

CITY OF CANYON, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2021**



**CITY OF CANYON, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2021**

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INTRODUCTORY SECTION

CITY OF CANYON, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2021

Gary Hinders	Mayor, Commissioner, Place 1
Cordell Jones	Mayor Pro-Tem, Commissioner, Place 2
Paul R. Lyons	Commissioner, Place 3
Kelsey Ward	Commissioner, Place 4
Randy Ray	Commissioner, Place 5
Joe Price	City Manager
Jon Behrens	Assistant City Manager
Joel Wright, CPA	Director of Finance

FINANCIAL SECTION



To The Honorable Gary Hinders, Mayor and
Members of the City Commission
City of Canyon, Texas

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canyon, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canyon, Texas as of September 30, 2021, and the respective changes in financial position, 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 the management's discussion and analysis (pages 3 – 10) and required supplemental information (pages 68 – 76), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2022 on our consideration of the City of Canyon, Texas's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Canyon, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canyon, Texas's internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
Amarillo, Texas
March 3, 2022



Management's Discussion and Analysis

City of Canyon, Texas

In this section of the Annual Financial and Compliance Report we, the city management of the City of Canyon, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditor's report and the City's Basic Financial Statements.

Financial Highlights:

The City's assets exceed its liabilities by \$76,753,074 (total net position) for the fiscal year reported.

Total net position is compromised of the following:

1. Net investment in capital assets of \$73,025,463 includes property and equipment, net of accumulated depreciation, reduced by outstanding debt related to the purchase or construction of capital assets.
2. Restricted net position of \$671,451 represents the portion that is restricted to specific purposes.
3. Unrestricted net position of \$3,056,160 represents the portion available to maintain the City's continuing obligation to citizens and creditors.

The City's governmental activities reported total ending net position of \$34,175,176 this year. This includes an unrestricted net position of \$1,416,339.

For the fiscal year ended September 30, 2021, the City's total net position increased by \$6,503,641. Governmental activities increased by \$3,167,536, while business-type activities increased by \$3,336,105.

For the fiscal year ended September 30, 2021, the City of Canyon's governmental funds reported combined ending fund balances of \$5,806,084, which increased \$452,672 for the fiscal year. Of the combined ending fund balances, \$4,805,789 is unassigned and available for spending at the City's discretion which represents 41% of the total budgeted general fund expenditures, as amended, for the fiscal year ended September 30, 2021.

In its Government-Wide Statement of Net Position, the City reported total liabilities of \$24,110,379, which includes a net pension liability in the amount of \$1,791,935 as well as other post-employment benefit liabilities of \$2,138,215. Current liabilities were \$4,559,651 and non-current liabilities were \$19,550,728.

The governmental activities earned \$2,998,594 in fees for services, and received \$4,195,994 in contributions, grants, and inter-governmental revenue, \$3,100,000 of which represents contributions of infrastructure from developers. The governmental activities also received \$8,468,975 of general revenues. Property and sales taxes accounted for \$6,479,364 of the general revenues.

The business-type activities of the City generated \$9,581,136 in charges for services, and received \$2,257,000 in contributions, grants, and inter-governmental revenue, all of which represents contributions of infrastructure from developers.

\$560,000 was transferred from the City's business-type activities to the governmental activities.

Total governmental activities expenses were \$12,496,027. Public safety, streets, culture and recreation, and sanitation accounted for \$10,695,665 of the total expenditures.

Total business-type activities expenses were \$8,022,616. Waterworks and sewer system operations accounted for \$6,411,572 and municipal golf course operations accounted for \$1,611,044 of the total expenses.

Overview of the Financial Statements:

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes additional information in the Management's Discussion and Analysis section to supplement the basic financial statements.

Government-Wide Financial Statements:

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector applying the accrual basis of accounting.

The first of these government-wide statements is the statement of net position. This City-wide statement of net position presents information that includes all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as development, diversification of the taxpayer base or of the condition of the City's infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the statement of activities, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's citizens.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, streets, sanitation, culture and recreation, and conservation and development. Business-type activities include water and sewer utilities and the City golf course.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate entity- Canyon Economic Development Corporation (CEDC) - for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The CEDC has its own board of directors and functions separately from the City; however, the City has the ability to appoint CEDC board members and has approval authority for the CEDC's annual budget; therefore, the City can exercise control over the CEDC. Due to this control the financial information of the CEDC is included in the government-wide financial statements of the City as a discretely presented component unit.

Fund Financial Statements:

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's individual funds rather than the City as a whole.

The City has three types of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund financial statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year.

They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City has two proprietary funds: Water Works and Sewer System Fund and Golf Course Fund. Proprietary funds, also referred to as enterprise funds, essentially encompass the same functions reported as business-type activities in the government-wide statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for various units of equipment. Because this service predominantly benefits governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Notes to the Financial Statements:

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Government-wide Overview of the City's Financial Position and Operations

Below is a summarization of the City's financial position and operations as reported in the government-wide financial statements with comparative information from the previous year.

CITY OF CANYON, TEXAS						
Net Position						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 8,750,288	\$ 6,120,445	\$ 5,150,520	\$ 4,961,219	\$ 13,900,808	\$ 11,081,664
Capital Assets, net of Depreciation	<u>36,959,787</u>	<u>35,009,906</u>	<u>50,580,479</u>	<u>48,424,564</u>	<u>87,540,266</u>	<u>83,434,470</u>
Total Assets	<u>45,710,075</u>	<u>41,130,351</u>	<u>55,730,999</u>	<u>53,385,783</u>	<u>101,441,074</u>	<u>94,516,134</u>
Deferred Charge on Refunding	-	-	58,788	86,909	58,788	86,909
Deferred Outflows - Pension	617,679	654,985	188,714	185,083	806,393	840,068
Deferred Outflows - OPEB	<u>59,314</u>	<u>36,326</u>	<u>19,551</u>	<u>11,761</u>	<u>78,865</u>	<u>48,087</u>
Total Deferred Outflows of Resources	<u>676,993</u>	<u>691,311</u>	<u>267,053</u>	<u>283,753</u>	<u>944,046</u>	<u>975,064</u>
Current liabilities	2,600,398	382,572	1,959,253	1,511,295	4,559,651	1,893,867
Long-term liabilities	<u>8,462,603</u>	<u>9,103,640</u>	<u>11,088,125</u>	<u>12,479,390</u>	<u>19,550,728</u>	<u>21,583,030</u>
Total liabilities	<u>11,063,001</u>	<u>9,486,212</u>	<u>13,047,378</u>	<u>13,990,685</u>	<u>24,110,379</u>	<u>23,476,897</u>
Deferred Inflows - Pension	942,965	1,080,386	304,901	349,705	1,247,866	1,430,091
Deferred Inflows - OPEB	<u>205,926</u>	<u>247,424</u>	<u>67,875</u>	<u>87,353</u>	<u>273,801</u>	<u>334,777</u>
Total deferred inflows of resources	<u>1,148,891</u>	<u>1,327,810</u>	<u>372,776</u>	<u>437,058</u>	<u>1,521,667</u>	<u>1,764,868</u>
Net Investment in Capital Assets	32,087,386	29,726,407	40,938,077	37,567,679	73,025,463	67,294,086
Restricted:						
Municipal Court: Technology, Security & Local Truancy Prevention	69,166	66,621	-	-	69,166	66,621
Civic Development	228,514	71,574	-	-	228,514	71,574
Education Programs	564	564	-	-	564	564
Emergency Management	5,535	6,333	-	-	5,535	6,333
Police and Fire Services	37,258	32,006	-	-	37,258	32,006
Library	4,854	5,066	-	-	4,854	5,066
Debt service	325,560	257,628	-	-	325,560	257,628
Unrestricted	<u>1,416,339</u>	<u>841,441</u>	<u>1,639,821</u>	<u>1,674,114</u>	<u>3,056,160</u>	<u>2,515,555</u>
Total Net Position	<u>\$ 34,175,176</u>	<u>\$ 31,007,640</u>	<u>\$ 42,577,898</u>	<u>\$ 39,241,793</u>	<u>\$ 76,753,074</u>	<u>\$ 70,249,433</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Canyon, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,753,074 at the close of the most recent fiscal year, which is an increase of \$6,503,641 from the prior year.

Government-wide total assets increased by \$6,924,940 while the total liabilities increased by \$633,482. Investment in capital assets represents approximately 95% of the total net position of the City. These assets are not available for future spending. The City's unrestricted net position, which is available for future spending, increased by \$532,065.

An additional portion of the City's net position (less than 1%) represents resources that are subject to external restrictions on how they may be used. These include amounts restricted for the City's fire protection and police services, educational programs, emergency management, library, and debt service.

CITY OF CANYON, TEXAS

Change in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Charges for services	\$ 2,998,594	\$ 2,777,212	\$ 9,581,136	\$ 11,898,976	\$ 12,579,730	\$ 14,676,188
Capital grants and contributions	3,131,179	585,017	2,257,000	1,717,000	5,388,179	2,302,017
Operating grants and contributions	1,064,815	1,301,696	-	-	1,064,815	1,301,696
Property taxes	3,450,557	3,295,236	-	-	3,450,557	3,295,236
Sales taxes	3,028,807	2,696,690	-	-	3,028,807	2,696,690
Franchise taxes	984,164	671,191	-	-	984,164	671,191
Other taxes	307,547	206,291	-	-	307,547	206,291
Investment earnings	12,362	23,692	10,841	56,411	23,203	80,103
Gain (loss) on sale of capital assets	16,818	10,500	4,500	(1,843)	21,318	8,657
Miscellaneous revenue	108,720	67,306	65,244	53,902	173,964	121,208
Operating transfers	<u>560,000</u>	<u>857,239</u>	<u>(560,000)</u>	<u>(857,239)</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>15,663,563</u>	<u>12,492,070</u>	<u>11,358,721</u>	<u>12,867,207</u>	<u>27,022,284</u>	<u>25,359,277</u>
General governmental	1,275,180	1,169,331	-	-	1,275,180	1,169,331
Judicial	17,107	7,226	-	-	17,107	7,226
Public safety	5,117,494	4,782,348	-	-	5,117,494	4,782,348
Streets	1,569,113	1,437,087	-	-	1,569,113	1,437,087
Sanitation	1,388,508	2,004,160	-	-	1,388,508	2,004,160
Culture and recreation	2,620,550	1,802,045	-	-	2,620,550	1,802,045
Conservation and development	265,253	241,423	-	-	265,253	241,423
Public services	115,681	205,016	-	-	115,681	205,016
Interest on long-term debt	127,141	140,175	-	-	127,141	140,175
Water and sewer	-	-	6,411,572	6,177,913	6,411,572	6,177,913
Golf course	-	-	1,611,044	1,590,843	1,611,044	1,590,843
Total expenses	<u>12,496,027</u>	<u>11,788,811</u>	<u>8,022,616</u>	<u>7,768,756</u>	<u>20,518,643</u>	<u>19,557,567</u>
Change in net position	<u>\$ 3,167,536</u>	<u>\$ 703,259</u>	<u>\$ 3,336,105</u>	<u>\$ 5,098,451</u>	<u>\$ 6,503,641</u>	<u>\$ 5,801,710</u>

Government-wide total revenues increased by \$1,663,007 from the prior year. Government-wide expenses increased by \$961,076.

Overall, the City's net position increased \$6,503,641 during the year. Of this increase, \$5,357,000 represents contributions of infrastructure from developers to be maintained by the City.

Governmental activities: Governmental activities increased the City's net position by \$3,167,536 for the year. Revenue from governmental activities increased by \$3,468,732 (exclusive of operating transfers). Most of this increase was due to a variation in the amount of the capital contributions received from developers. Total expenditures by governmental activities increased by \$707,216. Depreciation on capital assets in the governmental activities was \$2,240,537 for the year.

Business-type activities: Revenue for business-type activities decreased \$1,805,725 (exclusive of operating transfers). This decrease was primarily due to decrease in water sales and sewer charges. Expenses in the business-type activities increased \$253,860. Depreciation in the business-type activities was \$1,565,412 for the year.

The City invested significantly in capital asset additions during the year. In the governmental activities \$1,106,858 in capital assets were purchased. The most significant purchases were for equipment and infrastructure assets. In the business-type activities, capital asset additions of \$1,464,327 were purchased. The table below shows capital asset activity along with the prior year information.

