

**CITY OF CANADIAN**  
**CANADIAN, TEXAS**  
**FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITOR'S REPORT**  
**YEAR ENDED SEPTEMBER 30, 2016**



## **INTRODUCTORY SECTION**

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**CITY OF CANADIAN**  
**ANNUAL FINANCIAL REPORT**  
Year Ended September 30, 2016

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**CITY OF CANADIAN**  
**ROSTER OF ELECTED AND APPOINTED OFFICIALS**  
**September 30, 2016**

**Elected Officials**

Mayor  
Mayor Pro Tem  
Council Member  
Council Member  
Council Member  
Council Member

Rob Talley  
Bob Gober  
Blake Beedy  
Joe Schaef  
Jonathan Frederick  
Gary Prater

**Appointed Officials**

City Manager  
City Secretary

Hoyt Manning  
Kimberly Sloat

## **FINANCIAL SECTION**

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**BROWN, GRAHAM & COMPANY**  
PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 67 • Spearman, Texas 79081 • 806-659-2538

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor Rob Talley and  
Members of the City Council  
City of Canadian

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canadian, (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, the respective changes in financial position, the respective budgetary comparison for the General Fund and the major special revenue fund, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-11 and the pension schedules and related notes on pages 59-61 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying *Introductory Section* and *Supplementary Information* 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. The *Supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Supplementary Information* as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *Introductory Section* has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on that information.

***Brown, Graham, & Company, P.C.***

Spearman, Texas  
February 20, 2017

## Management's Discussion and Analysis

As city manager of the City of Canadian, Texas (the City), I offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. I encourage readers to consider the information presented here in conjunction with the financial statements of the City and additional information provided. The *Independent Auditor's Report* is on Page 3 and the basic financial statements begin on page 14.

### BACKGROUND INFORMATION

The City of Canadian was incorporated in 1908, under Title 28 of the Statutes of the State of Texas. The City operates under a council-manager form of government and provides the services of public safety (code enforcement and fire), streets, culture and recreation, public works, planning and zoning, promotion and tourism, water, sewer, solid waste disposal, a golf course and various general services.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$10,988,585 (*net position*). Of this amount, \$4,943,181 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. This represents approximately 123 percent of the City's annual government-wide expenses.
- The City's total net position increased \$8,088. The increase can be attributed primarily to various grants and an increase in property tax revenue.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,506,129 or 221 percent of total general fund expenditures.
- The assets of the enterprise funds (Water and Sewer, Sanitation and the Golf Course) exceed their liabilities at the close of the most recent fiscal year by \$4,899,946 (*net position*). The enterprise funds' total net position increased \$352,914.
- The City implemented GASB 68 – *Accounting and Financial Reporting for Pensions* last fiscal year. The City's financial statements include a net pension liability of \$1,190,552 at September 30, 2016.

### USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business (accrual basis). The *government-wide financial statements*, exhibits A-1 and A-2, include the *statement of net position* and the *statement of activities*. These statements present a long-term view of the City's financial situation and they reflect the flow of total economic resources of the City.

- The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position is 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 (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, promotion and tourism, culture and recreation, and economic development.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

**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 *fund financial statements*, beginning on page 18, report the City's operations in greater detail than the *government-wide statements*. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds:** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide 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. The effect is that long-term assets and liabilities are not reported on the fund financial statements. Such information may be useful in evaluating a government's near-term financing requirements. They also serve as the basis for tax levies and the appropriation of budgets.

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*. These reconciliations can be viewed on pages 19 and 21.

The City maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Hotel/Motel Occupancy Tax Fund, and the Debt Service Fund, which are considered to be major funds as defined by GASB Statement Nos. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) and 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and No. 34* (GASB 37), or as designated by City management.

The City adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for these budgeted funds beginning at page 22 to demonstrate compliance with the budget.

- **Proprietary Funds:** These are also known as business-type funds. The focus for proprietary funds is on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. Proprietary funds are used for activities similar to those found in the private sector. The proprietary fund statements on pages 30 to 33 report the revenues and expenses of providing utilities (water and sewer), solid waste disposal (sanitation) and golf. These Funds account for activities that the City charges fees to users for goods and services. Generally, fees are set high enough to cover most or all of the costs of providing the goods and services.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-56 of this report.

**Other information:** Information about the City's capital assets and cash deposits can be found on pages 64 - 67, immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### The Statement of Net Position and the Statement of Activities

The primary purpose of the *government-wide financial statements* is to report whether the City's financial condition has improved or worsened as a result of the year's activities and to report the resources available for future needs. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Other factors such as changes in the City's property tax base, strength of the local economy, utility rates and the condition of facilities must also be considered. In the case of the City, assets exceeded liabilities by \$10,988,585 at the close of the most recent fiscal year.

The largest portion of the City's net position (55 percent) reflects the net position of the governmental activities, while 51 percent of net position represents the City's investment in capital assets (e.g., land, buildings, equipment, furnishings, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

**The Statement of Net Position and the Statement of Activities (continued)**

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$4,943,181 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

Net position of the City is presented in the table below:

<b>CITY OF CANADIAN</b>						
<b>Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and other assets	\$ 3,969,578	\$ 4,155,105	\$ 4,822,737	\$ 5,911,349	\$ 8,792,315	\$ 10,066,454
Capital assets, net of accumulated depreciation	3,203,844	3,402,852	4,699,889	3,179,309	7,903,733	6,582,161
Total Assets	<u>7,173,422</u>	<u>7,557,957</u>	<u>9,522,626</u>	<u>9,090,658</u>	<u>16,696,048</u>	<u>16,648,615</u>
Deferred outflows of resources	162,783	71,084	137,815	62,103	300,598	133,187
Total assets & deferred outflows of resources	<u>7,336,205</u>	<u>7,629,041</u>	<u>9,660,441</u>	<u>9,152,761</u>	<u>16,996,646</u>	<u>16,781,802</u>
Other liabilities	13,577	20,500	437,507	157,489	451,084	177,989
Long-term liabilities	575,459	636,397	3,765,462	3,977,621	4,340,921	4,614,018
Net pension liability	644,719	500,864	545,833	437,582	1,190,552	938,446
Total liabilities	<u>1,233,755</u>	<u>1,157,761</u>	<u>4,748,802</u>	<u>4,572,692</u>	<u>5,982,557</u>	<u>5,730,453</u>
Deferred inflows of resources	13,811	37,815	11,693	33,037	25,504	70,852
Total liabilities & deferred inflows of resources	<u>1,247,566</u>	<u>1,195,576</u>	<u>4,760,495</u>	<u>4,605,729</u>	<u>6,008,061</u>	<u>5,801,305</u>
Net position:						
Net investment in capital assets	2,726,709	2,860,717	2,913,780	2,537,565	5,640,489	5,398,282
Restricted:						
Promotion and tourism	404,915	466,059	-	-	404,915	466,059
Unrestricted	2,957,015	3,106,689	1,986,166	2,009,467	4,943,181	5,116,156
Total net position	<u>\$ 6,088,639</u>	<u>\$ 6,433,465</u>	<u>\$ 4,899,946</u>	<u>\$ 4,547,032</u>	<u>\$ 10,988,585</u>	<u>\$ 10,980,497</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The cost of all governmental activities was \$2,120,172 in 2016 as compared to \$1,937,189 in 2015. As shown in the *statement of activities* on pages 16 and 17, the amount that our taxpayers ultimately financed for these activities through City property and sales taxes was \$1,543,479. Governmental activities decreased the City's net position by \$160,534 before transfers. This is lower than in the prior year, primarily due to decreases in sales and occupancy taxes as well as increases in some expenses.

Key elements of the changes in net position are as follows:

CITY OF CANADIAN						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 54,769	\$ 45,067	\$ 1,764,801	\$ 1,903,761	\$ 1,819,570	\$ 1,948,828
Operating grants and contributions	-	10,000	262,120	262,000	262,120	272,000
Capital grants and contributions	-	-	-	113,966	-	113,966
General revenues:						
Property taxes	869,415	666,502	-	-	869,415	666,502
Other taxes	898,718	1,429,964	2,363	-	901,081	1,429,964
Loss on disposal of assets	-	-	-	(4,166)	-	(4,166)
Other revenues	136,736	174,478	30,632	25,397	167,368	199,875
Total revenues	<u>1,959,638</u>	<u>2,326,011</u>	<u>2,059,916</u>	<u>2,300,958</u>	<u>4,019,554</u>	<u>4,626,969</u>
Expenses:						
General government	581,997	448,688	-	-	581,997	448,688
Public safety	45,361	50,694	-	-	45,361	50,694
Public works	365,787	313,220	-	-	365,787	313,220
Highways and streets	368,054	384,120	-	-	368,054	384,120
Culture and recreation	99,963	97,786	-	-	99,963	97,786
Support services	324,087	283,766	-	-	324,087	283,766
Promotion and tourism	309,954	331,183	-	-	309,954	331,183
Interest on long-term debt	24,969	27,732	136,944	131,370	161,913	159,102
Water and sewer	-	-	818,874	816,257	818,874	816,257
Utility administration	-	-	83,364	74,881	83,364	74,881
Sanitation	-	-	620,085	680,685	620,085	680,685
Golf course	-	-	232,027	172,563	232,027	172,563
Total expenses	<u>2,120,172</u>	<u>1,937,189</u>	<u>1,891,294</u>	<u>1,875,756</u>	<u>4,011,466</u>	<u>3,812,945</u>
Increase (decrease) in net position before transfers	(160,534)	388,822	168,622	425,202	8,088	814,024
Transfers in (out)	(184,292)	(255,589)	184,292	255,589	-	-
Change in net position	(344,826)	133,233	352,914	680,791	8,088	814,024
Net position - beginning, as previously reported	6,433,465	6,782,635	4,547,032	4,287,694	10,980,497	11,070,329
Prior period adjustment	-	(482,403)	-	(421,453)	-	(903,856)
Net position - beginning, as restated	<u>6,433,465</u>	<u>6,300,232</u>	<u>4,547,032</u>	<u>3,866,241</u>	<u>10,980,497</u>	<u>10,166,473</u>
Net position - ending	<u>\$ 6,088,639</u>	<u>\$ 6,433,465</u>	<u>\$ 4,899,946</u>	<u>\$ 4,547,032</u>	<u>\$ 10,988,585</u>	<u>\$ 10,980,497</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Historically, the most costly functions of the governmental activities relates to general government, public works, and highways and streets. It costs the City \$1,315,838 (62 percent of total governmental activity expenses) to provide these services, while direct charges for these services to citizens and others only amounts to \$43,685. The net expense of these functions must be subsidized by the taxpayers. The business-type activities increased net position of the City by \$168,623 before transfers during the year ended September 30, 2016, which declined compared to the \$425,202 increase in the prior year. The current year decline can be primarily attributed to a decrease in charges for services and no capital grants received during the current year.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental funds:** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The City's governmental funds include the General Fund, the Hotel/Motel Occupancy Tax Fund (special revenue) and the Debt Service Fund.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balance of \$3,924,470 a decrease of \$187,803 in comparison with the prior year. Approximately 89 percent of this total amount, \$3,506,129 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$3,519,555 of which, \$3,506,129 is *unassigned*. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. *Unassigned* and *total fund balance* represents 221 and 222 percent of total general fund expenditures, respectively. A general rule of thumb is for governments to maintain *unassigned fund balance* in the range of 30 to 100 percent of annual general fund expenditures, however governments often accumulate higher percentages in anticipation of major projects.

