,987	594,136	547,949	549,763
Culture and recreation	986,522	959,275	1,041,035	1,258,777	1,217,733	1,306,114	1,358,843	1,512,554	1,727,713	1,809,357
Capital outlay	614,284	1,338,042	2,318,793	3,044,594	1,889,058	3,701,468	3,743,531	3,874,711	3,227,700	10,948,814
Debt service	140,914	-	-	-	-	-	-	-	-	-
Principal	-	97,942	104,331	91,184	152,034	248,930	596,209	968,040	635,813	681,788
Interest	-	45,721	40,001	66,496	166,966	166,750	227,908	268,662	343,299	741,981
Total expenditures	6,434,525	7,690,482	9,225,379	11,060,717	10,649,087	14,143,867	15,002,769	15,253,453	14,820,693	23,167,445
Excess of revenues over (under) expenditures	2,105,739	1,264,868	566,227	976,177	2,799,626	(1,416,981)	(2,374,758)	(2,691,810)	(1,420,268)	(8,693,716)
Other financing sources (uses)										
Transfers in	-	1,784,554	1,223,036	2,131,606	1,684,340	2,746,603	3,350,643	4,563,049	4,405,346	4,365,052
Transfers out	-	(1,654,356)	(1,063,795)	(1,973,347)	(1,499,095)	(2,448,990)	(3,037,665)	(4,204,499)	(4,123,043)	(4,353,883)
Gain on disposal of assets	-	-	-	-	-	-	-	-	-	4,260
Issuance of capital leases	-	-	51,738	52,714	-	110,962	-	192,649	103,510	74,899
Issuance of debt	-	-	1,202,904	1,740,059	320,076	-	3,915,114	-	2,848,558	8,976,251
Total other financing sources (uses)	-	130,198	1,413,883	1,951,032	505,321	408,575	4,228,092	551,199	3,234,371	9,066,579
Net change in fund balances	\$ 2,105,739	\$ 1,395,066	\$ 1,980,110	\$ 2,927,209	\$ 3,304,947	\$ (1,008,406)	\$ 1,853,334	\$ (2,140,611)	\$ 1,814,103	\$ 372,863
Debt service as a percentage of noncapital expenditures	0.0%	2.3%	2.1%	2.0%	3.8%	4.1%	7.8%	11.2%	9.2%	13.2%

CITY OF CANBY, OREGON
ASSESSED VALUES AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	REAL PROPERTY		PERSONAL PROPERTY		MANUFACTURED STRUCTURES	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2003	618,071,175	828,810,498	24,990,907	25,941,973	16,289,669	17,336,790
2004	657,185,636	880,649,368	26,460,933	27,542,292	12,954,454	13,520,485
2005	736,248,737	966,552,313	29,070,367	29,070,373	12,866,313	12,929,363
2006	781,204,858	1,043,294,945	26,371,767	26,371,772	11,900,522	11,933,007
2007	875,987,346	1,393,190,671	24,383,765	24,383,765	12,534,518	12,657,120
2008	950,407,566	1,643,695,530	27,136,770	27,136,770	12,863,377	13,097,450
2009	1,019,487,037	1,744,286,902	31,104,972	31,104,972	13,153,640	13,846,620
2010	1,082,280,874	1,644,999,076	33,579,468	33,579,468	12,589,316	13,269,930
2011	1,115,023,552	1,473,235,320	34,018,902	34,018,092	11,310,278	11,869,760
2012	1,140,571,946	1,324,670,444	32,253,454	32,253,454	11,005,866	11,435,400

Source: Clackamas County Assessor's Office

CITY OF CANBY, OREGON
ASSESSED VALUES AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY (Continued)
Last Ten Fiscal Years

<u>UTILITIES</u>		<u>TOTAL</u>		<u>Ratio of Total Assessed to Total Estimated Actual Value</u>	<u>Total Direct Tax Rate</u>
<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>		
12,429,566	12,948,464	671,781,317	885,037,725	75.9%	17.11
12,929,506	13,491,187	709,530,529	935,203,332	75.9%	17.21
14,212,819	14,257,380	792,398,236	1,022,809,429	77.5%	17.13
14,962,943	15,026,680	834,440,090	1,096,626,404	76.1%	16.88
17,676,550	17,930,019	930,582,179	1,448,161,575	64.3%	16.30
20,383,070	21,141,627	1,010,790,783	1,705,071,377	59.3%	16.47
21,007,740	21,269,052	1,084,753,389	1,810,507,546	59.9%	16.37
28,809,200	29,037,415	1,157,258,858	1,720,885,889	67.2%	17.13
27,769,240	27,976,802	1,188,121,972	1,547,099,974	76.8%	17.08
31,866,590	32,256,433	1,215,697,856	1,400,615,731	86.8%	17.03