CITY OF CANYON, TEXAS

Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land and easements	\$ 782,279	\$ 782,279	\$ 5,453,752	\$ 5,433,752	\$ 6,236,031	\$ 6,216,031
Buildings	10,224,343	10,224,343	893,019	893,019	11,117,362	11,117,362
Equipment	10,935,884	10,377,054	4,679,817	4,604,931	15,615,701	14,981,985
Improvements	6,268,031	6,209,087	15,329,504	12,960,005	21,597,535	19,169,092
Infrastructure	42,719,633	39,255,693	46,772,714	44,015,006	89,492,347	83,270,699
Construction in progress	208,100	208,100	2,107,768	3,603,031	2,315,868	3,811,131
Total	71,138,270	67,056,556	75,236,574	71,509,744	146,374,844	138,566,300
Accumulated depreciation	(34,178,483)	(32,046,650)	(24,656,095)	(23,085,180)	(58,834,578)	(55,131,830)
Net Capital Assets	<u>\$ 36,959,787</u>	<u>\$ 35,009,906</u>	<u>\$ 50,580,479</u>	<u>\$ 48,424,564</u>	<u>\$ 87,540,266</u>	<u>\$ 83,434,470</u>

Summary and Future Outlook:

The financial statements reflect a positive change in net position for Canyon this year. Overall, net of capital contributions received from developers, revenues exceeded expenditures by approximately \$1,146,641. Our government-wide unrestricted net position improved to \$3,048,160, two thirds of which consists of the net position of the Utility Fund. The City’s General Fund continues to generate insufficient revenue to meet its own obligations and must be subsidized by the Water/Sewer Fund. This is a widely accepted practice amongst cities and in the Texas Panhandle. Although it is not uncommon to have inter-fund transfers from the utility fund to supplement the general fund, the question simply remains, what is an appropriate amount? The City continues to rely heavily on the transfer from the Water/Sewer Fund to supplement the General Fund and Golf Fund operations. The management philosophy of the transfer can be attributed to the citizen’s investment and revenues from the Enterprise Fund being re-invested back into the provision of other services and higher quality service to the City, without a significant increase in their property taxes. In summation, the customer’s net revenues from water and sewer sales go towards other services provided by the City without the burden of levying a significant amount of property taxes.

During fiscal year ended September 30, 2021, a portion of the interfund receivable from the Golf Fund due to the General Fund and Water/Sewer Fund was written off in order to relieve the indebtedness accumulated between the funds over the past several fiscal years. The effect of this transaction can be clearly seen in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (see page 16), on the “Transfer in” line item. Note the transfer in amount of \$660,000. This represents the accumulated amount that the General Fund will never be able to reimburse the Enterprise Fund. Although this practice is common amongst municipalities of comparable size and governmental structure in our geographic region, there becomes a fine line as to what can be too much reliance on water sales in the effort to maintain a low property tax rate and continue operating at current standards. The City of Canyon’s property tax rate does remain low and it will continue to be difficult to increase it due to the 3.5% revenue cap administered by recent state legislation. In order for the City to shift the revenue stream from water sales to property taxes, while keeping up with the demand for services to our growing community, we estimate our Maintenance & Operation tax rate would need to be increased by about 6 to 9 cents per \$100 of valuation (a 15-25% increase in property taxes).

The positive change in net position is partially due to significant capital contributions of infrastructure received from developers totaling \$5,357,000. These infrastructure assets will be maintained by the City going forward funded by the maintenance and operating budget. Other notable changes in other revenue sources were:

Sales tax revenue increased over the previous fiscal year by \$332,117

Ad valorem tax revenue increased by \$155,321

Another important point is that our net pension liability decreased by approximately \$432,000 due to increased investment income as a result of improved market conditions. This is an estimate of the unfunded pension liability and is actuarially determined based on market conditions and numerous other factors.

Canyon continues to be the fastest growing community in the Texas Panhandle (per capita) with a 25% growth rate over a 10-year period. The growth continues to be an ongoing point of discussion as the City reaches new heights on infrastructure demands and requests from the development community (i.e. developers and builders). Additionally, the community is one of the top 10% cities ranked for educated population in the State of Texas (95% High School Graduate; 43.5% Bachelor's Degree or higher). The City has performed an analysis regarding house assessment projections for the future and the community could potentially add an additional 2,000 homes in the next 1 to 10 years. In reality, this would be approximately an increase of about 38% of our existing utility accounts (5,300 to 7,300 accounts). Additionally, new developments continue to be occurring in the surrounding extraterritorial jurisdiction (ETJ) of the City of Canyon. The last several fiscal years has illustrated approximately 140 new home permits annually, even in the pandemic. Canyon continues to experience growth, and the growing pains that come with it. West Texas A&M University has completed several new buildings on its campus over the last several years and will look to build a few more in the next 3 to 5 years. WTAMU has entered into an additional ground-lease with a hotelier and are underway with a new hotel (largest one in town-Hampton Inn).

The COVID-19 pandemic continues to change our business landscape and how we operate in pandemic conditions. However, Canyon's sales tax revenue was at an all-time high, yet again, reaching a gross of \$3.9 million (City and EDC).

Over the past several years we have continued to work with Lone Star Dairy Products to encourage them to come into compliance with their wastewater discharge permit. Non-compliance with permit requirements resulted in payments from Lone Star for sewer surcharges and penalties to the City of Canyon. These amounts have resulted in revenues over \$500,000 annually and have at times have reached almost \$2 million, a significant portion of revenue in the Water & Sewer Fund. This fiscal year marked a high-point for our efforts as Lone Star Dairy Products came into compliance for the first time-ever (opened in 2017). Financially noteworthy, the surcharges incurred by Lone Star due to non-compliance decreased significantly and fines and penalties have ended. Subsequent to fiscal year ended September 30, 2021, Lone Star fulfilled its obligation the City of Canyon's by meeting the onsite and offsite treatment improvement requirements of its contractual agreement with the City. Because they met these obligations on time and the improvements proved to bring the plant's discharge ratios into compliance with requirements of its operating permit, over \$1,000,000 of accumulated penalties incurred due to noncompliance have been subsequently refunded to Lone Star, as per the City's agreement with them (an incentive to get the improvements done on time in and bring Lone Start into compliance).

The City Staff continues to make progress on itemized projects and tasks in the City's Comprehensive Plan. The revision/redevelopment of the City Zoning and Subdivision Ordinances is ongoing and although delayed, is anticipated to be adopted in fiscal year 2022. Significant progress has been made in the City's Downtown Master Plan with adoption anticipated next fiscal year. The City Commission will move to implementing a Strategic Plan in the next fiscal year as well.

The City continues to have several major decisions to make about the growth of Canyon, as the City's infrastructure begins to diminish in terms of capacity and capability, without major capital improvements in public infrastructure in these areas. The City will address these infrastructure needs in their first initial draft of a Capital Improvement Program. The City staff is in progress of developing the City's first Capital Improvement Plan, anticipates adoption in 2022, and has begun funding capital project funds for governmental and enterprise projects identified and prioritized in the Plan.

Canyon continues to be a wonderful community, with an incredible economy and a great place to live. Canyon will grow, while keeping our Canyon charm.

Contacting the City's Management:

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or desire additional information, contact City Hall, City of Canyon, 301 16th Street, Canyon, Texas 79015.

A copy of the separately issued financial statements for the Canyon Economic Development Corporation, a component unit, may be obtained by contacting the CEDC, 1604 4th Ave, Ste 21, Canyon, Texas 79015.

BASIC FINANCIAL STATEMENTS

CITY OF CANYON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 5,766,809	\$ 4,185,012	\$ 9,951,821	\$ 513,707
Investments	985,521	-	985,521	898,659
Restricted cash - customer deposits	-	291,255	291,255	-
Restricted cash for construction	-	3,955	3,955	-
Receivables, net	735,684	1,126,495	1,862,179	-
Internal balances	725,622	(725,622)	-	-
Intergovernmental receivables	536,652	-	536,652	178,884
Inventories	-	139,060	139,060	-
Prepaid items	-	130,365	130,365	18,400
Capital assets not being depreciated:				
Land	782,279	5,453,752	6,236,031	-
Construction in progress	208,100	2,107,768	2,315,868	-
Capital assets, net of accumulated depreciation:				
Buildings	6,852,044	330,640	7,182,684	481,084
Improvements other than buildings	3,854,506	10,024,066	13,878,572	-
Equipment	3,838,016	747,651	4,585,667	21,017
Infrastructure	21,424,842	31,916,602	53,341,444	-
Total assets	45,710,075	55,730,999	101,441,074	2,111,751
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	58,788	58,788	-
Pension contributions - TMRS	500,925	165,112	666,037	-
Pension economic/demographic losses - TMRS	26,753	8,818	35,571	-
Pension assumption changes - TMRS	44,851	14,784	59,635	-
Pension contributions - TESRS	45,150	-	45,150	-
OPEB contributions - TMRS	3,248	1,071	4,319	-
OPEB economic/demographic losses - TMRS	191	63	254	-
OPEB assumption changes - TMRS	55,875	18,417	74,292	-
Total deferred outflows of resources	676,993	267,053	944,046	-

Continued

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

CITY OF CANYON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Continuation	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
LIABILITIES				
Accounts payable	\$ 555,010	\$ 534,942	\$ 1,089,952	\$ -
Accrued liabilities	6,516	9,151	15,667	-
Accrued interest	20,911	69,883	90,794	-
Intergovernmental payable	2,017,961	10,022	2,027,983	-
Due to primary government	-	-	-	16,469
Customer deposits	-	291,255	291,255	-
Contingent liability	-	1,030,000	1,030,000	-
Unearned revenues	-	14,000	14,000	-
Noncurrent liabilities:				
Due within one year	424,649	1,260,914	1,685,563	47,686
Due in more than one year	5,014,224	8,920,791	13,935,015	303,573
Other post employment benefits - TMRS	247,718	81,651	329,369	-
Other post employment benefits - TML	1,360,429	448,417	1,808,846	-
Net pension liability - TMRS	1,141,793	376,352	1,518,145	-
Net pension liability - TESRS	273,790	-	273,790	-
Total liabilities	11,063,001	13,047,378	24,110,379	367,728
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains - TMRS	250,805	82,669	333,474	-
Pension excess earnings - TMRS	674,217	222,232	896,449	-
Pension economic/demographic gains - TESRS	13,024	-	13,024	-
Pension excess earnings - TESRS	4,471	-	4,471	-
Pension assumption changes - TESRS	448	-	448	-
OPEB economic/demographic gains - TMRS	9,696	3,196	12,892	-
OPEB assumption changes - TMRS	6,117	2,016	8,133	-
OPEB economic/demographic gains - TML	60,809	20,043	80,852	-
OPEB assumption changes - TML	129,304	42,620	171,924	-
Total deferred inflows of resources	1,148,891	372,776	1,521,667	-
NET POSITION				
Net investment in capital assets	32,087,386	40,938,077	73,025,463	502,101
Restricted:				
By enabling legislation for special projects	340,473	-	340,473	-
Special projects	5,418	-	5,418	-
Debt service	325,560	-	325,560	-
Unrestricted	1,416,339	1,639,821	3,056,160	1,241,922
Total net position	\$ 34,175,176	\$ 42,577,898	\$ 76,753,074	\$ 1,744,023

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

**CITY OF CANYON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 1,275,180	\$ 1,276	\$ 519,601	\$ -
Judicial	17,107	149,604	-	-
Public safety	5,117,494	29,177	473,360	31,179
Highways and streets	1,569,113	-	-	3,100,000
Culture and recreation	2,620,550	650,817	71,854	-
Conservation and development	265,253	-	-	-
Sanitation	1,388,508	2,167,720	-	-
Public services	115,681	-	-	-
Interest on long-term debt	127,141	-	-	-
Total governmental activities	<u>12,496,027</u>	<u>2,998,594</u>	<u>1,064,815</u>	<u>3,131,179</u>
Business-Type Activities:				
Water and sewer	6,411,572	8,319,038	-	2,257,000
Golf course	1,611,044	1,262,098	-	-
Total business-type activities	<u>8,022,616</u>	<u>9,581,136</u>	<u>-</u>	<u>2,257,000</u>
Total primary government	<u>\$ 20,518,643</u>	<u>\$ 12,579,730</u>	<u>\$ 1,064,815</u>	<u>\$ 5,388,179</u>
Component Unit:				
Economic Development	<u>\$ 1,050,327</u>	<u>\$ 79,150</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales and use taxes

Franchise taxes

Hotel/Motel taxes

Alcoholic beverage taxes

Unrestricted investment earnings

Gain on disposal of assets

Miscellaneous

Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (754,303)	\$ -	\$ (754,303)	\$ -
132,497	-	132,497	-
(4,583,778)	-	(4,583,778)	-
1,530,887	-	1,530,887	-
(1,897,879)	-	(1,897,879)	-
(265,253)	-	(265,253)	-
779,212	-	779,212	-
(115,681)	-	(115,681)	-
(127,141)	-	(127,141)	-
<u>(5,301,439)</u>	<u>-</u>	<u>(5,301,439)</u>	<u>-</u>
-	4,164,466	4,164,466	-
-	(348,946)	(348,946)	-
-	3,815,520	3,815,520	-
<u>(5,301,439)</u>	<u>3,815,520</u>	<u>(1,485,919)</u>	<u>-</u>
-	-	-	(971,177)
3,000,190	-	3,000,190	-
450,367	-	450,367	-
3,028,807	-	3,028,807	1,009,435
984,164	-	984,164	-
272,521	-	272,521	-
35,026	-	35,026	-
12,362	10,841	23,203	5,571
16,818	4,500	21,318	-
108,720	65,244	173,964	22,714
560,000	(560,000)	-	-
<u>8,468,975</u>	<u>(479,415)</u>	<u>7,989,560</u>	<u>1,037,720</u>
3,167,536	3,336,105	6,503,641	66,543
<u>31,007,640</u>	<u>39,241,793</u>	<u>70,249,433</u>	<u>1,677,480</u>
<u>\$ 34,175,176</u>	<u>\$ 42,577,898</u>	<u>\$ 76,753,074</u>	<u>\$ 1,744,023</u>