The fund balance of the City's general fund decreased \$126,659 during the current fiscal year.

### BUDGETARY HIGHLIGHTS

Budgets reflect the same pattern as seen in the revenue and expenditures of the City. To enhance the process of developing a budget, the City utilizes goals and objectives defined by the mayor and city council, community input, long-term plans and input from various staff groups. City priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The General Fund, Hotel/Motel Occupancy Tax Fund and Debt Service Fund are considered major budgetary funds based on criteria defined in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* or as determined by management.

The following table examines the summary budget performance of the budgeted funds for the fiscal year ending September 30, 2016. Detailed budget performance is examined through the Budgetary Comparison Statements at exhibits C-1 and C-2.

#### CITY OF CANADIAN Funds Expenditure Budget Performance

	Final Budget	Actual Amounts Budgetary Basis	Variance
General Fund	\$ 1,660,910	\$ 1,581,291	\$ 79,619
Hotel/Motel Occupancy Tax Fund	280,500	278,983	1,517

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Differences between the original budget and the final amended budget of the general fund are briefly summarized as follows:

- \$18,345 in decreases to revenues
- \$32,650 in decreases to various supplies costs
- \$34,750 in decreases to various maintenance costs
- \$74,100 in decreases to various contractual services
- \$100,100 in decreases to capital outlay costs

There was also a \$5,500 decrease in the Occupancy Tax Fund budget which is the net of decreased maintenance costs and increased contractual services.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets:** The City's investment in capital assets for business-type activities and governmental activities as of September 30, 2016, amounts to \$2,913,780 and \$2,726,709, respectively (net of accumulated depreciation and debt related to the financing of the capital assets). This investment in capital assets includes the following:

#### CITY OF CANADIAN Capital Assets, Net of Accumulated Depreciation

	Business-type Activities		Governmental Activities	
	2016	2015	2016	2015
Buildings and improvements	\$ 796,038	\$ 777,164	\$ 5,189,001	\$ 5,189,001
Furniture and fixtures	3,640	4,609	59,785	59,785
Machinery and equipment	1,157,734	1,157,734	689,187	688,105
Transportation equipment	874,202	703,142	521,088	502,404
Infrastructure	4,166,290	4,166,290	-	-
Construction-in-progress	2,996,186	1,334,738	-	-
Land	32,464	32,464	75,000	75,000
Total, at cost	10,026,554	8,176,141	6,534,061	6,514,295
Accumulated depreciation	(5,326,665)	(4,996,832)	(3,330,217)	(3,111,443)
Total capital assets, net of accumulated depreciation	\$ 4,699,889	\$ 3,179,309	\$ 3,203,844	\$ 3,402,852

Major capital asset events during the current fiscal year included:

Support Services	
Euthanasia table	\$ 3,990
Maintenance Shop	
2016 F-350 with utility bed	\$ 34,900
Water and Sewer	
Waste water treatment plant	\$ 1,661,448
Sanitation	
2017 Freightliner Trash Truck	\$ 154,844
Golf Course	
Water pump and well	\$ 18,874

Additional information on the City's capital assets can be found in Note 5 of this report and in schedules F-1 and F-2.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

**Long-term debt:** At the end of the current fiscal year, the business-type activities and governmental activities of the City had total long-term debt outstanding of \$3,765,462 and \$575,459, respectively. None of this amount is secured by pledged property tax revenues.

	<b>CITY OF CANADIAN</b>			
	Outstanding Debt			
	Business-type Activities		Governmental Activities	
	2016	2015	2016	2015
Long-term debt:				
Certificates of obligation, 2008 Series	\$ -	\$ -	\$ 555,000	\$ 620,000
Certificates of obligation, 2010 Series	3,735,000	3,935,000	-	-
Lease payable	18,029	31,642	-	-
Accrued compensated Absences	12,433	10,979	20,459	16,397
Total long-term debt	<u>\$ 3,765,462</u>	<u>\$ 3,977,621</u>	<u>\$ 575,459</u>	<u>\$ 636,397</u>

Additional information on the City's long-term debt can be found in Note 7 of this report. Information on the City's landfill closure and post closure care costs can be found in Note 15.

### PENSION ACCOUNTING AND REPORTING

The City implemented Governmental Accounting Standards Board (GASB) Statement Numbers 68 and 71 in the accompanying financial statements during the prior year. These GASB statements significantly changed how governmental entities account for and report pension activity. The notes to the financial statements have a detail discussion of the impact on the City's financial statements. Additional information on the City's pension plan can be found in Note 12 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials consider many factors when adopting budgets and setting tax rates. Chief among those factors is the local economy. The economy of the City, bolstered by a strong oil and gas industry, has been growing rapidly over the past three years. Sales tax and occupancy tax revenues decreased slightly but are still significantly above the five year average. The City's efforts at economic development have helped to diversify the economy of the city.

These and other factors are taken into account during the budgeting process. For the fiscal year ending September 30, 2017, the City has budgeted \$1,619,476 of revenues in the General Fund that will be available for appropriation, a decrease of 8 percent over the final 2015-2016 budget of \$1,763,800. The City will use its revenues to finance programs we currently offer. The City has not added or subtracted any major programs or initiatives in its 2016-2017 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase \$37,716 at the close of the 2016-2017 fiscal year. In the event of any national, state, economic, or natural catastrophe, management will adjust and maintain necessary services while cutting expenditures and capital projects.

### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager at the City of Canadian, 6 Main Street, Canadian, Texas 79014.

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**BASIC  
FINANCIAL STATEMENTS**

**CITY OF CANADIAN**  
**STATEMENT OF NET POSITION**  
September 30, 2016

Exhibit A-1  
Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
<b>Assets</b>				
Cash and temporary investments	\$ 3,758,606	\$ 2,590,651	\$ 6,349,257	\$ 1,058,908
Receivables, net of allowance for uncollectibles	144,681	119,451	264,132	14,135
Internal balances	(25,000)	25,000	-	-
Inventory	13,426	50,723	64,149	-
Restricted cash	77,865	2,036,912	2,114,777	-
Investment property	-	-	-	16,460
Capital assets, net of accumulated depreciation	3,203,844	4,699,889	7,903,733	42,969
<b>Total assets</b>	<b>7,173,422</b>	<b>9,522,626</b>	<b>16,696,048</b>	<b>1,132,472</b>
<b>Deferred outflows of resources</b>				
Differences between projected and actual earnings on pension plan	92,997	78,733	171,730	-
Difference in assumption changes on pension plan	13,646	11,553	25,199	-
Pension contributions subsequent to the measurement date	56,140	47,529	103,669	-
<b>Total deferred outflows of resources</b>	<b>162,783</b>	<b>137,815</b>	<b>300,598</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 7,336,205</b>	<b>\$ 9,660,441</b>	<b>\$ 16,996,646</b>	<b>\$ 1,132,472</b>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF NET POSITION**  
September 30, 2016

Exhibit A-1  
Page 2 of 2

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental</u>	<u>Business-type</u>		<u>Economic</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Development</u>
				<u>Corporation</u>
<b>Liabilities</b>				
Accounts payable	\$ 13,013	\$ 311,318	\$ 324,331	\$ 32,251
Accrued expenses	564	3,828	4,392	-
Utility deposits	-	52,368	52,368	-
Accrued interest on long-term debt	-	69,993	69,993	-
Long-term debt:				
Due within one year	70,000	213,470	283,470	-
Due in more than one year	505,459	3,551,992	4,057,451	-
Net pension liability	644,719	545,833	1,190,552	-
<b>Total liabilities</b>	<u>1,233,755</u>	<u>4,748,802</u>	<u>5,982,557</u>	<u>32,251</u>
<b>Deferred inflows of resources</b>				
Differences between expected and actual experience on pension plan	<u>13,811</u>	<u>11,693</u>	<u>25,504</u>	<u>-</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>1,247,566</u>	<u>4,760,495</u>	<u>6,008,061</u>	<u>32,251</u>
<b>Net position</b>				
Net investment in capital assets	2,726,709	2,913,780	5,640,489	42,969
Restricted:				
Promotion and tourism	404,915	-	404,915	-
Unrestricted	<u>2,957,015</u>	<u>1,986,166</u>	<u>4,943,181</u>	<u>1,057,252</u>
<b>Total net position</b>	<u>6,088,639</u>	<u>4,899,946</u>	<u>10,988,585</u>	<u>1,100,221</u>
<b>Total liabilities and net position</b>	<u>\$ 7,336,205</u>	<u>\$ 9,660,441</u>	<u>\$ 16,996,646</u>	<u>\$ 1,132,472</u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF ACTIVITIES**  
Year Ended September 30, 2016