CITY OF CANBY, OREGON
PROPERTY TAX RATES
Last Ten Fiscal Years

Fiscal Year Ended June 30	City of Canby	Canby School District	Clackamas CC & ESD	Clackamas County	Other Taxing Districts	Total
2003	3.77	7.60	1.05	2.49	2.20	17.11
2004	3.76	7.44	1.05	2.48	2.48	17.21
2005	3.67	7.41	1.09	2.49	2.47	17.13
2006	3.65	7.11	1.07	2.50	2.55	16.88
2007	3.62	6.58	1.03	2.44	2.63	16.30
2008	3.63	6.25	1.02	2.63	2.94	16.47
2009	3.60	6.09	1.01	2.62	3.05	16.37
2010	3.55	6.26	0.98	3.03	3.31	17.13
2011	3.55	6.22	0.96	3.02	3.33	17.08
2012	3.54	6.17	0.94	3.00	3.38	17.03

Source: Clackamas County Assessor's Office

Tax rates expressed in dollars and cents per \$1,000 of assessed value of taxable property

**CITY OF CANBY, OREGON
 PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Hope Village, Inc.	\$ 17,732,083	1	1.46%	\$ 10,318,522.00	3	1.54%
Fred Meyer Stores Inc. #651	17,551,043	2	1.44%	15,584,488	1	2.32%
American Steel Corporation	16,098,556	3	1.32%			
Canby Telephone Association	15,996,100	4	1.32%	8,361,007	4	1.24%
Johnson Controls Battery Group, Inc.	9,599,617	5	0.79%	10,724,031	2	1.60%
Pan Pacific Properties Inc.	8,969,579	6	0.74%	4,780,629	8	0.71%
Kogap Enterprises, Inc.	8,697,292	7	0.72%			
Jorken Oregon LLC	7,250,747	8	0.60%			
Shimadzu USA Manufacturing	6,993,312	9	0.58%	6,142,836	5	0.91%
Warnke-Lombard LLC	6,621,306	10	0.54%			
Willamette Valley Country Club				5,867,790	6	0.87%
Canby Market Center Assoc				5,368,927	7	0.80%
Commercial Vehicle Systems Inc				4,203,210	9	0.63%
KB Recycling				4,118,740	10	0.61%
Subtotal	\$ 115,509,635		9.51%	\$ 75,470,180		11.23%
All Other	1,100,188,221		90.50%	596,311,137		88.76%
Totals	\$ 1,215,697,856		100.0%	\$ 671,781,317		100.0%

Source: Clackamas County Assessor's Office

**CITY OF CANBY, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied by Assessor	Percent of		Delinquent Taxes Collected	Total Tax Collections	Percent of		Adjustments & Discounts	Uncollected Taxes	Percent of Delinquent Taxes to Tax Levy
		Current Tax Collections	Levy Collections			Total Tax Collections to Tax Levy	Tax Levy			
2003	3,262,266	3,060,094	93.80%	98,126	3,169,294	97.15%	91,693	181,494	5.56%	
2004	3,510,366	3,336,408	95.04%	87,200	3,423,608	97.53%	89,079	149,329	4.25%	
2005	3,618,068	3,402,364	94.04%	87,402	3,489,766	96.45%	101,528	96,506	2.67%	
2006	3,858,467	3,665,410	95.00%	73,063	3,738,473	96.89%	99,934	93,123	2.41%	
2007	3,522,095	3,218,438	91.38%	87,302	3,305,740	93.86%	91,911	138,682	3.94%	
2008	4,901,307	4,607,105	94.00%	99,474	4,706,579	96.03%	129,552	233,506	4.76%	
2009	5,363,848	4,993,705	93.10%	129,864	5,123,569	95.52%	145,085	328,700	6.13%	
2010	5,977,208	5,598,031	93.66%	178,821	5,793,374	96.92%	164,623	364,434	6.10%	
2011	6,170,088	5,743,341	93.08%	242,526	5,985,867	97.01%	198,134	347,907	5.64%	
2012	6,293,904	5,908,951	93.88%	173,954	6,082,905	96.65%	181,262	415,857	6.61%	

Source: Clackamas County Assessor's Office and City Records

CITY OF CANBY, OREGON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Per Capita
	General Obligation Bonds	Full Faith & Credit Bonds	Loans	Capital Leases	Bonds	Total	
2003	60,000		658,790	21,683	4,630,000	5,370,473	386
2004	-		1,836,870	48,811	4,410,000	6,295,681	446
2005	-		3,485,641	64,552	4,185,000	7,735,193	538
2006	-		3,653,683	81,548	3,945,000	7,680,231	522
2007	-		3,483,254	532,009	3,695,000	7,710,263	509
2008	-		3,310,524	490,719	2,557,888	6,359,131	419
2009	-	1,580,000	5,135,621	407,783	2,312,464	9,435,868	620
2010	-	1,055,000	4,885,158	406,902	2,097,040	8,444,100	554
2011	-	3,330,831	5,044,592	312,178	1,866,616	10,554,217	667
2012	-	11,935,239	4,736,852	184,991	1,626,192	18,483,274	1,168