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

**CITY OF CANYON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,473,383	\$ -	\$ 559,519	\$ 5,032,902
Investments	985,521	-	-	985,521
Accounts receivables, net	676,497	-	-	676,497
Taxes receivable, net	21,834	-	37,353	59,187
Due from other funds	1,237,411	2,095,473	70,406	3,403,290
Due from other governments	536,652	-	-	536,652
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 7,931,298</u>	<u>\$ 2,095,473</u>	<u>\$ 667,278</u>	<u>\$ 10,694,049</u>
LIABILITIES				
Accounts payable	\$ 531,937	\$ -	\$ 23,073	\$ 555,010
Due to other funds	2,165,880	-	5,776	2,171,656
Payable to other governments	42,488	1,975,473	-	2,017,961
Accrued expenses	6,516	-	-	6,516
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,746,821</u>	<u>1,975,473</u>	<u>28,849</u>	<u>4,751,143</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	19,940	-	2,000	21,940
Unavailable revenue - other receivables	114,882	-	-	114,882
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>134,822</u>	<u>-</u>	<u>2,000</u>	<u>136,822</u>
FUND BALANCES				
Restricted:				
By enabling legislation for special projects	35,022	-	305,451	340,473
Special projects	-	-	5,418	5,418
Debt service	-	-	325,560	325,560
Assigned to:				
Special projects	208,844	120,000	-	328,844
Unassigned	4,805,789	-	-	4,805,789
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>5,049,655</u>	<u>120,000</u>	<u>636,429</u>	<u>5,806,084</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,931,298</u>	<u>\$ 2,095,473</u>	<u>\$ 667,278</u>	<u>\$ 10,694,049</u>

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

CITY OF CANYON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$ 5,806,084
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	36,959,787
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements.	136,822
Pension and OPEB losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.	127,670
Pension and OPEB contributions paid after the measurement date, December 31, 2020, and before September 30, 2021 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.	549,323
Pension and OPEB gains, excess earnings, and assumption changes are shown as deferred inflows of resources in the government-wide financial statements.	(1,148,891)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:	
Bonds, capital lease, and notes payable	(5,051,456)
Accrued interest payable	(20,911)
Compensated absences	(387,417)
Other post employment benefit - TMRS	(247,718)
Other post employment benefit - TML	(1,360,429)
Net pension liability - TMRS	(1,141,793)
Net pension liability - TESRS	(273,790)
The assets and liabilities of internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (netted for capital assets reported above and the portion allocated to business-type activities)	227,895
Net position - governmental activities	\$ 34,175,176

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

CITY OF CANYON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental</u>	<u>Total Governmental</u>
REVENUES				
Taxes:				
Property	\$ 3,002,458	\$ -	\$ 448,367	\$ 3,450,825
Sales	3,028,807	-	-	3,028,807
Franchise	984,164	-	-	984,164
Hotel/Motel	-	-	272,521	272,521
Mixed beverage	35,026	-	-	35,026
Licenses and fees	234,134	-	19,652	253,786
Fines and forfeitures	205,680	-	-	205,680
Intergovernmental	1,094,119	-	1,875	1,095,994
Charges for services	2,606,160	-	-	2,606,160
Investment earnings	11,324	-	517	11,841
Miscellaneous	102,500	-	6,220	108,720
	<u>11,304,372</u>	<u>-</u>	<u>749,152</u>	<u>12,053,524</u>
Total revenues				
EXPENDITURES				
Current:				
General government	1,263,777	-	450	1,264,227
Judicial	-	-	17,107	17,107
Public safety	5,024,517	-	3,480	5,027,997
Highways and streets	778,732	-	-	778,732
Culture and recreation	2,146,015	-	4,806	2,150,821
Conservation and development	284,146	-	-	284,146
Sanitation	1,414,412	-	-	1,414,412
Public services	-	-	115,681	115,681
Debt Service:				
Principal	166,098	-	245,000	411,098
Interest and other charges	15,382	-	137,025	152,407
Capital Outlay	577,482	-	-	577,482
	<u>11,670,561</u>	<u>-</u>	<u>523,549</u>	<u>12,194,110</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(366,189)</u>	<u>-</u>	<u>225,603</u>	<u>(140,586)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	33,258	-	-	33,258
Transfers in	660,000	120,000	-	780,000
Transfers out	(220,000)	-	-	(220,000)
	<u>473,258</u>	<u>120,000</u>	<u>-</u>	<u>593,258</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	107,069	120,000	225,603	452,672
FUND BALANCES - BEGINNING	<u>4,942,586</u>	<u>-</u>	<u>410,826</u>	<u>5,353,412</u>
FUND BALANCES - ENDING	<u>\$ 5,049,655</u>	<u>\$ 120,000</u>	<u>\$ 636,429</u>	<u>\$ 5,806,084</u>

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

CITY OF CANYON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$ 452,672
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>	
<p>This is the amount by which capital outlays, \$577,482, were exceeded by depreciation, \$1,806,298, in the current period for the governmental activities before the internal service fund allocation.</p>	(1,228,816)
<p>In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.</p>	(16,440)
<p>The Statement of Activities reports gains arising from the receipt of a donated capital asset. Conversely, governmental funds do not report any gain on a donation of capital assets.</p>	3,100,000
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>	(67,300)
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p>	
<p>Principal repayments:</p>	
Capital leases	130,349
Bonds payable	245,000
Notes payable	35,749
Accrued interest payable, net change	5,122
Amortization of bond premium	20,143
<p>Changes in pension and OPEB related liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures.</p>	372,378
<p>Accrued compensated absences are not reported as an expenditure in the governmental funds. This is the change in the accrual amounts for the year reported in the government-wide Statement of Activities.</p>	2,020
<p>Internal service funds are used by management to charge the costs of maintenance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. The total change in net position of the internal service fund (\$189,835) less the amount charged to business-type activities (\$73,176) is the amount of the internal service fund charged to governmental activities.</p>	116,659
	116,659
Change in net position - governmental activities	\$ 3,167,536

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

CITY OF CANYON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total Enterprise Funds	Internal Service
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,075,261	\$ 109,751	\$ 4,185,012	\$ 733,906
Restricted cash - customer deposits	291,255	-	291,255	-
Restricted cash for construction	3,955	-	3,955	-
Receivables, net	1,126,495	-	1,126,495	-
Due from other funds	1,448	65,014	66,462	-
Inventories	31,707	107,353	139,060	-
Prepaid expenses	130,365	-	130,365	-
	<u>5,660,486</u>	<u>282,118</u>	<u>5,942,604</u>	<u>733,906</u>
Noncurrent assets:				
Capital assets:				
Land	5,056,614	397,138	5,453,752	-
Construction in progress	2,107,768	-	2,107,768	-
Buildings and improvements	433,001	460,018	893,019	-
Improvements other than buildings	14,620,052	709,452	15,329,504	-
Equipment	3,418,961	1,260,856	4,679,817	3,567,726
Infrastructure	46,051,756	720,958	46,772,714	-
Less accumulated depreciation	(22,206,447)	(2,449,648)	(24,656,095)	(2,125,021)
	<u>49,481,705</u>	<u>1,098,774</u>	<u>50,580,479</u>	<u>1,442,705</u>
Total noncurrent assets	<u>49,481,705</u>	<u>1,098,774</u>	<u>50,580,479</u>	<u>1,442,705</u>
Total assets	<u>55,142,191</u>	<u>1,380,892</u>	<u>56,523,083</u>	<u>2,176,611</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	42,353	16,435	58,788	-
Pension contributions - TMRS	130,280	34,832	165,112	-
Pension economic/demographic losses - TMRS	6,958	1,860	8,818	-
Pension assumption changes	11,665	3,119	14,784	-
OPEB contributions - TMRS	845	226	1,071	-
OPEB economic/demographic losses - TMRS	50	13	63	-
OPEB assumption changes - TMRS	14,532	3,885	18,417	-
	<u>206,683</u>	<u>60,370</u>	<u>267,053</u>	<u>-</u>
Total deferred outflows of resources	<u>206,683</u>	<u>60,370</u>	<u>267,053</u>	<u>-</u>

Continued

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

CITY OF CANYON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total Enterprise Funds	Internal Service
Continuation				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 374,469	\$ 160,473	\$ 534,942	\$ -
Accrued liabilities	904	8,247	9,151	-
Accrued interest	64,907	4,976	69,883	-
Due to other funds	370,034	862,327	1,232,361	65,735
Due to other governments	-	10,022	10,022	-
Unearned revenues	14,000	-	14,000	-
Customer deposits	291,255	-	291,255	-
Contingent liability	1,030,000	-	1,030,000	-
Compensated absences - current	11,900	4,100	16,000	-
Notes payable - current	126,220	128,694	254,914	-
Certificates of obligation and bonds payable - current	834,840	155,160	990,000	-
Total current liabilities	<u>3,118,529</u>	<u>1,333,999</u>	<u>4,452,528</u>	<u>65,735</u>
Noncurrent liabilities:				
Accrued compensated absences	106,671	36,665	143,336	-
Net pension liability - TMRS	296,958	79,394	376,352	-
Other post employment benefits obligations - TMRS	64,426	17,225	81,651	-
Other post employment benefits obligations - TML	353,820	94,597	448,417	-
Notes payable	1,160,257	37,231	1,197,488	-
Certificates of obligation and bonds payable	7,004,396	575,571	7,579,967	-
Total noncurrent liabilities	<u>8,986,528</u>	<u>840,683</u>	<u>9,827,211</u>	<u>-</u>
Total liabilities	<u>12,105,057</u>	<u>2,174,682</u>	<u>14,279,739</u>	<u>65,735</u>
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains - TMRS	65,229	17,440	82,669	-
Pension excess earnings - TMRS	175,350	46,882	222,232	-
OPEB economic/demographic gains - TMRS	2,522	674	3,196	-
OPEB assumption changes - TMRS	1,591	425	2,016	-
OPEB economic/demographic gains - TML	15,815	4,228	20,043	-
OPEB assumption changes - TML	33,629	8,991	42,620	-
Total deferred inflows of resources	<u>294,136</u>	<u>78,640</u>	<u>372,776</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	40,709,740	228,337	40,938,077	1,442,705
Unrestricted (deficit)	2,239,941	(1,040,397)	1,199,544	668,171
Total net position	<u>42,949,681</u>	<u>(812,060)</u>	<u>42,137,621</u>	<u>\$ 2,110,876</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time	<u>267,545</u>	<u>172,732</u>	<u>440,277</u>	
Net Position (deficit) of business-type activities	<u>\$ 43,217,226</u>	<u>\$ (639,328)</u>	<u>\$ 42,577,898</u>	

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

CITY OF CANYON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Golf Course	Total Enterprise Funds	Internal Service
OPERATING REVENUES:				
Charges for Sales and Services:				
Water sales	\$ 5,674,308	\$ -	\$ 5,674,308	\$ -
Sewer charges	2,644,730	-	2,644,730	-
Lease and other income	64,775	469	65,244	-
Golf services	-	759,382	759,382	-
Sales of goods	-	502,716	502,716	-
Internal service charges	-	-	-	623,553
Total operating revenues	<u>8,383,813</u>	<u>1,262,567</u>	<u>9,646,380</u>	<u>623,553</u>
OPERATING EXPENSES:				
Personnel costs	1,668,146	609,123	2,277,269	-
Supplies and contractual services	3,013,791	719,185	3,732,976	-
Depreciation	1,363,561	201,851	1,565,412	434,239
Intercity charges	161,127	79,898	241,025	-
Total operating expenses	<u>6,206,625</u>	<u>1,610,057</u>	<u>7,816,682</u>	<u>434,239</u>
OPERATING INCOME (LOSS)	<u>2,177,188</u>	<u>(347,490)</u>	<u>1,829,698</u>	<u>189,314</u>
NONOPERATING REVENUES (EXPENSES):				
Investment earnings	10,803	38	10,841	521
Interest and fiscal charges	(253,867)	(25,244)	(279,111)	-
Gain/(loss) on disposition of assets	4,500	-	4,500	-
Total nonoperating revenues (expenses)	<u>(238,564)</u>	<u>(25,206)</u>	<u>(263,770)</u>	<u>521</u>
INCOME (LOSS) BEFORE TRANSFERS	1,938,624	(372,696)	1,565,928	189,835
CAPITAL CONTRIBUTIONS	2,257,000	-	2,257,000	-
TRANSFERS	<u>(1,080,000)</u>	<u>520,000</u>	<u>(560,000)</u>	<u>-</u>
CHANGE IN NET POSTION	3,115,624	147,304	3,262,928	189,835
NET POSITION - BEGINNING (DEFICIT)	<u>39,834,057</u>	<u>(959,364)</u>	<u>38,874,693</u>	<u>1,921,041</u>
NET POSITION - ENDING (DEFICIT)	<u>\$ 42,949,681</u>	<u>\$ (812,060)</u>	<u>\$ 42,137,621</u>	<u>\$ 2,110,876</u>
Change in Net Position	\$ 3,115,624	\$ 147,304	\$ 3,262,928	
Adjustment for the net effect of the current year activity between the internal service fund and the business-type activity - enterprise funds	<u>48,919</u>	<u>24,257</u>	<u>73,176</u>	
Changes in Net Position of business-type activities	<u>\$ 3,164,543</u>	<u>\$ 171,561</u>	<u>\$ 3,336,104</u>	