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 581,997	\$ 6,084	\$ -	\$ -
Public safety	45,361	890	-	-
Public works	365,787	37,601	-	-
Highways and streets	368,054	-	-	-
Culture and recreation	99,963	10,194	-	-
Support services	324,087	-	-	-
Promotion and tourism	309,954	-	-	-
Interest on long-term debt	24,969	-	-	-
Total governmental activities	<u>2,120,172</u>	<u>54,769</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Water and sewer	818,874	1,088,539	250,000	-
Utility administration	83,364	-	-	-
Sanitation	620,085	545,032	-	-
Golf Course	232,027	131,230	12,120	-
Interest on long-term debt	136,944	-	-	-
Total business-type activities	<u>1,891,294</u>	<u>1,764,801</u>	<u>262,120</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 4,011,466</u>	<u>\$ 1,819,570</u>	<u>\$ 262,120</u>	<u>\$ -</u>
<b>Component unit:</b>				
Economic Development Corporation	<u>\$ 277,781</u>	<u>\$ 28,918</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property tax  
Sales tax  
Occupancy tax  
Franchise fees  
Other tax  
Royalties and rents  
Unrestricted investment earnings  
Transfers in (out)  
Total general revenues and transfers  
Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (575,913)	\$ -	\$ (575,913)	\$ -
(44,471)	-	(44,471)	-
(328,186)	-	(328,186)	-
(368,054)	-	(368,054)	-
(89,769)	-	(89,769)	-
(324,087)	-	(324,087)	-
(309,954)	-	(309,954)	-
(24,969)	-	(24,969)	-
<u>(2,065,403)</u>	<u>-</u>	<u>(2,065,403)</u>	<u>-</u>
-	519,665	519,665	-
-	(83,364)	(83,364)	-
-	(75,053)	(75,053)	-
-	(88,677)	(88,677)	-
-	(136,944)	(136,944)	-
<u>-</u>	<u>135,627</u>	<u>135,627</u>	<u>-</u>
<u>(2,065,403)</u>	<u>135,627</u>	<u>(1,929,776)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(248,863)</u>
869,415	-	869,415	-
674,064	-	674,064	224,758
217,839	-	217,839	-
124,895	-	124,895	-
6,815	2,363	9,178	-
2,289	20,700	22,989	-
9,552	9,932	19,484	1,601
(184,292)	184,292	-	-
<u>1,720,577</u>	<u>217,287</u>	<u>1,937,864</u>	<u>226,359</u>
<u>(344,826)</u>	<u>352,914</u>	<u>8,088</u>	<u>(22,504)</u>
<u>6,433,465</u>	<u>4,547,032</u>	<u>10,980,497</u>	<u>1,122,725</u>
<u>\$ 6,088,639</u>	<u>\$ 4,899,946</u>	<u>\$ 10,988,585</u>	<u>\$ 1,100,221</u>

**CITY OF CANADIAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2016**

Exhibit B-1

		Special Revenue Fund		
		Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>	<b>General Fund</b>			
Cash and temporary investments	\$ 3,380,772	\$ 377,834	\$ -	\$ 3,758,606
Receivables, net of allowance for uncollectibles	114,107	27,458	3,116	144,681
Inventory	13,426	-	-	13,426
Restricted cash	<u>77,865</u>	<u>-</u>	<u>-</u>	<u>77,865</u>
<b>Total assets</b>	<b><u>\$ 3,586,170</u></b>	<b><u>\$ 405,292</u></b>	<b><u>\$ 3,116</u></b>	<b><u>\$ 3,994,578</u></b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 12,636	\$ 377	\$ -	\$ 13,013
Accrued expenditures	564	-	-	564
Due to other funds	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
<b>Total liabilities</b>	<b><u>38,200</u></b>	<b><u>377</u></b>	<b><u>-</u></b>	<b><u>38,577</u></b>
<b>Deferred inflows of resources:</b>				
Unavailable property taxes	<u>28,415</u>	<u>-</u>	<u>3,116</u>	<u>31,531</u>
<b>Total liabilities and deferred inflows of resources</b>	<b><u>66,615</u></b>	<b><u>377</u></b>	<b><u>3,116</u></b>	<b><u>70,108</u></b>
<b>Fund balances:</b>				
Nonspendable:				
Inventory	13,426	-	-	13,426
Restricted:				
Promotion and tourism	-	404,915	-	404,915
Unassigned	<u>3,506,129</u>	<u>-</u>	<u>-</u>	<u>3,506,129</u>
<b>Total fund balances</b>	<b><u>3,519,555</u></b>	<b><u>404,915</u></b>	<b><u>-</u></b>	<b><u>3,924,470</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$ 3,586,170</u></b>	<b><u>\$ 405,292</u></b>	<b><u>\$ 3,116</u></b>	<b><u>\$ 3,994,578</u></b>

The accompanying notes are an integral part of these financial statements



**CITY OF CANADIAN**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2016**

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

Total fund balances - governmental funds (page 18)	\$ 3,924,470
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,203,844
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	31,531
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$644,719, a deferred resource outflow related to TMRS in the amount of \$162,783, and a deferred resource inflow related to TMRS in the amount of \$13,811. This amounted to a decrease in net position in the amount of \$495,747.	(495,747)
Long-term liabilities, are reported in the Statement of Net Assets, including accrued compensated absences and bonds payable, are not due and payable in the current period and therefore are not reported as liabilities on the fund balance sheets.	<u>(575,459)</u>
Total net position - governmental activities (page 15)	\$ <u><u>6,088,639</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended September 30, 2016

Exhibit B-2

	General Fund	Special Revenue Fund Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes, penalties, and interest	\$ 1,455,433	\$ 217,839	\$ 85,664	\$ 1,758,936
Charges for services	10,194	-	-	10,194
Fees and permits	129,534	-	-	129,534
Royalties and rents	2,289	-	-	2,289
Interest on temporary investments	9,552	-	-	9,552
Other	39,936	-	-	39,936
<b>Total revenues</b>	<b>1,646,938</b>	<b>217,839</b>	<b>85,664</b>	<b>1,950,441</b>
<b>Expenditures</b>				
<b>Current:</b>				
City council	10,819	-	-	10,819
Administration	514,470	-	-	514,470
Legal	8,671	-	-	8,671
Tax office	30,816	-	-	30,816
Elections	1,111	-	-	1,111
Community service	20,732	-	-	20,732
Fire department	39,140	-	-	39,140
Highways and streets	212,517	-	-	212,517
Public works	343,179	-	-	343,179
Swimming pool	79,122	-	-	79,122
Support services	270,048	-	-	270,048
Maintenance shop	15,485	-	-	15,485
Promotion and tourism	-	278,983	-	278,983
<b>Debt service:</b>				
Principal	-	-	65,000	65,000
Interest	-	-	24,969	24,969
Capital outlay	38,890	-	-	38,890
<b>Total expenditures</b>	<b>1,585,000</b>	<b>278,983</b>	<b>89,969</b>	<b>1,953,952</b>
<b>Excess of revenues over (under) expenditures</b>	<b>61,938</b>	<b>(61,144)</b>	<b>(4,305)</b>	<b>(3,511)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in (out)	(188,597)	-	4,305	(184,292)
<b>Net change in fund balances</b>	<b>(126,659)</b>	<b>(61,144)</b>	<b>-</b>	<b>(187,803)</b>
<b>Fund balances - beginning</b>	<b>3,646,214</b>	<b>466,059</b>	<b>-</b>	<b>4,112,273</b>
<b>Fund balances - ending</b>	<b>\$ 3,519,555</b>	<b>\$ 404,915</b>	<b>\$ -</b>	<b>\$ 3,924,470</b>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2016**

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

Net change in total fund balances - governmental funds (page 20)	\$ (187,803)
Governmental funds 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 and the remaining basis on assets sold is offset against sales proceeds to report gain or loss on the sale.	
Capital outlay	38,890
Depreciation	(237,898)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	9,198
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows and inflows. The City recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. This caused an decrease in the change in net position of \$28,152.	
	(28,152)
Proceeds from the issuance of long-term debt are reported as providing current financial resources in governmental funds but are reported as long-term debt in the government wide financial statement and repayments of such debt is reported as an expenditure for governmental funds but is reported as a reduction of debt in government-wide financial statements	
Principal payment on long-term debt	65,000
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
	<u>(4,061)</u>
Change in net position of governmental activities (page 17)	\$ <u><u>(344,826)</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>Revenues</b>			
Taxes, penalties, and interest	\$ 1,577,345	\$ 1,555,200	\$ 1,470,180
Charges for services	9,500	9,500	10,194
Fees and permits	146,500	141,500	138,741
Royalties and rents	6,000	6,000	2,289
Interest on temporary investments	10,000	10,000	9,552
Other	<u>32,800</u>	<u>41,600</u>	<u>41,624</u>
<b>Total revenues</b>	<u>1,782,145</u>	<u>1,763,800</u>	<u>1,672,580</u>
<b>Expenditures</b>			
<b>Current:</b>			
City Council			
Supplies and materials	500	1,000	680
Contractual services	<u>12,550</u>	<u>12,650</u>	<u>10,139</u>
Total city council	<u>13,050</u>	<u>13,650</u>	<u>10,819</u>
Administration			
Personnel services	270,750	265,700	261,380
Supplies and materials	17,500	15,000	12,143
Maintenance of buildings and structures	10,000	1,000	803
Maintenance of equipment	1,900	8,400	7,312
Contractual services	<u>247,500</u>	<u>243,400</u>	<u>233,129</u>
Total administration	<u>547,650</u>	<u>533,500</u>	<u>514,767</u>
Legal			
Supplies and materials	100	100	-
Contractual services	<u>9,500</u>	<u>8,700</u>	<u>8,671</u>
Total legal	<u>9,600</u>	<u>8,800</u>	<u>8,671</u>
Tax office			
Contractual services	<u>27,000</u>	<u>27,200</u>	<u>27,112</u>
Total tax office	<u>27,000</u>	<u>27,200</u>	<u>27,112</u>
Elections			
Supplies and materials	1,000	1,000	572
Contractual services	<u>2,800</u>	<u>1,300</u>	<u>539</u>
Total elections	<u>3,800</u>	<u>2,300</u>	<u>1,111</u>

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
\$ (85,020)	\$ (14,747)	\$ 1,455,433
694	-	10,194
(2,759)	(9,207)	129,534
(3,711)	-	2,289
(448)	-	9,552
24	(1,688)	39,936
<u>(91,220)</u>	<u>(25,642)</u>	<u>1,646,938</u>
320	-	680
2,511	-	10,139
<u>2,831</u>	<u>-</u>	<u>10,819</u>
4,320	-	261,380
2,857	(70)	12,073
197	-	803
1,088	(31)	7,281
10,271	(196)	232,933
<u>18,733</u>	<u>(297)</u>	<u>514,470</u>
100	-	-
29	-	8,671
<u>129</u>	<u>-</u>	<u>8,671</u>
88	3,704	30,816
<u>88</u>	<u>3,704</u>	<u>30,816</u>
428	-	572
761	-	539
<u>1,189</u>	<u>-</u>	<u>1,111</u>