CITY OF CANBY, OREGON
RATIOS OF GENERAL OBLIGATION BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population(1)	Assessed Value(2)	Gross General Obligation Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Debt per Capita
2003	13,440	697,346,697	60,000	270,852	(210,852)	-0.0003	5
2004	13,910	736,564,332	-	-	-	0.0000	-
2005	14,385	792,398,236	-	-	-	0.0000	-
2006	14,705	834,440,090	-	-	-	0.0000	-
2007	15,140	930,582,179	-	-	-	0.0000	-
2008	15,165	1,010,790,783	-	-	-	0.0000	-
2009	15,230	1,084,753,389	1,580,000	814,464	765,536	0.0007	104
2010	15,230	1,157,258,858	1,055,000	467,340	587,660	0.0005	69
2011	15,830	1,188,121,972	3,375,000	456,548	2,918,452	0.0025	213
2012	15,830	1,215,697,856	12,000,000	169,733	11,830,267	0.0097	758

(1) Portland State University

(2) Clackamas County Assessor's Office

CITY OF CANBY, OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2012

<u>Jurisdiction</u>	<u>Total Net Debt</u>	<u>Percent Within City</u>	<u>City's Pro Rata Share</u>
Direct:			
City of Canby	\$ 9,051,149	100%	\$ 9,051,149
Overlapping:			
Clackamas County	72,910,000	3.0300%	2,209,173
Clackamas County School District No 86	87,010,874	44.3800%	38,615,426
Clackamas Community College	<u>30,100,000</u>	4.1800%	<u>1,258,180</u>
TOTAL	<u>\$ 199,072,023</u>		<u>\$ 51,133,928</u>

Source: Debt Management Division, Oregon State Treasury
Excluding Revenue Bonds

CITY OF CANBY, OREGON
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 26,551,132	\$ 28,056,100	\$ 30,684,283	\$ 32,898,792	\$ 43,444,847	\$ 51,152,141	\$ 54,315,226	\$ 51,626,577	\$ 46,412,999	\$ 42,018,472
Total net debt application to limit	-	-	-	-	-	-	1,580,000	1,055,000	3,330,831	11,935,239
Legal debt margin	\$ 26,551,132	\$ 28,056,100	\$ 30,684,283	\$ 32,898,792	\$ 43,444,847	\$ 51,152,141	\$ 52,735,226	\$ 50,571,577	\$ 43,082,168	\$ 30,083,233
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.91%	2.04%	7.18%	28.40%

CITY OF CANBY, OREGON
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Sewer Revenue Bonds

Debt Service

Fiscal Year	Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Principal	Interest
2003	2,124,450	1,234,510	889,940	4,630,000	1,991,430
2004	2,008,513	1,224,414	784,099	4,410,000	1,767,772
2005	2,137,318	1,439,799	697,519	4,185,000	1,553,906
2006	2,613,772	1,535,446	1,078,326	3,945,000	1,350,288
2007	2,567,017	1,567,159	999,858	3,695,000	1,157,677
2008	2,554,316	1,515,131	1,039,185	3,695,000	2,996,028
2009	2,588,171	1,974,532	613,639	2,265,000	2,908,256
2010	2,433,136	1,975,623	457,513	2,055,000	2,828,500
2011	2,576,118	1,058,655	1,517,463	1,830,000	2,756,628
2012	3,230,157	1,747,378	1,482,779	1,595,000	188,094

CITY OF CANBY, OREGON
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Median Age	Unemployment Rate (2)
2003	13,910	37.5	8.3%
2004	14,110	37.1	7.1%
2005	14,385	37.0	5.7%
2006	14,705	33.2	4.9%
2007	15,140	33.8	4.6%
2008	15,165	32.9	5.3%
2009	15,230	33.3	11.0%
2010	15,829	33.7	10.1%
2011	15,830	33.7	9.0%
2012	15,830	36.3	7.8%

(1) Source: Portland State University Population Research Center

(2) for Clackamas County (Source: US Bureau of Labor Statistics)

**CITY OF CANBY, OREGON
 FULL-TIME EQUIVALENT CITY GOVERNMENT
 EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years**