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

**CITY OF CANYON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities
	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total Enterprise Funds</u>	<u>Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,162,881	\$ 1,275,422	\$ 10,438,303	\$ -
Receipts for internal service charges	-	-	-	623,553
Payments to employees for salaries and benefits	(1,780,109)	(658,669)	(2,438,778)	-
Payments to suppliers and service providers	(3,288,342)	(660,371)	(3,948,713)	-
Payments for interfund services used	(161,127)	(79,898)	(241,025)	-
Net cash provided (used) by operating activities	<u>3,933,303</u>	<u>(123,516)</u>	<u>3,809,787</u>	<u>623,553</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(1,080,000)	520,000	(560,000)	-
Changes in interfund receivables/payables	150,713	(51,499)	99,214	513
Net cash provided (used) by noncapital financing activities	<u>(929,287)</u>	<u>468,501</u>	<u>(460,786)</u>	<u>513</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on capital debt	(936,839)	(277,645)	(1,214,484)	-
Interest paid on capital debt	(307,125)	(33,319)	(340,444)	-
Acquisition or construction of capital assets	(1,464,327)	-	(1,464,327)	(529,376)
Proceeds from sale of capital assets	4,500	-	4,500	-
Net cash used for capital and related financing activities	<u>(2,703,791)</u>	<u>(310,964)</u>	<u>(3,014,755)</u>	<u>(529,376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	10,803	38	10,841	521
Net cash provided by investing activities	<u>10,803</u>	<u>38</u>	<u>10,841</u>	<u>521</u>
NET INCREASE IN CASH	311,028	34,059	345,087	95,211
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	<u>4,059,443</u>	<u>75,692</u>	<u>4,135,135</u>	<u>638,695</u>
CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)	<u>\$ 4,370,471</u>	<u>\$ 109,751</u>	<u>\$ 4,480,222</u>	<u>\$ 733,906</u>

Continued

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

**CITY OF CANYON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Total Enterprise Funds</u>	<u>Internal Service</u>
Continuation				
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 2,177,188	\$ (347,490)	\$ 1,829,698	\$ 189,314
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation and amortization	1,363,561	201,851	1,565,412	434,239
Change in allowance for doubtful accounts	16,473	-	16,473	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	172,234	12,855	185,089	-
(Increase) decrease in prepaids	(110,682)	-	(110,682)	-
(Increase) decrease in inventories	675	38,194	38,869	-
(Increase) decrease in deferred outflows of pension and OPEB	(11,985)	565	(11,420)	-
Increase (decrease) in accounts payable	(164,544)	20,620	(143,924)	-
Increase (decrease) in accrued expenses	14,507	1,500	16,007	-
Increase (decrease) in pension and OPEB liabilities	(69,581)	(32,233)	(101,814)	-
Increase (decrease) in customer deposits	16,361	-	16,361	-
Increase (decrease) in contingent liability	574,000	-	574,000	-
Increase (decrease) in deferred inflows of pension and OPEB	(44,904)	(19,378)	(64,282)	-
Net cash provided (used) by operating activities	<u>\$ 3,933,303</u>	<u>\$ (123,516)</u>	<u>\$ 3,809,787</u>	<u>\$ 623,553</u>
SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:				
Amortization of debt issuance premiums and refunding charges	\$ 57,009	\$ 4,680	\$ 61,689	\$ -
Non-cash contribution of infrastructure	<u>2,257,000</u>	<u>-</u>	<u>2,257,000</u>	<u>-</u>
	<u>\$ 2,314,009</u>	<u>\$ 4,680</u>	<u>\$ 2,318,689</u>	<u>\$ -</u>

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

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Description of Reporting Entity

The City of Canyon, Texas (the “City”) is a municipality operating under the applicable laws and regulations of the State of Texas. It is governed by a five member City Commission (the “Commission”) elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Government Accounting Standards Board; and it complies with the requirements of contracts and grants of agencies from which it receives funds. The City provides the following services: police and fire protection, streets, sanitation, culture and recreation, conservation and development, code enforcement, and general administrative services. In addition, the City maintains a water and sewer system and operates a municipal golf course. The significant accounting policies are described below.

The Commission is elected by the public and it has the authority to make decisions, appoint administrators and management, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 61, *“The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34.”*

Discretely Presented Component Unit: The Canyon Economic Development Corporation (CEDC) is a component unit due to the fact that the Commission appoints the CEDC board and also approves the annual budget. The CEDC has issued separately audited financial statements. Copies of the CEDC audit report for the fiscal year ended September 30, 2021 may be obtained by contacting the management of the CEDC at the following address:

Canyon Economic Development Corporation
1604 4th Avenue, Suite 21
Canyon, Texas 79015

B. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds and the internal service fund, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Basis of Presentation – Government Wide Financial Statements – Continuation

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City’s funds. Separate statements are presented for each fund category, governmental and proprietary. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, fees, fines, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

The General Fund is the City’s primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of capital assets and facilities.

The City reports the following major proprietary funds:

The Water and Sewer Fund is to account for the operations of the water and sewer utilities furnished by the City to its residents.

The Golf Course Fund is to account for all the operations of Palo Duro Creek Golf Course.

In addition, the City reports the following fund types:

Internal Service Fund: This fund is used to account for and report revenues and expenses related to fleet management and supply services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. Basis of Presentation – Fund Financial Statements – Continuation

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Fund: This fund accounts for the accumulation and disbursement of resources associated with the City's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/due from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in government activities are eliminated so that only the net amount is included as transfers in the government activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Measurement Focus and Basis of Accounting – Continuation

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Water and Sewer Fund, and the Golf Course Fund.

The appropriate budget is prepared by fund and function, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

For the fiscal year, expenditures exceeded appropriations for Public Safety in the General Fund. This overspending were covered by utilizing expenditures lower than budget in every other functional area of the City.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. Investments

Investments in certificates of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes.

c. Receivable and Payable Balances

Receivables include trade, delinquent taxes, and municipal court fees and fines, all of which are shown net of an allowance for estimated uncollectible amounts.

Payables consist of vendor obligations for goods and services and funds payable to others when the criteria for their release have been met.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

d. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies in the water and sewer fund and goods for sale in the golf course fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Land is not depreciated. Buildings, improvements, equipment, and infrastructure assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Equipment	3-10 years
Infrastructure	50 years

f. Inter-fund Activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single "Internal Balances" line of government-wide statement of net position.

g. Use of Estimates

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

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs withheld from the actual debt proceeds received are reported as debt service expenditures.

i. Deferred Outflows/Inflows of Resources

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding is reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports the applicable amounts as deferred outflows as they relate to the implementation of GASB 68 and 75 for contributions paid after the measurement date, deficiency of earnings, economic losses, and assumption changes in the plans after the measurement date of the pension and OPEB plans.

The statement of financial position will sometimes 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) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The City reports unavailable revenues from property taxes and municipal court receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the City's pension and other postemployment benefit plans reported in the government-wide statement of net position.

j. Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Texas Municipal Retirement System Plan and the Texas Emergency Services Retirement System, and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

j. Pensions and Other Post-Employment Benefits – Continuation

For purposes of measuring the other post-employment benefit (OPEB) asset or liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s Texas Municipal Retirement System Supplemental Death Plan and the Texas Municipal League Health Benefits Plan, and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

At times, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

l. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants, court receipt restrictions (municipal technology fund) or charter restrictions.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

1. Fund Balance – Continuation

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the Commission in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the Commission in form of a resolution. Assignments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

Fund balance flow assumptions:

When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the Commission, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

Minimum Unassigned Fund Balance:

It is the goal of the City of Canyon to achieve and maintain a minimum unassigned fund balance in the general fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance is set at 25% of budgeted expenditures for the fiscal year, providing for approximately 90 days of estimated expenditures.

Designated Circumstances:

The minimum unassigned fund balance may be spent under the following extreme circumstances:

1. Natural disasters, including but not limited to tornados, fire or flood.
2. Opportunities for a grant in which the matching portion may require a portion of the minimum unassigned fund balance.
3. Shortfall in the budgeted revenue in excess of 20%
4. Unforeseeable expenditures in excess of 20% over budget.
5. When unforeseen circumstances or emergencies in another fund require a fund transfer from the general fund.

Replenishment of Minimum Unassigned Fund Balance:

1. When designated circumstances have reduced the unassigned fund balance below the targeted minimum level, the replenishment is to occur within 12 months.
2. Depending on the severity of the reduction of the minimum unassigned fund balance the following measures will be taken to replenish the minimum unassigned fund balance:
 - a) Should calculations reveal that the minimum unassigned fund balance will be replenished through normal activity within the next 12 months no action is necessary.
 - b) Reduction of expenditures

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

1. Fund Balance – Continuation

- c) Delay of capital purchases
- d) Increase in fees and/or taxes
- e) Salary freeze
- f) Hiring freeze

Fund Balance Policies:

The City's highest level of decision-making authority is the Commission, and the commitment of fund balance would require formal action or order of the Commission. The Commission has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balance.

G. Revenues and Expenditures/Expenses

a. Program Revenues

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 program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

b. 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 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 imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Compensated Absences

Employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on full-time status, length of service greater than 6 months, and other factors. After five years of employment, an employee shall be awarded twelve days of vacation, after ten years fifteen days of vacation, and after twenty years twenty days of vacation. A maximum accrual for sick leave of 90 days can be carried over each year. However, employees shall be allowed to receive reimbursement for a portion of any unused sick leave in excess of the 90 days at the beginning of the new year. Employees are eligible for payment of one-third of their accrued sick leave upon termination or retirement only upon completion of eight years of service.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

G. Revenues and Expenditures/Expenses – Continuation

d. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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

H. Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Expenditures exceeded the budget in various functional areas in the General Fund

Action Taken

A combination of underspending in other functional categories, as well as operating transfers from the Utility Fund have covered such overspendings.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2021:

Cash and deposit balances consist of:

Petty cash funds	\$	720
Bank deposits		10,760,018
Total	\$	10,760,738

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	9,951,821
Restricted for customer deposits and construction		295,210
Component unit - unrestricted		513,707
Total	\$	10,760,738

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2021 the City’s deposits (cash, interest bearing accounts and certificates of deposit) with financial institutions was \$12,096,625, and \$250,000 of that amount was insured through the Federal Depository Insurance Corporation (FDIC) and \$11,846,625 was collateralized with securities held by the pledging of institution’s agent in the City’s name. The depository makes no distinction between the City and its component unit when pledging securities.

Following is a reconciliation of the City’s investment balances as of September 30, 2021:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Certificates of deposit		
Governmental activities (interest rates at .25 - .31%)	\$ 985,521	124
Component Unit (interest rates at .15 - .25%)	183,595	183
Total fair value	1,169,116	
Portfolio weighted average maturity		133
Amarillo Area Foundation (Component Unit)	21,051	
Real estate (Component Unit)	694,013	
	\$ 1,884,180	

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2021 the carrying amount of the City’s investments (certificates of deposit) with financial institutions was \$1,169,116 and was insured by the FDIC and collateralized with securities held by the pledging institution’s agent in the City’s name as described above with the City’s deposits.

The Component Unit has funds being held by the Amarillo Area Foundation and has invested in real estate which is to be used in economic development projects. The City does not believe that the investments are at any credit risk.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated no lower than AAA, or an equivalent rating, by at least on nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of September 30, 2021, none of the City’s investments were considered concentrated.