**CITY OF CANADIAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>Expenditures (continued)</b>			
Community service			
Supplies and materials	1,500	500	-
Maintenance of buildings and structures	250	250	-
Contractual services	<u>12,500</u>	<u>20,000</u>	<u>20,732</u>
Total community service	<u>14,250</u>	<u>20,750</u>	<u>20,732</u>
Fire department			
Personnel services	19,900	19,950	18,206
Supplies and materials	3,700	2,700	117
Maintenance of equipment	7,000	3,700	2,059
Contractual services	<u>37,800</u>	<u>23,500</u>	<u>23,573</u>
Total fire department	<u>68,400</u>	<u>49,850</u>	<u>43,955</u>
Highways and streets			
Personnel services	8,000	8,000	7,549
Supplies and materials	31,900	22,900	19,629
Maintenance of buildings and structures	172,000	161,000	154,975
Maintenance of equipment	17,100	16,600	13,738
Contractual services	<u>33,400</u>	<u>18,400</u>	<u>17,324</u>
Total highways and streets	<u>262,400</u>	<u>226,900</u>	<u>213,215</u>
Public Works			
Personnel services	325,720	335,420	319,517
Supplies and materials	12,500	10,100	8,762
Maintenance of equipment	640	640	504
Contractual services	<u>60,700</u>	<u>20,900</u>	<u>15,096</u>
Total public works	<u>399,560</u>	<u>367,060</u>	<u>343,879</u>
Swimming pool			
Personnel services	44,200	44,200	43,551
Supplies and materials	23,650	17,800	17,320
Maintenance of buildings and structures	2,000	3,600	3,573
Maintenance of equipment	5,750	700	692
Contractual services	<u>19,050</u>	<u>15,050</u>	<u>14,010</u>
Total swimming pool	<u>94,650</u>	<u>81,350</u>	<u>79,146</u>

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
500	-	-
250	-	-
(732)	-	20,732
18	-	20,732
1,744	-	18,206
2,583	(36)	81
1,641	-	2,059
(73)	(4,779)	18,794
5,895	(4,815)	39,140
451	-	7,549
3,271	(718)	18,911
6,025	-	154,975
2,862	(67)	13,671
1,076	87	17,411
13,685	(698)	212,517
15,903	-	319,517
1,338	(643)	8,119
136	(57)	447
5,804	-	15,096
23,181	(700)	343,179
649	-	43,551
480	-	17,320
27	-	3,573
8	-	692
1,040	(24)	13,986
2,204	(24)	79,122

**CITY OF CANADIAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
<b>Expenditures (continued)</b>			
Support services			
Personnel	146,600	142,300	138,873
Supplies and materials	35,250	24,950	19,838
Maintenance of buildings and structures	2,500	1,500	3,674
Maintenance of equipment	12,200	10,200	7,094
Contractual services	94,400	92,000	93,993
Total support services	<u>290,950</u>	<u>270,950</u>	<u>263,472</u>
Maintenance shop			
Supplies and materials	16,500	15,400	13,121
Maintenance of buildings and structures	1,500	500	475
Maintenance of equipment	13,500	3,500	1,926
Total maintenance shop	<u>31,500</u>	<u>19,400</u>	<u>15,522</u>
Capital outlay	<u>139,300</u>	<u>39,200</u>	<u>38,890</u>
Total expenditures	<u>1,902,110</u>	<u>1,660,910</u>	<u>1,581,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,965)</u>	<u>102,890</u>	<u>91,289</u>
<b>Other financing sources (uses)</b>			
Cash used (generated) to balance budget	48,615	(19,396)	-
Operating transfers in (out)	<u>71,350</u>	<u>(83,494)</u>	<u>71,350</u>
Total other financing sources (uses)	<u>119,965</u>	<u>(102,890)</u>	<u>71,350</u>
Net change in fund balances	-	-	162,639
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>3,646,214</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,808,853</u>

**Explanation of differences:**

- (1) The City budgets for revenues and expenditures only to the extent expected to be received and paid (cash basis), rather than on the modified accrual basis.
- Accounts receivable
  - Accounts payable and accrued expenses

The accompanying notes are an integral part of these financial statements



<u>Variance with Final Budget - Favorable/ (Unfavorable)</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
3,427	-	138,873
5,112	5,991	25,829
(2,174)	(50)	3,624
3,106	(79)	7,015
(1,993)	714	94,707
<u>7,478</u>	<u>6,576</u>	<u>270,048</u>
2,279	(37)	13,084
25	-	475
1,574	-	1,926
<u>3,878</u>	<u>(37)</u>	<u>15,485</u>
<u>310</u>	<u>-</u>	<u>38,890</u>
<u>79,619</u>	<u>3,709</u>	<u>1,585,000</u>
<u>(11,601)</u>	<u>(29,351)</u>	<u>61,938</u>
19,396	-	-
<u>154,844</u>	<u>(259,947)</u>	<u>(188,597)</u>
<u>174,240</u>	<u>(259,947)</u>	<u>(188,597)</u>
<u>162,639</u>	<u>(289,298)</u>	<u>(126,659)</u>
<u>3,646,214</u>	<u>-</u>	<u>3,646,214</u>
\$ <u>3,808,853</u>	\$ <u>(289,298)</u> (1)	\$ <u>3,519,555</u>

\$ (289,963)  
665

\$ (289,298) (1)

**CITY OF CANADIAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**HOTEL/MOTEL OCCUPANCY TAX - SPECIAL REVENUE FUND**  
**Year Ended September 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
<b>Revenues</b>			
Taxes, penalties, and interest	\$ <u>320,000</u>	\$ <u>250,000</u>	\$ <u>247,288</u>
<b>Expenditures</b>			
Current:			
Promotion and tourism			
Maintenance of buildings and structures	11,000	500	206
Contractual services	<u>275,000</u>	<u>280,000</u>	<u>278,777</u>
Total expenditures	<u>286,000</u>	<u>280,500</u>	<u>278,983</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,000</u>	<u>(30,500)</u>	<u>(31,695)</u>
<b>Other financing sources (uses)</b>			
Cash used (generated) to balance budget	<u>(34,000)</u>	<u>30,500</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(31,695)</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>466,059</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434,364</u>

**Explanation of differences:**

- (1) The City budgets for revenues and expenditures only to the extent expected to be received and paid (cash basis), rather than on the modified accrual basis.  
Accounts receivable

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
\$ <u>(2,712)</u>	\$ <u>(29,449)</u>	\$ <u>217,839</u>
294	-	206
<u>1,223</u>	<u>-</u>	<u>278,777</u>
<u>1,517</u>	<u>-</u>	<u>278,983</u>
<u>(1,195)</u>	<u>(29,449)</u>	<u>(61,144)</u>
<u>(30,500)</u>	<u>-</u>	<u>-</u>
<u>(31,695)</u>	<u>(29,449)</u>	<u>(61,144)</u>
<u>466,059</u>	<u>-</u>	<u>466,059</u>
\$ <u><u>434,364</u></u>	\$ <u><u>(29,449) (1)</u></u>	\$ <u><u>404,915</u></u>

\$ (29,449) (1)

**CITY OF CANADIAN**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2016

Exhibit D-1  
Page 1 of 2

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	
<b>Assets</b>				
Current assets:				
Cash and temporary investments	\$ 2,590,651	\$ -	\$ -	\$ 2,590,651
Receivables:				
Accounts, net of allowance for doubtful accounts	67,259	52,168	24	119,451
Inventory	28,096	22,627	-	50,723
Due from other funds	-	-	25,000	25,000
Total current assets	<u>2,686,006</u>	<u>74,795</u>	<u>25,024</u>	<u>2,785,825</u>
Noncurrent assets:				
Restricted cash	2,036,912	-	-	2,036,912
Property, plant and equipment, net of accumulated depreciation	<u>4,195,461</u>	<u>430,678</u>	<u>73,750</u>	<u>4,699,889</u>
Total assets	<u>8,918,379</u>	<u>505,473</u>	<u>98,774</u>	<u>9,522,626</u>
<b>Deferred outflows of resources</b>				
Differences between projected and actual earnings on pension plan	40,112	34,414	4,207	78,733
Difference in assumption changes on pension plan	5,886	5,050	617	11,553
Pension contributions subsequent to the measurement date	<u>24,214</u>	<u>20,775</u>	<u>2,540</u>	<u>47,529</u>
Total deferred outflows of resources	<u>70,212</u>	<u>60,239</u>	<u>7,364</u>	<u>137,815</u>
Total assets and deferred outflows of resources	<u>\$ 8,988,591</u>	<u>\$ 565,712</u>	<u>\$ 106,138</u>	<u>\$ 9,660,441</u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2016

Exhibit D-1  
Page 2 of 2

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 299,930	\$ 8,692	\$ 2,696	\$ 311,318
Accrued expenses	484	3,344	-	3,828
Accrued interest payable	69,993	-	-	69,993
Current portion of long-term debt	205,000	-	8,470	213,470
Total current liabilities	<u>575,407</u>	<u>12,036</u>	<u>11,166</u>	<u>598,609</u>
<b>Long-term liabilities:</b>				
Utility deposits	52,368	-	-	52,368
Compensated absences	3,640	8,794	-	12,434
Long-term debt due in more than one year	3,530,000	-	9,558	3,539,558
Net pension liability	278,082	238,583	29,168	545,833
Total long-term liabilities	<u>3,864,090</u>	<u>247,377</u>	<u>38,726</u>	<u>4,150,193</u>
<b>Total liabilities</b>	<u>4,439,497</u>	<u>259,413</u>	<u>49,892</u>	<u>4,748,802</u>
<b>Deferred inflows of resources</b>				
Differences in expected and actual experience on pension plan	<u>5,957</u>	<u>5,111</u>	<u>625</u>	<u>11,693</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>4,445,454</u>	<u>264,524</u>	<u>50,517</u>	<u>4,760,495</u>
<b>Net position</b>				
Net investment in capital assets	2,427,380	430,678	55,722	2,913,780
Unrestricted	<u>2,115,757</u>	<u>(129,490)</u>	<u>(101)</u>	<u>1,986,166</u>
<b>Total net position</b>	<u>4,543,137</u>	<u>301,188</u>	<u>55,621</u>	<u>4,899,946</u>
<b>Total liabilities and net position</b>	<u>\$ 8,988,591</u>	<u>\$ 565,712</u>	<u>\$ 106,138</u>	<u>\$ 9,660,441</u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended September 30, 2016**