	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
General Government	12.81	13.25	13.25	13.25	12.44	16.88	21.20	20.49	21.85	20.99
Public Safety										
Police Officers	21.00	21.00	23.00	23.00	29.60	25.00	25.00	25.00	25.00	24.00
Civilians	4.75	5.85	6.85	6.85	6.60	4.60	4.60	4.60	4.60	4.60
Highways and streets	4.63	4.53	4.53	5.53	4.53	5.05	4.85	4.32	4.66	5.29
Culture and recreation	13.45	16.05	18.30	18.30	17.65	15.02	14.97	16.88	18.13	19.00
Community development	5.95	5.60	5.74	5.74	3.85	7.20	7.15	5.30	4.93	4.93
Transportation	1.50	1.60	1.65	2.65	2.10	1.15	1.15	2.25	1.70	2.00
Sewer	7.54	7.47	8.67	8.67	8.67	8.95	10.01	10.14	9.06	10.94
Total	71.63	75.35	81.99	83.99	85.44	83.85	88.93	88.98	89.93	91.75

Source: Annual Adopted Budget Book

CITY OF CANBY, OREGON
OPERATING INDICATORS BY FUNCTION
Last Eight Fiscal Years¹

Function	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Police								
Physical arrests	1,003	795	870	831	882	1,365	1,056	883
Parking violations	291	304	208	161	140	164	83	50
Traffic violations	5,023	4,555	4,215	3,692	2,618	3,619	2,496	2,786
Culture and recreation								
Swim Center Admissions	69,039	64,962	66,253	61,710	70,972	74,600	72,368	73,370
Park Acreage	180	180	180	180	182	200	200	200
Community development								
Various Permits Issued	528	544	567	470	294	300	231	294
Inspections Performed ²	2,708	2,789	2,906	2,962	1,002	668	516	-
Building Permit Applications Reviewed	-	-	-	-	-	-	-	806
Wastewater								
Average daily sewage treatment (millions of gallons)	1.0521	1.0837	1.1292	0.9947	0.9718	1.0063	1.0037	0.9744

¹ Information is presented for years ended subsequent to the implementation of GASB Statement No. 34. Eventually, ten years of data will be shown.

² Effective December 2011 new building permits and associated inspections were contracted to Clackamas County.

Source: City Departments

**CITY OF CANBY, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police:										
Stations	1	2	2	2	2	1	1	1	1	1
Patrol units	11	11	11	11	11	14	14	14	14	14
Highways and streets										
Streets (center lane miles)	49.54	51.54	51.54	53.09	54.12	54.12	54.12	54.15	54.17	54.17
Streetlights	-	-	1,187	1,223	1,259	1,264	1,304	1309	1311	1325
Traffic signals ¹	-	-	-	-	-	-	-	-	-	-
Culture and recreation										
Parks acreage	114	114	180	185	185	187	187	187	187	187
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community centers	1	1	1	1	1	1	1	1	1	1
Sewer										
Number of connections	5,151	5,233	5,338	5,498	6,136	6,200	6,214	6,220	6,221	6,232
Maximum daily treatment capacity (millions of gallons)	2.20	2.20	2.20	2.27	2.53	2.80	2.80	2.80	2.80	2.80

¹There are no traffic signals on city-owned streets, only on county and state roads.

Source: City Departments

COMPLIANCE SECTION



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

March 15, 2013

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Canby as of and for the year ended June 30, 2012, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Canby was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except at noted below.

1. Expenditures exceeded appropriations as shown on page 64.

OAR 162-10-0230 Internal Control

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

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.



Pauly, Rogers, and Co., P.C.
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(503) 620-2632 ♦ (503) 684-7523 FAX
www.paulyrogersandcoco.com

March 15, 2013

To the City Council
The City of Canby
Canby, Oregon

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

We have audited the financial statements of The City of Canby as of and for the year ended June 30, 2012, and have issued our report thereon dated March 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

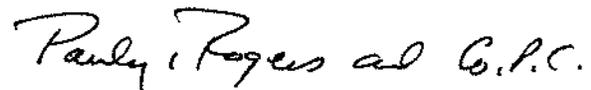
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

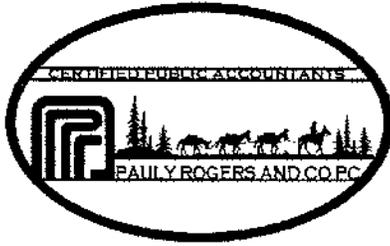
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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


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March 15, 2013

To the City Council
City of Canby
Canby, Oregon

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of The City of Canby with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The City of Canby's major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, The City of Canby complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

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


PAULY, ROGERS AND CO., P.C.

**CITY OF CANBY
CLACKAMAS COUNTY, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of Auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

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

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
20.509	Formula Grants for Other than Urbanized Areas
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities

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

Auditee qualified as low-risk auditee? _____ Yes X No

NOTES TO SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CITY OF CANBY
CLACKAMAS COUNTY, OREGON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None