Investment Accounting Policy

The City’s general policy is to report money market investments and short-term participating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by the other factors, it is reported at fair value. The term “short-term” refers to investments which have a remaining term of ninety days or less at time of purchase. The term “nonparticipating” means that the investments’ value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The City’s investments include certificates of deposit.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

Primary Government:

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers / Reclassifications</u>	<u>Ending Balances</u>
Capital assets not being depreciated:					
Land	\$ 782,279	\$ -	\$ -	\$ -	\$ 782,279
Construction in progress	208,100	-	-	-	208,100
Total capital assets not being depreciated	<u>990,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>990,379</u>
Capital assets being depreciated:					
Buildings	10,224,343	-	-	-	10,224,343
Improvements other than buildings	6,209,087	58,944	-	-	6,268,031
Equipment	10,377,054	683,974	(107,864)	(17,280)	10,935,884
Infrastructure	39,255,693	3,463,940	-	-	42,719,633
Total capital assets being depreciated	<u>66,066,177</u>	<u>4,206,858</u>	<u>(107,864)</u>	<u>(17,280)</u>	<u>70,147,891</u>
Less accumulated depreciation for:					
Buildings	(3,021,807)	(350,492)	-	-	(3,372,299)
Improvements other than buildings	(2,146,986)	(266,539)	-	-	(2,413,525)
Equipment	(6,307,346)	(899,226)	91,424	17,280	(7,097,868)
Infrastructure	(20,570,511)	(724,280)	-	-	(21,294,791)
Total accumulated depreciation	<u>(32,046,650)</u>	<u>(2,240,537)</u>	<u>91,424</u>	<u>17,280</u>	<u>(34,178,483)</u>
Total capital assets being depreciated, net	<u>34,019,527</u>	<u>1,966,321</u>	<u>(16,440)</u>	<u>-</u>	<u>35,969,408</u>
Governmental activities capital assets, net	<u>\$ 35,009,906</u>	<u>\$ 1,966,321</u>	<u>\$ (16,440)</u>	<u>\$ -</u>	<u>\$ 36,959,787</u>

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

Governmental activities:	
General government	\$ 54,178
Public safety	309,683
Highways and streets	835,790
Sanitation	56,247
Culture and recreation	550,400
Capital assets held by the government's internal service funds	<u>434,239</u>
Total depreciation expense-governmental activities	<u>\$ 2,240,537</u>

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – CAPITAL ASSETS – Continuation

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 5,433,752	\$ 20,000	\$ -	\$ -	\$ 5,453,752
Construction in progress	3,603,031	1,222,685	-	(2,717,948)	2,107,768
Total capital assets not being depreciated	<u>9,036,783</u>	<u>1,242,685</u>	<u>-</u>	<u>(2,717,948)</u>	<u>7,561,520</u>
Capital assets being depreciated:					
Buildings	893,019	-	-	-	893,019
Improvements other than buildings	12,960,005	152,259	-	2,217,240	15,329,504
Equipment	4,604,931	69,383	(11,777)	17,280	4,679,817
Infrastructure	44,015,006	2,257,000	-	500,708	46,772,714
Total capital assets being depreciated	<u>62,472,961</u>	<u>2,478,642</u>	<u>(11,777)</u>	<u>2,735,228</u>	<u>67,675,054</u>
Less accumulated depreciation for:					
Buildings	(538,888)	(23,491)	-	-	(562,379)
Improvements other than buildings	(4,861,557)	(443,881)	-	-	(5,305,438)
Equipment	(3,687,241)	(239,422)	11,777	(17,280)	(3,932,166)
Infrastructure	(13,997,494)	(858,618)	-	-	(14,856,112)
Total accumulated depreciation	<u>(23,085,180)</u>	<u>(1,565,412)</u>	<u>11,777</u>	<u>(17,280)</u>	<u>(24,656,095)</u>
Total capital assets being depreciated, net	<u>39,387,781</u>	<u>913,230</u>	<u>-</u>	<u>2,717,948</u>	<u>43,018,959</u>
Business-type activities capital assets, net	<u>\$ 48,424,564</u>	<u>\$ 2,155,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,580,479</u>

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

<u>Business-type activities:</u>	
Water/sewer	\$ 1,363,561
Golf course	<u>201,851</u>
Total depreciation expense-business-type activities	<u>\$ 1,565,412</u>

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 3 – CAPITAL ASSETS – Continuation

Component Unit:

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
Capital assets being depreciated:					
Buildings	\$ 525,752	\$ 1,863	\$ -	\$ -	\$ 527,615
Building improvements	3,941	-	-	-	3,941
Equipment	60,609	4,871	-	-	65,480
Total capital assets being depreciated	<u>590,302</u>	<u>6,734</u>	<u>-</u>	<u>-</u>	<u>597,036</u>
Less accumulated depreciation for:					
Buildings	(32,886)	(13,645)	-	-	(46,531)
Building improvements	(3,941)	-	-	-	(3,941)
Equipment	(41,210)	(3,253)	-	-	(44,463)
Total accumulated depreciation	<u>(78,037)</u>	<u>(16,898)</u>	<u>-</u>	<u>-</u>	<u>(94,935)</u>
Total capital assets being depreciated, net	<u>512,265</u>	<u>(10,164)</u>	<u>-</u>	<u>-</u>	<u>502,101</u>
Component unit capital assets, net	<u>\$ 512,265</u>	<u>\$ (10,164)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 502,101</u>

The only function of the component unit is the economic development and all depreciation was charged to that function.

Construction commitments. The City has active construction projects as of September 30, 2021. The projects included the Civic Complex expansion project, the 18th street extension project, and the Kylie Hiner Memorial Park project in the Governmental Activities. In the Business-type Activities the active projects are the Civic Complex expansion project, the Spring Canyon Development, various sewer line replacements, storage tank, and storm drainage projects, the AMI/AMR water meter project, and the Spring Canyon Well #38.

NOTE 4 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 660,000	\$ 220,000
Capital Projects Fund	120,000	-
Water/Sewer Fund	-	1,080,000
Golf Course Fund	520,000	-
	<u>\$ 1,300,000</u>	<u>\$ 1,300,000</u>

The primary purpose of inter-fund transfers is the supplementing of General Fund and Golf Course operations with excess revenues earned in the Water/Sewer Fund.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – Continuation

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 1,237,411	\$ 2,165,880
Special Revenue Funds:		
Municipal Court Technology	29,754	1,240
Municipal Court Security	30,990	-
Library Gifts & Memorials	-	1,745
Municipal Court Local Truancy Prevention & Diversion	9,662	-
Capital Projects Fund	2,095,473	-
Debt Service Fund	-	2,791
Water/Sewer Fund	1,448	370,034
Golf Course Fund	65,014	862,327
Internal Service Fund	-	65,735
	<u>\$ 3,469,752</u>	<u>\$ 3,469,752</u>

The primary purpose of inter-fund receivables and payables is to meet current year expenditures.

NOTE 5 – LONG-TERM DEBT

1. Long-Term Debt Activity

In July 2016, the City issued \$5,785,000 of General Obligation Bonds, Series 2016, (the “2016 Obligations”). Proceeds from the sale of the 2016 Obligations were used to construct the Canyon Aquatic Center. The 2016 Obligations will be repaid through ad valorem taxes, within the limits prescribed by law. The 2016 Obligations are due and payable between February 15, 2017 and February 15, 2036, and carry a fixed interest rate of 3.00%.

In August 2012, the City issued \$9,090,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2012, (the “2012 Obligations”), that were used for improvements to the City’s water and sewer system. The 2012 Obligations are due and payable between February 15, 2013 and February 15, 2032, and carry variable interest rates between 2.00% and 3.50%.

In February 2013, the City issued \$6,180,000 of General Obligation Refunding Bonds, Series 2013, (the “2013 Obligations”). Proceeds from the sale of the 2013 Obligations were used to 1) refund a portion of the City’s Series 2004 and Series 2007 Obligations, and 2) pay costs of issuance of the bonds. The 2013 Obligations can be repaid through ad valorem taxes, within the limits prescribed by law. However, as of September 30, 2021 the City has elected to repay these obligations using excess revenues from the Water and Sewer Fund rather than assess a tax rate. The 2013 Obligations are due and payable between February 15, 2014 and February 15, 2027, and carry variable interest rates between 2.00% and 3.00%.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – LONG-TERM DEBT – Continuation

The General Obligation Refunding Bonds, Series 2013 was used to pay off the debt held in the water and sewer and the golf course funds. The new outstanding debt has been allocated between the two funds based on the amount outstanding at the time of refunding. The debt is shown under business-type activities on the statement of net position.

Advance Refunding

During the year September 30, 2013, the City issued \$6,180,000 of General Obligation Refunding Bonds with interest rates ranging between 2.00% and 3.00%. The City issued the bonds to advance refund a portion of the outstanding series 2004 and 2007 Surplus Revenue Certificates of Obligation with interest rates ranging between 3.00% and 4.75%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Surplus Revenue Certificates of Obligation, Series 2004 and 2007 are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price was less than the net carrying amount of the old debt by \$173,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The City advanced refunded the Surplus Revenue Certificates of Obligation, Series 2004 and currently refunded the Surplus Revenue Certificates of Obligation, Series 2007 to reduce its total debt service payments over 14 years by \$1,024,915 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$887,519.

During the year end September 30, 2018, the City financed the acquisition of golf course equipment with a note payable. Principal and interest payments are due annually on November 1 with a fixed interest rate of 3.21%.

During the year end September 30, 2019, the City financed the acquisition of a fire truck and related equipment with a note payable. Principal and interest payments are due annually on February 1 with a fixed interest rate of 4.049%.

During the year end September 30, 2019, the City financed the acquisition of radios and related equipment for city wide use with a note payable. Principal and interest payments are due annually on February 1 with a fixed interest rate of 4.049%.

During the year end September 30, 2020, the City financed the acquisition of equipment, software, and required license agreements for the City's utility system upgrade project for Automated Meter Reading capabilities, with a note payable. Principal and interest payments are due annually on February 1 with a fixed interest rate of 3.094%.

During the year ended September 30, 2015, the EDC obtained a real estate lien note from the City of Canyon, Texas in the amount of \$157,770 with 0% interest per annum and a maturity date of March 2, 2025. The principal amount is payable in ten equal annual installments of \$15,777.

During the year ended September 30, 2020, the EDC obtained real estate notes from a financial institution. The notes are due in quarterly principal and interest installments. The #29135 note has a due date of November 15, 2029 and a fixed interest rate of 3.49%. The #29136 note has a due date of November 15, 2025 and a fixed interest rate of 4.13%. The loans are collateralized by the property purchased during the year on the 1600 block of 4th Avenue.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – LONG-TERM DEBT – Continuation

Changes in long-term obligations for the year ended September 30, 2021, are as follows:

Primary Government:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
General Obligation Bonds,					
Series 2016	\$ 4,885,000	\$ -	\$ (245,000)	\$ 4,640,000	\$ 250,000
Unamortized Bond Premiums	199,198	-	(20,143)	179,055	
Note payable - Fire Truck	185,537	-	(43,659)	141,878	45,426
Note payable - Radios	177,213	-	(86,690)	90,523	90,523
Capital lease	35,749	-	(35,749)	-	-
Compensated absences	389,437	301,467	(303,487)	387,417	38,700
	<u>5,872,134</u>	<u>301,467</u>	<u>(734,728)</u>	<u>5,438,873</u>	<u>424,649</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,872,134</u>	<u>\$ 301,467</u>	<u>\$ (734,728)</u>	<u>\$ 5,438,873</u>	<u>\$ 424,649</u>
Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
Surplus Revenue Obligation,					
Series 2012	\$ 6,095,000	\$ -	\$ (425,000)	\$ 5,670,000	\$ 435,000
General Obligation Refunding Bond, Series 2013	3,060,000	-	(540,000)	2,520,000	555,000
Unamortized Bond Premiums	469,776	-	(89,809)	379,967	
Capital lease	95,005	-	(29,483)	65,522	28,291
Note payable - Golf Equipment	197,597	-	(97,194)	100,403	100,403
Note payable - Meter Upgrade	1,409,282	-	(122,805)	1,286,477	126,220
Compensated absences	144,496	128,762	(113,922)	159,336	16,000
	<u>11,471,156</u>	<u>128,762</u>	<u>(1,418,213)</u>	<u>10,181,705</u>	<u>1,260,914</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 11,471,156</u>	<u>\$ 128,762</u>	<u>\$ (1,418,213)</u>	<u>\$ 10,181,705</u>	<u>\$ 1,260,914</u>

During prior years, compensated absences have been typically liquidated by the General Fund for governmental activities and by the Proprietary Fund in which the liability has been incurred for all business-type activities. The City does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – LONG-TERM DEBT – Continuation

Component Unit:

CEDC:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Payable - Highway 60	\$ 63,108	\$ -	\$ (15,777)	\$ 47,331	\$ 15,777
Southside Bank #29135	196,463	-	(6,599)	189,864	6,832
Southside Bank #29136	138,133	-	(24,069)	114,064	25,077
	<u>\$ 397,704</u>	<u>\$ -</u>	<u>\$ (46,445)</u>	<u>\$ 351,259</u>	<u>\$ 47,686</u>

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – LONG-TERM DEBT – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2021, are as follows:

Governmental Activities:

Years Ending September 30	Total	General Obligation Bonds Series 2016		Note Payable - Fire Truck	
		Principal	Interest	Principal	Interest
2022	\$ 524,622	\$ 250,000	\$ 129,600	\$ 45,426	\$ 5,745
2023	433,121	260,000	121,950	47,266	3,905
2024	430,246	265,000	114,075	49,186	1,985
2025	380,975	275,000	105,975	-	-
2026	377,650	280,000	97,650	-	-
2027-2031	1,908,575	1,530,000	378,575	-	-
2032-2036	1,916,800	1,780,000	136,800	-	-
Total	\$ 5,971,989	\$ 4,640,000	\$ 1,084,625	\$ 141,878	\$ 11,635

Note Payable - Radios	
Principal	Interest
\$ 90,523	\$ 3,328
-	-
-	-
-	-
-	-
-	-
-	-
\$ 90,523	\$ 3,328

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – LONG-TERM DEBT – Continuation

Business-Type Activities:

Years Ending September 30	Total	Surplus Revenue Obligation Series 2012		General Obligation Refunding Bond, Series 2013	
		Principal	Interest	Principal	Interest
2022	\$ 1,547,213	\$ 435,000	\$ 189,750	\$ 555,000	\$ 67,275
2023	1,442,325	445,000	175,438	575,000	50,325
2024	1,416,355	460,000	159,600	590,000	32,850
2025	1,409,134	475,000	143,238	610,000	14,850
2026	886,583	495,000	126,262	95,000	4,275
2027-2031	3,864,635	2,750,000	354,025	95,000	1,425
2032	620,675	610,000	10,675	-	-
Total	\$ 11,186,920	\$ 5,670,000	\$ 1,158,988	\$ 2,520,000	\$ 171,000