Exhibit D-2

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	
<b>Operating revenues:</b>				
Water	\$ 588,106	\$ -	\$ -	\$ 588,106
Sewer	500,433	-	-	500,433
Sanitation	-	545,032	-	545,032
Golf course	-	-	131,230	131,230
Total operating revenues	<u>1,088,539</u>	<u>545,032</u>	<u>131,230</u>	<u>1,764,801</u>
<b>Operating expenses:</b>				
Cost of sales and services:				
Water and sewer	818,874	-	-	818,874
Administration	83,364	-	-	83,364
Sanitation	-	620,085	-	620,085
Golf course	-	-	232,027	232,027
Total operating expenses	<u>902,238</u>	<u>620,085</u>	<u>232,027</u>	<u>1,754,350</u>
Operating income (loss)	<u>186,301</u>	<u>(75,053)</u>	<u>(100,797)</u>	<u>10,451</u>
<b>Non-operating revenues (expenses):</b>				
Interest earnings	9,928	-	4	9,932
Interest expense	(136,944)	-	-	(136,944)
Rents	20,700	-	-	20,700
Grants and donations	250,000	-	12,120	262,120
Other income	2,363	-	-	2,363
Total non-operating revenues (expenses)	<u>146,047</u>	<u>-</u>	<u>12,124</u>	<u>158,171</u>
Income (loss) before transfers	332,348	(75,053)	(88,673)	168,622
Operating transfers in (out)	<u>(69,000)</u>	<u>152,500</u>	<u>100,792</u>	<u>184,292</u>
Change in net position	263,348	77,447	12,119	352,914
Total net position - beginning	<u>4,279,789</u>	<u>223,741</u>	<u>43,502</u>	<u>4,547,032</u>
Total net position - ending	<u>\$ 4,543,137</u>	<u>\$ 301,188</u>	<u>\$ 55,621</u>	<u>\$ 4,899,946</u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANADIAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended September 30, 2016

Exhibit D-3

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,114,059	\$ 538,624	\$ 131,230	\$ 1,783,913
Payments to employees	(252,621)	(225,960)	(4,225)	(482,806)
Payments to vendors	(133,651)	(310,320)	(185,819)	(629,790)
Net cash flows from operating activities	<u>727,787</u>	<u>2,344</u>	<u>(58,814)</u>	<u>671,317</u>
<b>Cash flows from non-capital and related financing activities:</b>				
Transfers from (to) other funds, net	(69,000)	152,500	100,792	184,292
Other receipts	23,063	-	-	23,063
Increase in due from other funds	-	-	(25,000)	(25,000)
Net cash flows from non-capital and related financing activities	<u>(45,937)</u>	<u>152,500</u>	<u>75,792</u>	<u>182,355</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	(1,661,448)	(154,844)	(18,874)	(1,835,166)
Grants received	250,000	-	12,120	262,120
Principal paid on capital debt	(200,000)	-	(13,614)	(213,614)
Interest paid on capital debt	(146,837)	-	-	(146,837)
Net cash flows from capital and related financing activities	<u>(1,758,285)</u>	<u>(154,844)</u>	<u>(20,368)</u>	<u>(1,933,497)</u>
<b>Cash flows from investing activities:</b>				
Interest received	9,928	-	4	9,932
Net decrease in cash and temporary investments	(1,066,507)	-	(3,386)	(1,069,893)
Cash and temporary investments - beginning	<u>5,694,070</u>	<u>-</u>	<u>3,386</u>	<u>5,697,456</u>
Cash and temporary investments - ending	<u>\$ 4,627,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,627,563</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>				
Operating income (loss)	\$ 186,301	\$ (75,053)	\$ (100,797)	\$ 10,451
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation and amortization	219,120	76,489	18,977	314,586
(Increase) decrease in:				
Accounts receivable	24,576	(6,408)	-	18,168
Inventory	7,445	14,727	3,379	25,551
Deferred outflows of resources	(37,363)	(30,985)	(7,364)	(75,712)
Increase (decrease) in:				
Accounts payable	290,612	1,248	(2,802)	289,058
Accrued expenses	1,045	320	-	1,365
Pension liability	46,625	32,458	29,168	108,251
Deferred inflows of resources	(11,518)	(10,452)	625	(21,345)
Utility deposits	944	-	-	944
Net cash flows from operating activities	<u>\$ 727,787</u>	<u>\$ 2,344</u>	<u>\$ (58,814)</u>	<u>\$ 671,317</u>

The accompanying notes are an integral part of these financial statements

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**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies**

The City of Canadian (the City) was incorporated in 1908 under Title 28 of the Statutes of the State of Texas. The City operates under a council-manager form of government and provides the following services in accordance with its charter: public safety (code enforcement and fire), streets, culture and recreation, public works, planning and zoning, water, sewer, solid waste disposal, a golf course and various general services.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Financial Reporting Entity**

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth by the GASB in its *Codification of Governmental Accounting and Financial Reporting Standards*. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City has one component unit, the Canadian-Hemphill County Economic Development Corporation (EDC), and is not a component unit of any other governmental agency. Separate financial statements of the EDC are not available. EDC, a discretely presented component unit, is a separate legal entity created when voters approved a portion of sales tax to be devoted to economic development in the City of Canadian. The purpose of the EDC is to promote and develop economic interests within the City in order to eliminate unemployment and enhance public welfare. The EDC is governed by a Board of Directors appointed by the City Council and the county commissioners of Hemphill County. The financial information of the EDC is reported as a discretely presented component unit in the government-wide financial statements.

**B. Government-wide and fund financial statements**

The government-wide financial statements (Exhibits A-1 and A-2) report information on all of the non-fiduciary activities of the primary government and its component unit. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and fund financial statements (continued)**

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

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide and proprietary fund financial statements report using the *economic resources measurement focus* and the *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. Property taxes are recognized as revenues in the year for which they are billed. 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*. 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 government 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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 government.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Fund (Hotel/Motel Occupancy Tax Fund)* is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes. The City has revenue sources restricted for promotion and tourism development.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt including principal, interest and related costs.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*C. Measurement focus, basis of accounting, and financial statement presentation (continued)*

The City also reports the following major proprietary funds:

The *Water and Sewer Fund*, *Sanitation Fund* and *Golf Course Fund* account for operations financed and operated in a manner similar to a private business enterprise where the costs (expenses including depreciation) of providing water and sewer, sanitation and golf course services to the general public on a continuing basis are financed through user charges.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

*D. Assets, Liabilities and Net Position or Equity*

**Deposits and Investments:** For the purposes of the Statement of Cash Flows for the Enterprise Funds, the City considers cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition to be cash and temporary investments. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of the pool is reported in the financial statements as cash and temporary investments under each fund's caption.

The City's funds are invested in accordance with State of Texas Government Code Chapter 2256, *Public Funds Investment* (the Act). The Act contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. The City is required to adopt and implement an investment policy. The Policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable levels of risk, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, U.S. Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The City's excess funds are held in interest bearing NOW accounts at the depository bank and cash reserve funds at TexStar Investments. The City is in substantial compliance with the Public Funds Investment Act.

Investments for the City are reported at fair value, which, in most cases, approximates cost.

All deposits and investments of the City are required by state law to be collateralized in an amount equal to 100% of uninsured deposits. The collateral may be held by the pledging financial institution's trust department or by a third party financial institution through a safekeeping arrangement. See Note 3.

**Receivables and Payables:** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the governmental fund financial statements, delinquent property taxes are not recorded as revenue until received. See the policy on deferred outflows/inflows of resources below.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position or Equity (continued)*

**Inventory:** Inventories include plant maintenance and operating supplies and are stated at the lower of cost on a first-in, first-out basis or market. Inventories are accounted for using the purchase method.

**Interfund Receivables and payables:** Activities between funds that are representative of lending or 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). All other outstanding balances between funds are reported as "due to/from other funds."

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curb and gutter and similar items), are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are defined by the government as assets with initial cost in excess of \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34 - *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) the historical cost of infrastructure assets, (retroactive to 1980) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. Infrastructure assets are depreciated just as other assets are. Additions and improvements to infrastructure assets are capitalized and depreciated. Additional information is shown in the Supplemental Information section of this report. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 40
Furniture and fixtures	5 to 10
Machinery and equipment	3 to 10
Transportation equipment	5 to 7
Infrastructure	5 to 40

**Property Taxes:** Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they were imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during the 60-day period after the close of the fiscal year. The assessed value of the certified roll, upon which the levy for the 2016 fiscal year was based upon, was \$142,864,594.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended September 30, 2016 were 95% of the tax levy.

The tax rate assessed for the year ended September 30, 2016 to finance general fund operations and debt service, respectively, was .558738 and .061262 per \$100 valuation.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position or Equity (continued)*

**Deferred Outflows of Resources and Deferred Inflows of Resources:** In addition to assets, if present the statements of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has items, which arise under the accrual basis of accounting that qualify for reporting in this category. Accordingly the deferred outflows of resources reported on the Statement of Net Position are deferred and recognized as an outflow of resources in the future. All deferred outflows of resources reported at September 30, 2016 relate to the City's pension obligation.

In addition to liabilities, if present the statements of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. The City only has one item, which arises under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, differences between expected and actual experience on pension plan is reported on the statement of net position as a deferred resource inflow. Additionally, the City has one item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. The item, unavailable revenue from property taxes is reported as a deferred resource inflow on the governmental funds balance sheet.

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Compensated Absences:** Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Eligible City employees may accumulate up to 160 hours of earned but unused vacation, which will be paid if not used, on death, retirement or termination. A long-term liability of \$32,892 (\$20,459 in governmental activities and \$12,433 in business-type activities) of accrued vacation has been recorded in the government-wide financial statements as non-current liabilities, at September 30, 2016.

Accumulated sick leave benefits accumulate to a maximum of 720 hours but are not paid on termination and are therefore not accrued.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity's statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are recognized as outflows of resources in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

**Fund Balance:** The City has not formally adopted an accounting policy for fund balance in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. However, the City believes its current practice conforms to the requirements of GASB 54. The City's fund balances for its governmental funds are presented in accordance with GASB 54, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for governmental funds are reported in two major categories, nonspendable and spendable and applicable sub-categories as follows:

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position or Equity (continued)*

**Fund Balance (continued):** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventory and prepaid amounts.

Spendable fund balances are categorized and reported based on the following hierarchy of spending constraints:

**Restricted:** The restricted fund balance classification includes amounts constrained by (a) external parties (such as creditors, grantors, contributors or laws or regulations of other governments), or (b) law through constitutional provisions, or enabling legislation.