Capital Lease		Note Payable - Golf Equipment	
Principal	Interest	Principal	Interest
\$ 28,291	\$ 2,225	\$ 100,403	\$ 3,223
29,458	1,058	-	-
7,773	86	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 65,522	\$ 3,369	\$ 100,403	\$ 3,223

Note Payable - Meter Upgrade	
Principal	Interest
\$ 126,220	\$ 39,826
130,125	35,921
134,151	31,895
138,302	27,744
142,581	23,465
615,098	49,087
-	-
\$ 1,286,477	\$ 207,938

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5 – LONG-TERM DEBT – Continuation

Component Unit:

Years Ending September 30	Total	Highway 60 - Note Payable		Southside Bank #29135	
		Principal	Interest	Principal	Interest
2022	\$ 58,544	\$ 15,777	\$ -	\$ 6,832	\$ 6,537
2023	58,545	15,777	-	7,074	6,296
2024	58,545	15,777	-	7,324	6,046
2025	42,768	-	-	7,583	5,787
2026	42,786	-	-	30,111	5,326
2027-2030	139,076	-	-	130,940	8,136
Total	\$ 400,264	\$ 47,331	\$ -	\$ 189,864	\$ 38,128

Southside Bank #29136	
Principal	Interest
\$ 25,077	\$ 4,321
26,128	3,270
27,222	2,176
28,363	1,035
7,274	75
-	-
\$ 114,064	\$ 10,877

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 – LEASE OBLIGATIONS

Capital Leases

The City has leased certain equipment under non-cancellable capital leases. The interest rates 4.049% for the Business-Type Activities, and with maturity dates of November 2021 and January 2024, respectively. The following summarizes the City’s obligations under capital leases:

Year Ending September 30,	Business-Type Activities
2022	\$ 30,516
2023	30,516
2024	7,859
Total	68,891
Less amounts representing interest	(3,369)
	\$ 65,522
The following summarizes the assets acquired under capital lease:	
Equipment	\$ 137,919
Accumulated Depreciation	(73,557)
Net Leased Equipment	\$ 64,362

Operating Leases

The City is obligated under certain leases for office equipment and buildings, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the assets being leased under the lease agreements are not reflected in the City’s capital assets. The future minimum lease payments under non-cancellable operating leases are as follows:

Year Ending September 30,	Future Minimum Lease Payments
2022	\$ 81,222
2023	69,576
2024	66,571
2025	56,389
2026	45,283
Thereafter	181,130
Total	\$ 500,171

Lease expenditures under the City’s operating leases for the year ended September 30, 2021 totaled \$155,999.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – 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. During the fiscal year ended 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage described above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS

A. AGENT MULTIPLE – EMPLOYER PLAN

Plan Description:

The City provides pension benefits for all of its full-time employees, except firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS’ website at www.TMRS.com.

Benefits Provided:

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city’s plan chosen). Members are vested after 5 years of service (10 years for some cities).

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the City within the actuarial constraints imposed by TMRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TMRS.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Employees Covered by Benefit Terms:

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	45
Active employees	105

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2019 valuation will determine the contribution rate beginning January 1, 2021).

The City contributed using the actuarially determined rate of 14.12% for the months of the accounting year in 2020 and 13.85% for the months of the accounting year in 2021. The contribution rate payable by the employee members is 7.0% for fiscal year 2021 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Actuarial Assumptions:

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2014 – December 31, 2018, except where required to be different by GASB 68.

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under TMRS.

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Changes in the Net Pension Liability / (Asset) and Related Ratios – Current Period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2019	\$ 33,365,880	\$ 31,386,832	\$ 1,979,048
Changes for the year:			
Service cost	1,017,034	-	1,017,034
Interest on total pension liability	2,216,673	-	2,216,673
Difference between expected and actual experience	(67,394)	-	(67,394)
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(2,069,585)	(2,069,585)	-
Contributions - employee	-	417,796	(417,796)
Contributions - employer	-	842,745	(842,745)
Net investment income (loss)	-	2,382,693	(2,382,693)
Administrative expenses	-	(15,416)	15,416
Other	-	(602)	602
Balances as of December 31, 2020	<u>\$ 34,462,608</u>	<u>\$ 32,944,463</u>	<u>\$ 1,518,145</u>
Plan fiduciary net position as a percentage of the total pension liability:			95.59%
Covered employee payroll:			\$ 5,968,508
Net pension liability as a percentage of covered employee payroll:			25.44%

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Sensitivity of the Net Pension Liability / (Asset) to changes in the discount rate:

The following presents the net pension liability 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.

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Net pension liability / (asset)	\$ 6,334,235	\$ 1,518,145	\$ (2,425,593)

Pension plan fiduciary net position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TMRS financial report.

Pension Expense / (Income):

	January 1, 2020 to December 31, 2020
Total service cost	\$ 1,017,034
Interest on total pension liability	2,216,673
Employee contributions (reduction of expenses)	(417,796)
Projected earnings on plan investments (reduction of expenses)	(2,118,611)
Administrative expenses	15,416
Other changes in fiduciary net position	602
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(14,129)
Recognition of current year deferred (inflows)/outflows of resources - assets	(52,816)
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(142,559)
Amortization of prior year deferred (inflows)/outflows of resources - assets	(278,012)
Total pension expense	\$ 225,802

Continued

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Deferred Inflows / Outflows of Resources:

As of September 30, 2021, the deferred inflows and outflows - current and future expenses are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 333,474	\$ 35,571
Changes of assumptions	-	59,635
Net difference between projected and actual earnings	896,449	-
Contributions made subsequent to measurement date	N/A	666,037

Deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

	Year ended December 31:	
	2021	\$ (496,080)
	2022	(66,389)
	2023	(509,183)
	2024	(63,065)
	2025	-
	Thereafter	-

B. COST-SHARING MULTIPLE – EMPLOYER

Plan Description:

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The system issues a stand-alone financial report that is available at www.tesrs.org.

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2020 there were 237 contributing fire and/or emergency service department members participating in TESRS.

Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST SHARING MULTIPLE – EMPLOYER – Continuation

Benefits Provided:

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body’s average monthly contribution over the member’s years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member’s surviving spouse and dependent children.

Covered Membership:

On August 31, 2020, the pension system membership consisted of:

Terminated members entitled to but not yet receiving benefits	16
Active participants	19

Funding Policy:

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2020, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2021.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST SHARING MULTIPLE – EMPLOYER – Continuation

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments has a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to the benefit payments paid by the System.

Contributions Required and Contributions Made:

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2020, total contributions (dues and prior service, and interest on financing of prior service) of \$3,755,240 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,329,224 for the fiscal year ending August 31, 2020. The City’s share of those contributions amounted to \$45,150.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The actuarial valuation as of August 31, 2020 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System’s administrative expenses.

Net Pension Liability:

The City’s net pension liability was measured as of August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2020.

Total Pension Liability	\$ 1,633,784
Fiduciary Net Position	<u>1,359,994</u>
City's Net Pension Liability	<u><u>\$ 273,790</u></u>
 Fiduciary net position as a percentage of the total pension liability	 83.2 %

Actuarial Assumptions:

The total pension liability in the August 31, 2020 actuarial valuation was determined using an inflation rate of 3.00% and an investment rate of return rate of 7.75%, net of pension plan investment expense, including inflation.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST SHARING MULTIPLE – EMPLOYER – Continuation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by “rounding down” and thereby reflects a reduction of 0.26% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	20%	5.83%
Small/mid cap domestic	10%	5.94%
Developed international	15%	6.15%
Emerging markets	5%	7.25%
Global infrastructure	5%	6.41%
Real estate	10%	4.48%
Multi asset income	5%	3.84%
Fixed income	30%	1.99%
Cash	0%	0.00%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST SHARING MULTIPLE – EMPLOYER – Continuation

Sensitivity of the Net Pension Liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability	\$ 527,504	\$ 273,790	\$ 97,512

Pension Expense / (Income):

	Year Ended August 31, 2020
Service cost	\$ 20,264
Interest	119,452
Projected earnings on investments	(95,536)
Amortization of differences between projected and actual earnings on plan investments	1,289
Amortization of changes of assumption	(289)
Amortization of differences between expected and actual experience	(8,674)
Pension plan administrative expense	3,480
Change in benefit provisions	32,460
Pension expense / (income)	\$ 72,446

Deferred Inflows / Outflows of Resources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 13,024	\$ -
Changes of assumptions	448	-
Net difference between projected and actual earnings	4,471	-
Contributions made subsequent to measurement date	N/A	45,150

Continued

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST SHARING MULTIPLE – EMPLOYER – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended August 31:		
2021	\$	(12,453)
2022		(4,099)
2023		5,982
2024		(7,373)
2025		-
Thereafter		-

All assumptions for the August 31, 2020 pension disclosure are contained in the August 31, 2020 Audited Annual Financial Report, a copy of which may be obtained at www.tesrs.texas.gov.

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. TMRS – SUPPLEMENTAL DEATH BENEFITS FUND

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Plan Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

A. TMRS – SUPPLEMENTAL DEATH BENEFITS FUND – Continuation

Employees Covered by Benefit Terms

At December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	12
Active employees	105

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2020 were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

Discount Rate

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated AA or higher. As of December 31, 2020, the discount rate used in development of the Total OPEB Liability was 2.00% compared to 2.75% as of December 31, 2019.

Continued

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

A. TMRS – SUPPLEMENTAL DEATH BENEFITS FUND – Continuation

Changes in the Total OPEB Liability:

	Changes in Total OPEB Liability
Balances as of December 31, 2019	\$ 263,092
Changes for the year:	
Service cost	16,712
Interest on total OPEB liability	7,440
Changes of benefit terms	-
Effect of economic/demographic experience	301
Effect of assumptions changes or inputs	43,615
Benefit payments	(1,791)
Other	-
	\$ 329,369
Balances as of December 31, 2020	\$ 329,369

Sensitivity of the net pension liability / (asset) to changes in the discount rate

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.75%, as well as the what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 1.00%	Current Single Rate Assumption 2.00%	1% Increase 3.00%
Total OPEB liability	\$ 402,290	\$ 329,369	\$ 272,817

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

A. TMRS – SUPPLEMENTAL DEATH BENEFITS FUND – Continuation

OPEB Expense / (Income)

	January 1, 2020 to December 31, 2020
Service cost	\$ 16,712
Interest on total OPEB liability	7,440
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(3,550)
Changes in assumptions or other inputs (1)	13,670
Recognition of investment gains or losses	-
Other	-
 Total OPEB expense	 \$ 34,272

(1) Generally, this will only be the annual change in the municipal bond index rate.

Deferred Inflows / Outflows of Resources:

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 12,892	\$ 254
Changes of assumptions	8,133	74,292
Contributions made subsequent to measurement date	N/A	4,319

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:		
2021	\$	10,120
2022		10,120
2023		8,302
2024		10,843
2025		11,200
Thereafter		2,936

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

B. TML – HEALTH CARE BENEFITS

Plan Description:

The City provides health care benefits for retired employees through an agent multiple-employer plan administered by Texas Municipal League Intergovernmental Employee Benefits Pool (“TML”). All retired employees who were employed on or before August 6, 2012 and meet the eligibility guidelines for TMRS, are eligible to receive group health insurance coverage paid by the City for 7 years subsequent to retirement date, until the employee reaches the age of 65 years, or until the employee gains other employment whichever comes first. Retired employees’ spouses are eligible to receive the same health benefits at the employees’ cost for the same terms.

Benefits Provided

The City provides medical (including prescription drug) benefits to eligible retirees. The City pays up to \$1,000 of the monthly contribution for retirees meeting certain eligibility requirements. All active employees, hired on or before August 6, 2012, who retire directly from the City and meet the eligibility criteria may participate. Dependent coverage is available with the retiree paying the full premium for that coverage. Dental and vision coverage is available with the retiree paying 100% of the contribution.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	0
Active employees	40

Total OPEB Liability

The County’s total OPEB liability was measured as of September 30, 2021, and was determined by an actuarial valuation as of that date.

Continued

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

B. TML – HEALTH CARE BENEFITS – Continuation

Actuarial Assumptions

The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Individual Entry-Age - Level percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and dated of expected termination.
Discount rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Average Per Capita Claim Cost	The pre-65 retiree IEBP premium rates are used for the explicit per capita claims cost. There is no assumed implicit cost since these rates are based on the experience of a pre-65 retiree pool and are not subsidized by active employee experience. Since the \$1,000 monthly subsidy is now less than any of the retiree plan premiums this amount was used as a non-trended cost for valuation purposes.
Healthcare cost trend rates	None
Mortality	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates varying based on gender, age and select and ultimate at 9 years. Rates based on the TMRS actuarial assumptions from the 2017 retirement plan valuation report.
Disability	None assumed
Salary Scale	3.50%

Continued

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

B. TML – HEALTH CARE BENEFITS – Continuation

Discount Rate

The GASB statement requires that the discount rate used to determine the plan liabilities for retiree healthcare benefits is based on the earnings rate of the plan assets if the projected assets are sufficient to cover the projected benefit payments. If the projected assets are not sufficient then a municipal bond index rate must be used for discounting benefits not covered by the projected assets. Since there are no plan assets held in trust the Bond Buyer GO Bond 20 Index is used for determining the discount rate of 2.25%

Changes in the Total OPEB Liability

	Changes in Total OPEB Liability
Balances as of October 1, 2020	\$ 1,752,693
Changes for the year:	
Service cost	66,788
Interest on total OPEB liability	40,365
Changes of benefit terms	-
Effect of economic/demographic experience	-
Effect of assumptions changes or inputs	-
Benefit payments	(51,000)
Other	-
Balances as of September 30, 2021	\$ 1,808,846

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discounted rate of 2.25%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	\$ 1,705,322	\$ 1,808,846	\$ 1,918,854

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation

B. TML – HEALTH CARE BENEFITS – Continuation

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate, the following presents the plan’s total OPEB liability, calculated using the assumed trend rates, as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB liability	\$ 1,662,471	\$ 1,808,846	\$ 1,973,997

OPEB Expense / (Income)

	October 1, 2020 to September 30, 2021
Service cost	\$ 66,788
Interest on total OPEB liability	40,365
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(17,576)
Changes in assumptions or other inputs	(37,375)
Recognition of investment gains or losses	-
Other	-
Total OPEB expense	\$ 52,202

NOTE 10 – COMPONENT UNIT TRANSACTIONS

CEDC Commitments:

During the fiscal year ended September 30, 2015, the Canyon Economic Development Corporation committed to Lone Star Milk Producers funding an amount not to exceed \$850,000 for job incentives to be paid in ten annual installments of \$85,000. This funding is based on meeting a minimum employment threshold. As of September 30, 2021, \$340,000 of this commitment has been funded, leaving a remaining commitment of \$510,000.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 – COMPONENT UNIT TRANSACTIONS – Continuation

CEDC Commitments: – Continuation

During the fiscal year ended September 30, 2015, the Canyon Economic Development Corporation committed to Furman Family Partnership, LLP (Depot Project) funding an amount not to exceed \$250,000 for the construction of 7,600 square feet of leasable retail space, to be paid in five annual installments of \$50,000. As of September 30, 2021, none of this commitment has been funded.

During the fiscal year ended September 30, 2018, the Canyon Economic Development Corporation committed an amount not to exceed \$18,666 to U.S. Cleaners to provide a lease subsidy for three years. Under the agreement the first year will be reimbursed at an amount not to exceed \$9,228, year two will be reimbursed at an amount not to exceed \$5,627, and year three will be reimbursed at an amount not to exceed \$3,811. As of September 30, 2021, the project has been fully funded and there is no further commitment.

During the fiscal year ended September 30, 2019, the Canyon Economic Development Corporation committed an amount not to exceed \$320,000 to O’Neal Enterprises, LLC to provide cash incentives to assist in the opening of a business. Under the agreement \$90,000 will be remitted upon issuance of construction permits, \$75,000 will be remitted when the project reaches 50% completion, \$77,500 upon issuance of the Certificate of Occupancy, and \$77,500 on the first anniversary of issuance of the Certificate of Occupancy. As of September 30, 2021, the remaining commitment is \$320,000.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed to Panhandle Plains Museum (Across All Frontiers Project) funding an amount not to exceed \$250,000. The first payment of \$75,000 will be when the renovation of the STEAM lab begins. The next \$75,000 payment will be due upon 50% completion of the STEAM lab renovation. The final \$100,000 payment will be made when the Challenger Learning Center is complete. As of September 30, 2021, the remaining commitment is \$100,000.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed to Creek House Honey Farm funding an amount not to exceed \$100,000 for the construction of additional retail and tourism components with regards to the business located at 5015 4th Avenue. The first \$50,000 payment will be made with the construction permit is issued. The final \$50,000 payment will be made when the construction is complete, and the Certificate of Occupancy is issued. As of September 30, 2021, the project has been fully funded and there is no further commitment.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$42,000 to All Who Wander, LLC to provide cash incentives to assist in the opening of a business. Under the agreement 10% of the total payroll reported quarterly to the Texas Workforce Commission will be paid within 30 days following the receipt of the TWC report, not to exceed \$42,000 and for a period not to exceed 3 years, beginning with the date of the first TWC report. As of September 30, 2021, the remaining commitment is \$32,572.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$70,600 to Bean and Burr Coffee Lab, LLC to provide cash incentives to assist in the opening of a business. Under the agreement 10% of the total payroll reported quarterly to the Texas Workforce Commission will be paid within 30 days following the receipt of the TWC report, not to exceed \$44,000 and for a period not to exceed 3 years, beginning with the date of the first TWC report. Additionally, business development incentives totaling \$26,600 will be paid in equal quarterly installments as follows: year one - \$13,300, year two - \$7,980, and year three - \$5,320. As of September 30, 2021, the remaining commitment is \$31,205.

Continued

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 – COMPONENT UNIT TRANSACTIONS – Continuation

CEDC Commitments: – Continuation

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$55,000 to Deidre Dixon Marketing, LLC to provide cash incentives to assist in the opening of a business. Under the agreement an amount not to exceed \$25,000 will be paid upon the purchase of technology infrastructure. An additional amount not to exceed \$30,000 will be provided for job incentives in creating 3-4 permanent fulltime employee positions. As of September 30, 2021, the remaining commitment is \$25,211.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$329,000 to TANJACO, LLC to provide cash incentives to assist in the opening of a business. Under the agreement \$125,000 will be paid towards renovations, payable at 50% upon opening the business and 50% on the first anniversary date of opening the business. A lease subsidy of \$3,500 per month for a total of 24 months, not to exceed \$84,000. Finally, 10% of the total payroll reported quarterly to the Texas Workforce Commission will be paid within 30 days following the receipt of the TWC report, not to exceed \$120,000 and for a period not to exceed 3 years, beginning with the date of the first TWC report. As of September 30, 2021, the remaining commitment is \$202,920.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$200,000 to the City of Canyon, Texas to assist in the construction of the Kylie Hiner Memorial Playground. As of September 30, 2021, none of this commitment has been funded.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$40,000 to Canyon Hospitality, LLC to assist in the improvements made to the exterior of the building located at 300 23rd Street. The full amount is due and payable upon completion of the improvements. As of September 30, 2021, the remaining commitment is \$20,000.

During the fiscal year ended September 30, 2020, the Canyon Economic Development Corporation committed an amount not to exceed \$50,000 to the City of Canyon, Texas to assist in fulfilling the Downtown Master Plan. As of September 30, 2021, the remaining commitment is \$25,000.

During the fiscal year ended September 30, 2020, the Canyon Economic Development corporation committed an amount not to exceed \$1,100 to Weathered Elements to assist in updating the company's technology. As of September 30, 2021, the remaining commitment is \$162.

During the fiscal year ended September 30, 2021, the Canyon Economic Development Corporation committed an amount not to exceed \$486,000 to Mass Hotels, LLC to provide cash incentives to assist in the opening of a business. Under the agreement \$100,000 will be remitted upon issuance of a construction permit, \$75,000 will be remitted when the project reaches 50% completion, \$75,000 at final completion. Finally, 10% of the total payroll reported quarterly to the Texas Workforce Commission will be paid within 30 days following the receipt of the TWC report, not to exceed \$236,000. As of September 30, 2021, the remaining commitment is \$386,000.

During the fiscal year ended September 30, 2021, the Canyon Economic Development Corporation committed to Ruthette's Bridal Shop an amount not to exceed \$30,000 to assist in the business expansion and relocation. The full amount is due and payable on completion of the expansion and relocation. As of September 30, 2021, none of this commitment has been funded.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11 – TAX ABATEMENT AGREEMENTS

The City has entered into a tax abatement agreement which is authorized and governed by the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code with Lone Star Products, LLC. The Company is to develop a new milk powder processing, specialty drying and milk ingredient facility in the City of Canyon, Texas, costing approximately \$75,000,000. The City will abate 100% of the ad valorem taxes on this development for a period of ten years beginning on January 1 of the year following completion of the development. Starting in the third year of this ten year tax abatement period, the Company will begin to pay the City an amount in lieu of the ad valorem taxes. This amount begins at \$61,200 per year and increases to \$108,800 in year ten.

For the fiscal year ended September 30, 2021, the City of Canyon abated property taxes totaling \$295,546 under this program, including the following tax abatement agreement:

- A 100 percent tax abatement to Lone Star Dairy Products, LLC, and the abatement was \$295,546.

NOTE 12 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$2.50 on each \$100 of assessed valuation. The tax rate on the 2020 tax roll was \$.43809 per \$100, which means that the City has a tax margin of \$2.06191 per \$100 and could raise up to \$17,113,852 additional revenue from the 2020 assessed valuation of \$829,999,961 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

NOTE 13 – SUBSEQUENT EVENTS

On December 7, 2021, the City issued Series 2021 General Obligation Refunding Bonds. The bonds will refund the outstanding Series 2012 Certificates of Obligation and the Series 2013 General Obligation Refunding Bonds.

On December 7, 2021, the City issued \$4,150,000 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021. The bonds will purchase land to be used for water rights & wellfield development.



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF CANYON, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 2,909,826	\$ 3,003,052	\$ 3,002,458	\$ (594)
Sales	2,470,000	2,983,540	3,028,807	45,267
Franchise	875,000	944,600	984,164	39,564
Mixed beverage	21,500	35,000	35,026	26
Licenses and fees	187,500	233,474	234,134	660
Fines and forfeitures	234,940	213,340	205,680	(7,660)
Intergovernmental	789,235	1,111,645	1,094,119	(17,526)
Charges for services	2,553,115	2,601,389	2,606,160	4,771
Interest earnings	18,000	9,900	11,324	1,424
Miscellaneous	75,491	103,417	102,500	(917)
	<u>10,134,607</u>	<u>11,239,357</u>	<u>11,304,372</u>	<u>65,015</u>
EXPENDITURES				
Current:				
General government:	1,320,302	1,268,462	1,263,777	4,685
Public safety	4,983,696	5,015,159	5,024,517	(9,358)
Highways and streets	1,142,337	779,667	778,732	935
Culture and recreation	2,219,946	2,148,158	2,146,015	2,143
Conservation and development	320,154	284,324	284,146	178
Sanitation	1,441,204	1,418,454	1,414,412	4,042
Debt Service:				
Principal	167,077	166,177	166,098	79
Interest and other charges	15,946	15,946	15,382	564
Capital outlay	316,565	583,325	577,482	5,843
	<u>11,927,227</u>	<u>11,679,672</u>	<u>11,670,561</u>	<u>9,111</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(1,792,620)</u>	<u>(440,315)</u>	<u>(366,189)</u>	<u>74,126</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	33,200	33,258	58
Transfers in	1,792,620	660,000	660,000	-
Transfers out	-	(220,000)	(220,000)	-
	<u>1,792,620</u>	<u>473,200</u>	<u>473,258</u>	<u>58</u>
NET CHANGE IN FUND BALANCE				
	-	66,085	107,069	40,984
FUND BALANCES - BEGINNING				
	<u>4,942,586</u>	<u>4,942,586</u>	<u>4,942,586</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ 4,942,586</u>	<u>\$ 5,008,671</u>	<u>\$ 5,049,655</u>	<u>\$ 40,984</u>

CITY OF CANYON, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2020	2019	2018	2017
Total Pension Liability:				
Service cost	\$ 1,017,034	\$ 988,559	\$ 942,434	\$ 875,955
Interest on total pension liability	2,216,673	2,108,088	2,021,701	1,912,704
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(67,394)	59,127	(622,046)	(272,550)
Changes of assumptions	-	99,129	-	-
Benefit payments/refunds of contributions	(2,069,585)	(1,251,345)	(919,350)	(949,817)
Net change in total pension liability	1,096,728	2,003,558	1,422,739	1,566,292
Total pension liability, beginning	33,365,880	31,362,322	29,939,583	28,373,291
Total pension liability, ending (a)	<u>\$ 34,462,608</u>	<u>\$ 33,365,880</u>	<u>\$ 31,362,322</u>	<u>\$ 29,939,583</u>
Fiduciary Net Position:				
Employer contributions	\$ 842,745	\$ 873,627	\$ 878,949	\$ 810,657
Employee contributions	417,796	398,842	376,543	346,227
Net investment income	2,382,693	4,203,882	(829,982)	3,349,279
Benefit payments/refunds of contributions	(2,069,585)	(1,251,345)	(919,350)	(949,817)
Administrative expenses	(15,416)	(23,749)	(16,035)	(17,353)
Other	(602)	(715)	(837)	(879)
Net change in fiduciary net position	1,557,631	4,200,542	(510,712)	3,538,114
Fiduciary net position, beginning	31,386,832	27,186,290	27,697,002	24,158,888
Fiduciary net position, ending (b)	<u>\$ 32,944,463</u>	<u>\$ 31,386,832</u>	<u>\$ 27,186,290</u>	<u>\$ 27,697,002</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,518,145</u>	<u>\$ 1,979,048</u>	<u>\$ 4,176,032</u>	<u>\$ 2,242,581</u>
Fiduciary net position as a % of total pension liability	95.59%	94.07%	86.68%	92.51%
Pensionable covered payroll	\$ 5,968,508	\$ 5,697,745	\$ 5,379,188	\$ 4,946,105
Net pension liability as a % of covered payroll	25.44%	34.73%	77.63%	45.34%