**Committed:** The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, the City Council. Formal action consists of a resolution passed by a majority vote of the City Council in a publicly held scheduled meeting. Committed fund balance amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution). Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the City Council. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The City Council may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the City Council by majority vote in a publicly scheduled meeting. The City Council has not delegated the authority to make assignments of fund balance to any individual or group.

**Unassigned:** The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

As of September 30, 2016 the City has classified its fund balances as follows:

**Nonspendable:** The City has classified nonspendable fund balance related to supplies inventory. The amount of the classification is disclosed on the face of Exhibit B-1

**Spendable:** The City has classified spendable fund balance as restricted to promotion and tourism and unassigned. The amounts of each classification are disclosed on the face of Exhibit B-1.

When the City incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged first to restricted balances, and then to unrestricted balances as they are needed. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed resources first, then to assigned resources and then to unassigned resources as they are needed.

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

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position or Equity (continued)*

**Rounding:** Amounts in the financial statements, footnotes, and supplementary information have been rounded individually, consequently, some amounts that are expected to agree, do not.

*E. New Pronouncements and the effects on Financial Reporting*

**Pronouncements Recently Issued and Adopted:** In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application* ("GASB 72"). This statement addresses accounting and financial reporting issues related to fair value measurement and provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The City did not hold any investments at, or during, the year ended September 30, 2016 that are required to be reported at fair value.

In June 2015, the GASB issues Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. This Statement does not significantly impact the City's financial statements.

**Pronouncements Recently Issued:** In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pension and OPEB) with regard to providing decision-useful information, supporting assessments of accountability an inter-period equity and creating additional transparency.

This Statement replaces the requirements of Statements GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This Statement is effective for fiscal years beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In August 2015, the GASB issued Statement 77, *Tax Abatement Disclosures*. The Requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

*E. New Pronouncements and the effects on Financial Reporting (continued)*

**Pronouncements Recently Issued (continued):** In March 2016, the GASB issued Statement 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* (“GASB 82”). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice of financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the City’s financial statements.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

At least 30 days prior to the time when the City Council makes its tax levy for the fiscal year beginning October 1, the City Manager, as budget officer, files a proposed operating budget, including proposed expenditures and the means of financing them. Such budget is available for the inspection of any taxpayer, and public hearings are conducted not less than 15 days subsequent to the time of filing. Prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. The Council has the authority to make such changes in the budget as it deems warranted. Legal council has interpreted State law to determine that the budgetary level of control is at the fund level. All appropriations lapse at the end of the City’s fiscal year. Amounts carried forward to the next fiscal year must be in the form of new appropriations and approved by the City Council.

The budgets are prepared on the non-GAAP, cash basis of accounting, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Formal budgetary integration is employed as a management control device during the year for the General Fund and the special revenue fund.

The Council properly amended the budget during the year ended September 30, 2016. These amendments resulted in the following changes:

	Cash Generated (Used) to Balance the Budget	
	Original Budget	Final Budget
<b>Budgeted funds:</b>		
General Fund	\$ (48,615)	\$ 19,396
Hotel/Motel Occupancy Tax Fund	34,000	(30,500)
Total	<u>\$ (14,615)</u>	<u>\$ (11,104)</u>

The City is required to balance its budget each year. Accordingly, amounts that are excess or deficient are presented as changes in cash generated or used, not as an excess or deficiency of revenues over expenditures.

Reconciliation of the Non-GAAP budgetary basis amounts to the financial statements on the GAAP basis by fund type is located on Exhibits C-1 and C-2.



**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 3. Deposits and Investments**

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more Texas financial institutions. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. Deposits of the City are reported in Schedule G-1.

At September 30, 2016, the carrying amount of the City's deposits was \$6,304,956. The total cash and temporary investment balance per the financial institutions of \$6,650,016 consists of interest bearing NOW accounts. Of the NOW account balances, \$6,114,401 was covered by federal depository insurance and \$535,615 was covered by collateral held in joint safekeeping by a third party in the name of the City. The City also has two accounts titled Cash Reserve Fund with TexStar Investments. These accounts are invested solely in U.S. Government obligations and have the implicit guarantee of the U.S. Government; therefore no insurance or collateral is required.

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Texas State statutes and City policy require collateral pledged for deposits in excess of federal deposit insurance be delivered, or a joint safekeeping receipt be issued, to the City for the entire amount on deposit with the institution in excess of the insured amount.

The City is a public unit as defined by the Federal Deposit Insurance Corporation. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. In addition, deposits of funds that by law or under a bond indenture are required to be paid to the holders of bonds issued by the City are separately insured up to \$250,000.

The schedule below reports the insured portion of the deposits.

	Happy State Bank
NOW accounts	\$ 6,650,016
FDIC Coverage	<u>6,114,401</u>
Total uninsured public funds	535,615
Pledged collateral held by third parties in the City's name	<u>1,128,696</u>
(Over) collateralized	\$ <u><u>(593,081)</u></u>

**NOTE 4. Receivables**

Receivables as of September 30, 2016 for governmental fund types are as follows:

**Governmental Fund Types**

	General Fund	Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Totals
Receivables:				
Property taxes	\$ 47,359	\$ -	\$ 5,193	\$ 52,552
Due from other governments	43,520	-	-	43,520
Accounts receivable	<u>42,171</u>	<u>27,458</u>	<u>-</u>	<u>69,629</u>
Total receivables	133,050	27,458	5,193	165,701
Allowance for doubtful accounts and taxes	<u>(18,943)</u>	<u>-</u>	<u>(2,077)</u>	<u>(21,020)</u>
Total net receivables	\$ <u><u>114,107</u></u>	\$ <u><u>27,458</u></u>	\$ <u><u>3,116</u></u>	\$ <u><u>144,681</u></u>

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 4. Receivables (continued)**

Governmental funds report *deferred inflows of resources* 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 deferred inflows of resources related to delinquent property taxes were \$31,531.

Receivables as of September 30, 2016 for proprietary fund types are as follows:

**Proprietary Fund Types**

	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Receivables:				
Accounts receivable	\$ 86,478	\$ 58,472	\$ 24	\$ 144,974
Allowance for doubtful accounts and taxes	(19,219)	(6,304)	-	(25,523)
Total net receivables	<u>\$ 67,259</u>	<u>\$ 52,168</u>	<u>\$ 24</u>	<u>\$ 119,451</u>

**NOTE 5. Capital Assets**

Capital asset activity for the year ended September 30, 2016 was as follows for the City's governmental activities:

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets being depreciated:				
Buildings and improvements	5,189,001	\$ -	\$ -	5,189,001
Furniture and fixtures	59,785	-	-	59,785
Machinery and equipment	688,105	3,990	(2,908)	689,187
Transportation equipment	502,404	34,900	(16,216)	521,088
Total capital assets being depreciated	<u>6,439,295</u>	<u>\$ 38,890</u>	<u>\$ (19,124)</u>	<u>6,459,061</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,007,155)	\$ (191,665)	\$ -	(2,198,820)
Furniture and fixtures	(53,321)	(3,207)	-	(56,528)
Machinery and equipment	(598,967)	(21,640)	2,908	(617,699)
Transportation equipment	(452,000)	(21,386)	16,216	(457,170)
Total accumulated depreciation	<u>(3,111,443)</u>	<u>\$ (237,898)</u>	<u>\$ 19,124</u>	<u>(3,330,217)</u>
Total capital assets being depreciated, net	<u>3,327,852</u>			<u>3,128,844</u>
Governmental activities capital assets, net	<u>\$ 3,402,852</u>			<u>\$ 3,203,844</u>

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 5. Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

<b>Governmental activities:</b>	
General government	\$ 3,207
Public safety	588
Public works	13,194
Highways and streets	155,537
Culture and recreation	109
Support services	34,292
Promotion and tourism	<u>30,971</u>
Total depreciation expense - governmental activities	<u>\$ 237,898</u>

Capital asset activity for the year ended September 30, 2016 was as follows for the City's business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfer</u>	<u>Ending Balance</u>
<b>Water and Sewer Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 16,164	\$ -	\$ -	\$ 16,164
Construction-in-progress	<u>1,334,738</u>	<u>1,661,448</u>	<u>-</u>	<u>2,996,186</u>
Total capital assets not being depreciated	<u>1,350,902</u>	<u>\$ 1,661,448</u>	<u>\$ -</u>	<u>3,012,350</u>
Capital assets being depreciated:				
Buildings and improvements	551,109	\$ -	\$ -	551,109
Furniture and fixtures	969	-	(969)	-
Machinery and equipment	534,104	-	-	534,104
Transportation equipment	124,706	-	-	124,706
Infrastructure	<u>4,166,290</u>	<u>-</u>	<u>-</u>	<u>4,166,290</u>
Total capital assets being depreciated	<u>5,377,178</u>	<u>\$ -</u>	<u>\$ (969)</u>	<u>5,376,209</u>
Less accumulated depreciation for:				
Buildings and improvements	(394,365)	\$ (57,887)	\$ -	(452,252)
Furniture and fixtures	(969)	-	969	-
Machinery and equipment	(403,352)	(26,881)	-	(430,233)
Transportation equipment	(91,208)	(9,067)	-	(100,275)
Infrastructure	<u>(3,085,053)</u>	<u>(125,285)</u>	<u>-</u>	<u>(3,210,338)</u>
Total accumulated depreciation	<u>(3,974,947)</u>	<u>\$ (219,120)</u>	<u>\$ 969</u>	<u>(4,193,098)</u>
Total capital assets being depreciated, net	<u>1,402,231</u>			<u>1,183,111</u>
Water and sewer fund capital assets, net	<u>\$ 2,753,133</u>			<u>\$ 4,195,461</u>

Construction in progress above includes construction of a new waste water treatment facility. The project is expected to be complete in fall 2017, at a total cost of approximately \$6,000,000.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 5. Capital Assets (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfer</u>	<u>Ending Balance</u>
<b>Sanitation Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 16,300	\$ -	\$ -	\$ 16,300
Capital assets being depreciated:				
Buildings and improvements	24,433	\$ -	\$ -	24,433
Machinery and equipment	401,407	-	-	401,407
Transportation equipment	574,936	154,844	-	729,780
Total capital assets being depreciated	1,000,776	\$ 154,844	\$ -	1,155,620
Less accumulated depreciation for:				
Buildings and improvements	(24,433)	\$ -	\$ -	(24,433)
Machinery and equipment	(221,748)	(36,377)	-	(258,125)
Transportation equipment	(418,572)	(40,112)	-	(458,684)
Total accumulated depreciation	(664,753)	\$ (76,489)	\$ -	(741,242)
Total capital assets being depreciated, net	336,023			414,378
Sanitation fund capital assets, net	\$ 352,323			\$ 430,678

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfer</u>	<u>Ending Balance</u>
<b>Golf Course Fund:</b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 201,622	\$ 18,874	\$ -	\$ 220,496
Furniture and fixtures	3,640	-	-	3,640
Machinery and equipment	222,223	-	-	222,223
Transportation equipment	3,500	-	16,216	19,716
Total capital assets being depreciated	430,985	\$ 18,874	\$ 16,216	466,075
Less accumulated depreciation for:				
Buildings and improvements	(185,389)	\$ (3,242)	\$ -	(188,631)
Furniture and fixtures	(3,640)	-	-	(3,640)
Machinery and equipment	(164,603)	(15,735)	-	(180,338)
Transportation equipment	(3,500)	-	(16,216)	(19,716)
Total accumulated depreciation	(357,132)	\$ (18,977)	\$ (16,216)	(392,325)
Golf course fund capital assets, net	\$ 73,853			\$ 73,750

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 5. Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the primary government's business-type activities as follows:

<b>Business-type activities:</b>	
Water	\$ 162,156
Sewer	56,964
Sanitation	76,489
Golf course	<u>18,977</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 314,586</u></u>

**NOTE 6. Construction commitments**

The City will continue a number of capital projects during the next year, to make improvements to the City's streets and public works. These projects are being administered by the City using proceeds from certificates of obligation, series 2008 and certificates of obligation, series 2010. The projects call for construction of street improvements, including drainage improvements and utility line relocations, improvements and extensions to waterworks system facilities, and improvements to the solid waste transfer station as well as improving water and sewer properties and facilities. The 2008 certificates of obligation were originally issued in the amount of \$1,000,000 and the city had \$77,865 of the funds remaining at September 30, 2016. The 2010 certificates of obligation were originally issued in the amount of \$4,820,000 and the city had \$2,036,912 of the funds remaining at September 30, 2016.

**NOTE 7. Long-term Debt**

On June 21, 2010 the City issued \$4,820,000 of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2010. The certificates were issued to make improvements to the City's water and sewer system properties and facilities, including land and rights-of-way. The certificates constitute a direct obligation of the City, payable from a combination of: (i) the Levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates are due in annual principal installments ranging from \$135,000 to \$340,000 due February 15 of each year through 2023. Interest at rates varying from 3.0% to 4.125% is due semi-annually on February and August 15 until maturity. \$136,944 of interest was paid on the certificates during the year ended September 30, 2016.

The amount currently outstanding on the above certificates of obligation is as follows:

	<u>Interest rates</u>	<u>Amount</u>
<b>Purpose:</b>		
Business-type activities - Water & Sewer	3.0 - 4.125%	<u><u>\$ 3,735,000</u></u>

Annual debt service requirements to maturity for the certificate of obligation, series 2010 are as follows:

<u>September 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 205,000	\$ 140,763
2018	210,000	134,538
2019	220,000	127,538
2020	230,000	119,663
2021	240,000	110,838
2022-2026	1,345,000	400,090
2027-2030	<u>1,285,000</u>	<u>108,020</u>
 Totals	 <u><u>\$ 3,735,000</u></u>	 <u><u>\$ 1,141,450</u></u>

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 7. Long-term Debt (continued)**

On May 15, 2008 the City issued \$1,000,000 of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2008. The certificates were issued to make improvements to the City's streets, including drainage improvements and utility line relocations, improvements to the waterworks system facilities, improvements to the solid waste transfer station, and professional services rendered in relation to such projects. The certificates constitute a direct obligation of the City, payable from a combination of: (i) the Levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates are due in annual principal installments ranging from \$35,000 to \$90,000 due February 15 of each year through 2023. Interest at 4.25% is due semi-annually on February and August 15 until maturity. \$24,969 of interest was paid on the certificates during the year ended September 30, 2016.

The amount currently outstanding on the above certificates of obligation are as follows:

	<u>Interest rates</u>	<u>Amount</u>
Purpose:		
Governmental Activities	4.25%	\$ <u>555,000</u>

Annual debt service requirements to maturity for the certificate of obligation, series 2008 are as follows:

	<u>Governmental Activities</u>	
<u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 70,000	\$ 22,100
2018	70,000	19,125
2019	75,000	16,044
2020	80,000	12,750
2021	85,000	9,244
2022-2023	<u>175,000</u>	<u>7,544</u>
Totals	\$ <u>555,000</u>	\$ <u>86,807</u>

Lease contract payable – PNC Equipment Financing

On October 23, 2013 the City entered into a financing lease contract with PNC Equipment financing for the purchase of a Toro Greensmaster with a total cost of \$40,942. Accumulated amortization of the leased equipment at September 30, 2016 was approximately \$22,913. Amortization of assets under capital leases is included in depreciation expense. The contract provides for \$40,942 to be financed over 60 months with monthly payments of principal and interest of \$752.

The amount currently outstanding on the above lease contract payable is as follows:

	<u>Interest rates</u>	<u>Amount</u>
Purpose:		
Business-type activities - Golf Course	3.916%	<u>18,029</u>

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 7. Long-term Debt (continued)**

Lease contract payable – PNC Equipment Financing (continued)

Annual debt service requirements to maturity for the lease contract payable are as follows:

<u>September 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 8,470	555
2018	8,808	217
2019	751	2
	<u>\$ 18,029</u>	<u>\$ 774</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Certificates of obligation, series 2008	\$ 620,000	\$ -	\$ (65,000)	\$ 555,000
Accrued compensated absences	16,397	4,062	-	20,459
<b>Totals</b>	<u>\$ 636,397</u>	<u>\$ 4,062</u>	<u>\$ (65,000)</u>	<u>\$ 575,459</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
PNC Equipment Leasing	\$ 5,468	\$ -	\$ (5,468)	\$ -
PNC Equipment Leasing	26,174	-	(8,145)	18,029
Certificates of obligation, series 2010	3,935,000	-	(200,000)	3,735,000
Accrued compensated absences	10,979	1,454	-	12,433
<b>Totals</b>	<u>\$ 3,977,621</u>	<u>\$ 1,454</u>	<u>\$ (213,613)</u>	<u>\$ 3,765,462</u>

**NOTE 8. Interfund receivables/payables**

The composition of interfund balances as of September 30, 2016 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
Golf Course	General	\$ <u>25,000</u>

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 9. Transfers and Payments**

Transfers and payments within the reporting entity are for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs. The following schedule reports transfers within the reporting entity.

Transfers to/from other funds:

<u>Receiving Fund</u>	<u>Paying Fund</u>	
General	Water & Sewer	\$ 69,000
General	Sanitation	27,350
Debt Service	General	4,305
Sanitation	General	179,850
Golf Course	General	<u>100,792</u>
		<u>\$ 381,297</u>

**NOTE 10. Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member and is insured through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The City pays an annual premium to the Pool based on claim experience and the status of the pool. The risk management program includes workers compensation, general and automobile liability automobile physical damage, and property and crime coverage. The calculation of actuarial gains and losses were not available at the date of this report. However, the City is not liable for more than the premiums paid.

**NOTE 11. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the fund financial statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds: The Sanitation fund and Golf Course fund reflect a deficit of unrestricted net position at September 30, 2016 of \$129,490 and \$101, respectively.
- B. Excess of expenditures over appropriations: No funds exceeded approved budgetary authority for the year ended September 30, 2016.
- C. Special revenue funds are limited by state and/or federal law for the financing of limited functions that are legally restricted to a specified purpose. The City's Hotel/Motel Occupancy Tax Fund is authorized by state law and local ordinance and is used to account for the proceeds of the Hotel/Motel Tax. This tax is restricted to expenditures that promote and develop tourism for the City of Canadian and the surrounding area.



**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2016**

**NOTE 12. Pension Plans**

**Texas Municipal Retirement System Pension Plan**

**Plan Description**

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

All eligible employees of the City are required to participate in TMRS.

**Benefits Provided**

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows: Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 10 years. The contribution rate for employees is 7 percent, and the City matching rate is currently 2 to 1 both as adopted by the governing body of the City.

***Employees covered by benefit terms.***

At the December 31, 2015 valuation and measurement date, the City had the following numbers of employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	8
Active employees	20
Total	<u>37</u>

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2016**

**NOTE 12. Pension Plans (continued)**

**Texas Municipal Retirement System Pension Plan (continued)**

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Canadian, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7% and 7% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$146,288 and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

***Actuarial assumptions:***

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used, with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who can become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 12. Pension Plans (continued)**

**Texas Municipal Retirement System Pension Plan (continued)**

**Net Pension Liability (continued)**

***Actuarial assumptions* (continued)**

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) the arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.65%
Real Return	10.00%	4.03%
Real Estate	10.00%	5.00%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	8.00%
Total	100.00%	

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 12. Pension Plans (continued)**

**Texas Municipal Retirement System Pension Plan (continued)**

**Net Pension Liability (continued)**

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	(a)	(b)	(a) - (b)
Balance at 12/31/14	\$ 3,712,607	\$ 2,774,161	\$ 938,446
Service cost	141,436	-	141,436
Interest	260,685	-	260,685
Change in benefit terms	-	-	-
Difference between expected and actual experience	34,807	-	34,807
Changes in assumptions	31,421	-	31,421
Contributions - employer	-	148,274	(148,274)
Contributions - employee	-	66,491	(66,491)
Net investment income	-	4,094	(4,094)
Benefit payments, including refunds of employee contributions	(118,494)	(118,494)	-
Administrative expense	-	(2,493)	2,493
Other changes	-	(123)	123
Net changes	349,855	97,749	252,106
Balance at 12/31/15	\$ 4,062,462	\$ 2,871,910	\$ 1,190,552

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's net pension liability (asset)	\$1,824,595	\$1,190,552	\$677,401

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year Ended September 30, 2016

**NOTE 12. Pension Plans (continued)**

**Texas Municipal Retirement System Pension Plan (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2016, the City recognized pension expense of \$186,358.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Schedule of Outflows and Inflows - Current and Future Expense**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 25,504
Changes in actuarial assumptions	25,199	-
Difference between projected and actual investment earnings	171,730	-
Contributions subsequent to the measurement date	103,669	-
Total	\$ <u>300,598</u>	\$ <u>25,504</u>

\$103,669 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Outflows (Inflows)
Year ended December 31	
2016	\$ 40,249
2017	40,249
2018	40,251
2019	50,019
2020	657
Thereafter	-
Total	\$ <u>171,425</u>

**Texas Statewide Emergency Services Personnel Retirement Fund Pension Plan**

**Plan Description**

The Fire Fighter's Pension Commissioner is the administrator of the Texas Statewide Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS provides pension, disability and survivor benefits to members of the Canadian Volunteer Fire Department (CVFD), a legal entity separate from the City. In October 2005, the City contracted to contribute \$100 per month per member into TESRS on behalf of the members of CVFD. The City makes contributions for approximately twenty to twenty-five members of CVFD per month. Hemphill County reimburses the City for half of the contributions to TESRS. The contribution by the City and Hemphill County is considered a special funding arrangement and neither party is liable for any pension obligation of CVFD beyond the payments under the contract.

**CITY OF CANADIAN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended September 30, 2016**

**NOTE 13. Deferred Compensation Plan**

The City offers its employees the option to participate in the U.S. Conference of Mayors Deferred Compensation Program (Plan) created in accordance with Internal Revenue Code (IRC) Section 457. Previously, IRC Section 457 had required all amounts deferred by the Plan's participants remain solely the property and rights of the sponsoring municipality, subject only to the claims of the municipality's general creditors. As such the assets of the plan were reflected at market value with an agency fund.

IRC 457 was amended in 1996 and requires that in order to be considered an eligible plan, all assets and income of the Plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. To comply with this requirement, the Plan entered into a trust and custody agreement with a third party to provide custodial services with respect to the assets of the Plan. The assets of the Plan are no longer required to be reflected within an agency fund of the City. Accordingly, these assets totaling \$206,227 are not reflected in the current year financial statements.

**NOTE 14. Lawsuits and Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by any grantors cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

The City is exposed to various claims and lawsuits arising in the normal course of business. This City is insured through the Texas Municipal League Intergovernmental Risk Pool. The City is involved in a lawsuit arising from operating the swimming pool. The City's insurance company is administering the proceedings of the lawsuit and does not believe any settlement will exceed the City's coverage limits.

**NOTE 15. Municipal Solid Waste Landfill Closure and Post Closure Care Costs**

The City closed its landfill on April 9, 1994 as authorized by the Texas Natural Resources Conservation Commission (TNRCC). The closure accordingly exempted the City from most of the requirements under the EPA mandated "Subtitle D Landfill Regulations". State and Federal laws and regulations required the City to perform certain maintenance and monitoring functions at the landfill site for five years after closure. It is the City's opinion that there will be minimal post closure care costs and that any such costs incurred would be immaterial. However, due to changes in technology, laws and regulations these costs may change in the future.

The City is subject to the Financial Assurance Requirements promulgated by the Texas Commission on Environmental Quality (TCEQ) concerning its solid waste transfer station Permit #V-40026. The local government financial test requires the City to submit various documents and pledge net position of the sanitation fund in the amount of \$301,188 to demonstrate financial assurance as specified by TCEQ regulations, for closure of the transfer station.

**NOTE 16. Subsequent Events**

The City has evaluated subsequent events through February 20, 2017 which is the date on which the financial statements were issued. No subsequent events requiring disclosure were noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF CANADIAN**  
**SCHEDULE OF CHANGES TO NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS**  
**September 30, 2016**

Schedule E-1

	<u>12/31/2015</u>	<u>12/31/2014</u>
<b>Total Pension Liability</b>		
Service cost	\$ 141,436	\$ 116,896
Interest on total pension liability	260,685	248,811
Changes of benefit terms	-	-
Difference between expected and actual experience	34,807	(88,286)
Changes of assumptions	31,421	-
Benefit payments, including refunds of employee contributions	<u>(118,494)</u>	<u>(121,629)</u>
Net change in total pension liability	349,855	155,792
 Total pension liability, beginning	 <u>3,712,607</u>	 <u>3,556,815</u>
Total pension liability, ending (a)	<u>4,062,462</u>	<u>3,712,607</u>
 <b>Fiduciary Net Position</b>		
Employer contributions	148,274	132,276
Member contributions	66,491	57,835
Investment income net of investment expenses	4,094	146,506
Benefit payments/refunds of contributions	(118,494)	(121,629)
Administrative expenses	(2,493)	(1,529)
Other	<u>(123)</u>	<u>(126)</u>
Net change in fiduciary net position	97,749	213,333
 Fiduciary net position, beginning	 <u>2,774,161</u>	 <u>2,560,828</u>
Fiduciary net position, ending (b)	<u>2,871,910</u>	<u>2,774,161</u>
 Net pension liability (asset), ending = (a) - (b)	 <u>\$ 1,190,552</u>	 <u>\$ 938,446</u>
 Fiduciary net position as a % of total pension liability	 70.69%	 74.72%
Pensionable covered payroll	\$ 949,874	\$ 826,211
Net pension liability (asset) as a % of covered payroll	125.34%	113.58%

Note: This schedule of changes in the City's net pension liability (asset) with related ratios, shows the changes in total pension liability less the changes in fiduciary net position, resulting in the net pension liability (asset) for the City. Only two years of data are presented in accordance with GASB 68, paragraph 138, which states in part, "The information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirement of this Statement."

The information in the schedule above corresponds to the Plan measurement date of December 31, 2015 as opposed to the City's fiscal year end of September 30, 2016.

See the accompanying independent auditor's report

**CITY OF CANADIAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
September 30, 2016

Schedule E-2

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 98,673	\$ 98,673	\$ -	\$ 476,999	20.69%
2007	117,888	117,888	-	556,074	21.20%
2008	136,306	136,306	-	674,607	20.21%
2009	133,222	133,222	-	707,308	18.84%
2010	126,213	126,213	-	728,821	17.32%
2011	117,111	117,111	-	728,821	16.07%
2012	126,089	126,089	-	826,375	15.26%
2013	125,976	125,976	-	815,582	15.45%
2014	132,276	132,276	-	826,211	16.01%
2015	148,274	148,274	-	949,874	15.61%

Note: This Schedule of Employer Contributions shows the City's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. The data in the schedule above corresponds to the City's fiscal year as opposed to the time period covered by the plan measurement date of December 31, 2015.

**NOTES TO THE SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2000 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.

See the accompanying independent auditor's report

**CITY OF CANADIAN**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**Year Ended September 30, 2016**

**Changes of Benefit Terms:**

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**Changes of Assumptions:**

Certain assumptions used to calculate the City's net pension liability changed for the December 31, 2015 valuation compared to the December 31, 2014 valuation. The inflation factor decreased from 3.0% to 2.5% and investment rate of return as well as the discount rate decreased from 7.0% to 6.75%.

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## **SUPPLEMENTARY INFORMATION**

**CITY OF CANADIAN**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
September 30, 2016

Function and Activity	Buildings and Improvements	Furniture and fixtures	Machinery and Equipment	Transportation Equipment
<b>General Government</b>				
Administration	\$ 114,840	\$ 56,990	\$ 33,854	\$ -
<b>Culture and Recreation</b>				
Community services	4,206	-	-	-
Swimming pool	281,335	-	19,197	-
Total culture and recreation	285,541	-	19,197	-
<b>Promotion and tourism</b>				
Hotel/motel occupancy tax	1,238,890	2,795	1,505	-
<b>Highways and Streets</b>				
Street Department	2,795,535	-	466,299	200,421
<b>Public Safety</b>				
Fire Department	150,000	-	18,314	142,200
<b>Public Works</b>				
Public works	-	-	2,585	64,150
<b>Support Services</b>				
Support services	604,195	-	147,433	114,317
Total governmental funds capital assets	\$ 5,189,001	\$ 59,785	\$ 689,187	\$ 521,088

See the accompanying independent auditor's report

<u>Land</u>	<u>Totals</u>
\$ <u>75,000</u>	\$ <u>280,684</u>
-	4,206
-	<u>300,532</u>
-	<u>304,738</u>
-	1,243,190
-	<u>3,462,255</u>
-	<u>310,514</u>
-	<u>66,735</u>
-	<u>865,945</u>
\$ <u><u>75,000</u></u>	\$ <u><u>6,534,061</u></u>

**CITY OF CANADIAN**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**Year Ended September 30, 2016**

Schedule F-2

Function and Activity	Governmental Funds Capital Assets September 30, 2015	Additions	Deductions	Governmental Funds Capital Assets September 30, 2016
<b>General Government</b>				
Administration	\$ 281,034	\$ -	\$ 350	\$ 280,684
<b>Culture and Recreation</b>				
Community services	4,206	-	-	4,206
Swimming pool	300,532	-	-	300,532
Total culture and recreation	304,738	-	-	304,738
<b>Promotion and tourism</b>				
Hotel/motel occupancy tax	1,243,190	-	-	1,243,190
<b>Highways and Streets</b>				
Street Department	3,444,312	34,900	16,957	3,462,255
<b>Public Safety</b>				
Fire Department	310,514	-	-	310,514
<b>Public Works</b>				
Public works	66,735	-	-	66,735
<b>Support Services</b>				
Support services	863,773	3,990	1,818	865,945
Total governmental funds capital assets	\$ 6,514,296	\$ 38,890	\$ 19,125	\$ 6,534,061

See the accompanying independent auditor's report



**CITY OF CANADIAN**  
**DEPOSITS AND TEMPORARY INVESTMENTS**  
September 30, 2016

Schedule G-1

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Rate of Interest</u>	<u>Bank Balance</u>	<u>Reconciled Book Balance</u>
<u>Happy State Bank</u>				
General operating account	NOW	0.10%	\$ 785,615	\$ 440,555
General operating account - ICS	NOW	0.10%	5,864,401	5,864,401
Total Happy State Banking Center			<u>6,650,016</u>	<u>6,304,956</u>
<u>Texstar Investments</u>				
Cash Reserve Fund - General Fund	MMKT	0.04%	<u>88,680</u>	<u>88,680</u>
<u>Texstar Investments</u>				
Cash Reserve Fund - Water & Sewer Fund	MMKT	0.04%	<u>2,069,998</u>	<u>2,069,998</u>
<u>Cash on hand</u>				
General fund			<u>-</u>	<u>400</u>
Total cash and temporary investments			<u>\$ 8,808,694</u>	<u>\$ 8,464,034</u>
Reported on the Statement of Net Assets as:				
Cash and temporary investments				\$ 6,349,257
Restricted cash				<u>2,114,777</u>
Total cash and temporary investments				<u>\$ 8,464,034</u>

See the accompanying independent auditor's report