Year Ended December 31,

2016	2015	2014	2013	2012	2011
\$ 811,022	\$ 733,800	\$ 620,244	\$ N/A	\$ N/A	\$ N/A
1,792,996	1,782,705	1,683,447	N/A	N/A	N/A
-	-	-	N/A	N/A	N/A
64,757	(687,944)	(122,826)	N/A	N/A	N/A
-	84,701	-	N/A	N/A	N/A
(905,748)	(806,634)	(832,709)	N/A	N/A	N/A
1,763,027	1,106,628	1,348,156	N/A	N/A	N/A
26,610,264	25,503,636	24,155,480	N/A	N/A	N/A
\$ 28,373,291	\$ 26,610,264	\$ 25,503,636	\$ N/A	\$ N/A	\$ N/A
\$ 775,373	\$ 754,463	\$ 714,632	\$ N/A	\$ N/A	\$ N/A
319,840	301,444	282,946	N/A	N/A	N/A
1,518,859	32,771	1,193,503	N/A	N/A	N/A
(905,748)	(806,634)	(832,709)	N/A	N/A	N/A
(17,149)	(19,959)	(12,460)	N/A	N/A	N/A
(925)	(986)	(1,024)	N/A	N/A	N/A
1,690,250	261,099	1,344,888	N/A	N/A	N/A
22,468,638	22,207,539	20,862,651	N/A	N/A	N/A
\$ 24,158,888	\$ 22,468,638	\$ 22,207,539	\$ N/A	\$ N/A	\$ N/A
\$ 4,214,403	\$ 4,141,626	\$ 3,296,097	\$ N/A	\$ N/A	\$ N/A
85.15%	84.44%	87.08%	N/A	N/A	N/A
\$ 4,569,140	\$ 4,306,341	\$ 4,042,081	\$ N/A	\$ N/A	\$ N/A
92.24%	96.18%	81.54%	N/A	N/A	N/A



CITY OF CANYON, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed as available)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 745,367	\$ 745,367	\$ -	\$ 4,253,762	17.5%
2016	767,782	767,782	-	4,487,811	17.1%
2017	802,027	802,027	-	4,850,622	16.5%
2018	857,048	857,048	-	5,241,104	16.4%
2019	884,402	884,402	-	5,674,084	15.6%
2020	842,541	842,541	-	5,837,568	14.4%
2021	892,108	892,108	-	6,399,416	13.9%

NOTES TO SCHEDULE OF CONTRIBUTION

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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary increases	3.50% - 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

CITY OF CANYON, TEXAS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended August 31,			
	2020	2019	2018	2017
City's proportionate share (percentage) of collective net pension liability	1.086%	0.864%	0.820%	0.904%
City's proportionate share (amount) of the net pension liability	<u>\$ 273,790</u>	<u>\$ 244,906</u>	<u>\$ 177,534</u>	<u>\$ 216,975</u>
City's covered-employee payroll (for measurement year)	\$ 425,708	\$ 330,780	\$ 368,729	\$ 311,105
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	64.31%	74.04%	48.15%	69.74%
Plan's fiduciary net position as a percentage of the total pension liability	83.20%	80.20%	84.26%	81.41%

Year Ended August 31,

2016	2015	2014	2013	2012	2011
0.904%	0.813%	0.848%	N/A	N/A	N/A
<u>\$ 263,318</u>	<u>\$ 217,010</u>	<u>\$ 154,096</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 285,060	\$ 269,927	\$ 264,403	\$ N/A	\$ N/A	\$ N/A
92.37%	80.40%	58.28%	N/A	N/A	N/A
76.34%	78.31%	83.46%	N/A	N/A	N/A

CITY OF CANYON, TEXAS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed as available)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 39,200	\$ 39,200	\$ -	\$ 283,862	13.8%
2016	40,750	40,750	-	292,205	13.9%
2017	45,900	45,900	-	306,073	15.0%
2018	50,395	50,395	-	327,359	15.4%
2019	39,630	39,630	-	399,821	9.9%
2020	51,175	51,175	-	370,830	13.8%
2021	45,150	45,150	-	451,623	10.0%

CITY OF CANYON, TEXAS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
Last 10 Years (will ultimately be displayed as available)

<u>Year Ending</u> <u>August 31:</u>	<u>Annual Money-</u> <u>Weighted Net Real</u> <u>Rate of Return</u>
2013	13.84 %
2014	14.92 %
2015	(3.58) %
2016	5.57 %
2017	10.32 %
2018	10.86 %
2019	1.00 %
2020	10.74 %

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the changing amounts actually invested during the year.

CITY OF CANYON, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability:				
Service cost	\$ 16,712	\$ 10,827	\$ 12,372	\$ 9,892
Interest on total OPEB liability	7,440	7,824	7,541	7,301
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	43,615	43,908	(15,417)	17,782
Effect of economic/demographic (gains) or losses	301	(4,084)	(18,993)	-
Benefit payments	(1,791)	(1,709)	(1,614)	(1,484)
Net change in total OPEB liability	66,277	56,766	(16,111)	33,491
Total OPEB liability, beginning	263,092	206,327	222,438	188,947
Total OPEB liability, ending	<u>\$ 329,369</u>	<u>\$ 263,093</u>	<u>\$ 206,327</u>	<u>\$ 222,438</u>
Covered employee payroll	\$ 5,968,508	\$ 5,697,745	\$ 5,379,188	\$ 4,946,105
Total OPEB liability as a % of covered employee payroll	5.52%	4.62%	3.84%	4.50%

CITY OF CANYON, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Valuation Timing	<p>For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date and no later than the end of the employer's current fiscal year, consistently applied from period to period. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.</p> <p>The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2020 and a measurement date as of December 31, 2020; as such, no roll-forward is required.</p>
Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Retiree's share of benefit-related costs	-
Administrative expenses	<p>All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.</p>
Mortality rates - service retirees	<p>2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale of UMP.</p>
Mortality rates - disabled retirees	<p>2019 Municipal Retirees of Texas Mortality Tables with 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.</p>

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees.

CITY OF CANYON, TEXAS
TEXAS MUNICIPAL LEAGUE
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed as available)

	Year Ended September 30,			
	2021	2020	2019	2018
Total OPEB Liability:				
Service cost	\$ 66,788	\$ 70,931	\$ 70,931	\$ 68,164
Interest on total OPEB liability	40,365	83,177	75,977	75,120
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	(246,674)	-	-
Effect of economic/demographic (gains) or losses	-	(116,004)	-	-
Benefit payments	(51,000)	(33,000)	(48,000)	(60,000)
Net change in total OPEB liability	56,153	(241,570)	98,908	83,284
Total OPEB liability, beginning	1,752,693	1,994,263	1,895,355	1,812,071
Total OPEB liability, ending	<u>\$ 1,808,846</u>	<u>\$ 1,752,693</u>	<u>\$ 1,994,263</u>	<u>\$ 1,895,355</u>
Covered employee payroll	\$ 2,515,896	\$ 2,515,896	\$ 3,201,000	\$ 3,201,000
Total OPEB liability as a % of covered employee payroll	71.90%	69.66%	62.30%	59.21%

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION



Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report specific revenues that are legally restricted to expenditures for particular purposes.

Municipal Court Technology – This fund is used to account for the fees paid in the municipal court designed for the purpose of financing the purchase of technological enhancements for the use of the office.

Municipal Court Security – This fund is used to account for the fees paid in the municipal court designed for the purpose of financing and maintaining the security of the office.

D-FY-IT Program – This fund is used to account for the scholarships paid out annually to the benefit of citizens of the City.

Emergency Management – This fund is used to account for the use of emergency funds as needed by the City.

LEOSE – This fund is used to account for the state funds received for the purpose of educating and training the law enforcement officers as designated by the State of Texas.

Library Gifts and Memorials – This fund is used to account for donations to the library and the expenses from those donations used for specific purposes for the library of the City.

Board of City Development (Hotel/Motel) – This fund is used to account for and report hotel/motel taxes that are legally restricted to the promotion of tourism for the City.

Municipal Court Local Truancy Prevention & Diversion – This fund is used to account for the fees paid in the municipal court designed for the purpose of financing and maintaining a Local Truancy Prevention & Diversion program.

Debt Service Fund

The Debt Service Fund accounts for the accumulation and disbursement of resources associated with the City's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

**CITY OF CANYON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	Special Revenue		
	Municipal Court Technology	Municipal Court Security	D-FY-IT Program
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 564
Taxes receivable, net	-	-	-
Due from other funds	29,754	30,990	-
Total assets	\$ 29,754	\$ 30,990	\$ 564
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	1,240	-	-
Total liabilities	1,240	-	-
FUND BALANCES			
Restricted:			
By enabling legislation for special projects	\$ 28,514	\$ 30,990	\$ -
Special projects	-	-	564
Debt service	-	-	-
Total fund balances	28,514	30,990	564
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,754	\$ 30,990	\$ 564

Special Revenue

Emergency Management	LEOSE	Library Gifts & Memorials	Board of City Development (Hotel/Motel)	Municipal Court Local Truancy Prevention & Diversion	Total
\$ 5,535	\$ 2,236	\$ 6,599	\$ 216,661	\$ -	\$ 231,595
-	-	-	34,926	-	34,926
-	-	-	-	9,662	70,406
<u>\$ 5,535</u>	<u>\$ 2,236</u>	<u>\$ 6,599</u>	<u>\$ 251,587</u>	<u>\$ 9,662</u>	<u>\$ 336,927</u>
\$ -	\$ -	\$ -	\$ 23,073	\$ -	\$ 23,073
-	-	1,745	-	-	2,985
-	-	1,745	23,073	-	26,058
\$ 5,535	\$ 2,236	\$ -	\$ 228,514	\$ 9,662	\$ 305,451
-	-	4,854	-	-	5,418
-	-	-	-	-	-
<u>5,535</u>	<u>2,236</u>	<u>4,854</u>	<u>228,514</u>	<u>9,662</u>	<u>310,869</u>
<u>\$ 5,535</u>	<u>\$ 2,236</u>	<u>\$ 6,599</u>	<u>\$ 251,587</u>	<u>\$ 9,662</u>	<u>\$ 336,927</u>

Continued



**CITY OF CANYON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

Continuation	ASSETS	Debt Service	Total Non- major Governmental Funds
		<u> </u>	<u> </u>
Cash and cash equivalents		\$ 327,924	\$ 559,519
Taxes receivable, net		2,427	37,353
Due from other funds		-	70,406
		<u> </u>	<u> </u>
Total assets		<u>\$ 330,351</u>	<u>\$ 667,278</u>
	LIABILITIES		
Accounts payable		\$ -	\$ 23,073
Due to other funds		2,791	5,776
		<u> </u>	<u> </u>
Total liabilities		<u>2,791</u>	<u>28,849</u>
	FUND BALANCES		
Restricted:			
By enabling legislation for special projects		\$ -	\$ 305,451
Special projects		-	5,418
Debt service		325,560	325,560
		<u> </u>	<u> </u>
Total fund balances		<u>325,560</u>	<u>636,429</u>
Total liabilities, deferred inflows of resources, and fund balances		<u>\$ 330,351</u>	<u>\$ 667,278</u>

CITY OF CANYON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Special Revenue</u>		
	<u>Municipal Court Technology</u>	<u>Municipal Court Security</u>	<u>D-FY-IT Program</u>
REVENUES			
Taxes:			
Property	\$ -	\$ -	\$ -
Hotel/Motel	-	-	-
Licenses and fees	4,496	5,494	-
Intergovernmental	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	4,496	5,494	-
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	14,027	3,080	-
Culture and recreation	-	-	-
Public safety	-	-	-
Public services	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	14,027	3,080	-
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,531)	2,414	-
FUND BALANCES - BEGINNING	38,045	28,576	564
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 28,514	\$ 30,990	\$ 564
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Special Revenue

Emergency Management	LEOSE	Library Gifts & Memorials	Board of City Development (Hotel/Motel)	Municipal Court Local Truancy Prevention & Diversion	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	272,521	-	272,521
-	-	-	-	9,662	19,652
-	1,875	-	-	-	1,875
2	1	8	100	-	111
-	-	4,586	-	-	4,586
<u>2</u>	<u>1,876</u>	<u>4,594</u>	<u>272,621</u>	<u>9,662</u>	<u>298,745</u>
-	-	-	-	-	-
-	-	-	-	-	17,107
-	-	4,806	-	-	4,806
800	2,680	-	-	-	3,480
-	-	-	115,681	-	115,681
-	-	-	-	-	-
-	-	-	-	-	-
<u>800</u>	<u>2,680</u>	<u>4,806</u>	<u>115,681</u>	<u>-</u>	<u>141,074</u>
(798)	(804)	(212)	156,940	9,662	157,671
<u>6,333</u>	<u>3,040</u>	<u>5,066</u>	<u>71,574</u>	<u>-</u>	<u>153,198</u>
<u>\$ 5,535</u>	<u>\$ 2,236</u>	<u>\$ 4,854</u>	<u>\$ 228,514</u>	<u>\$ 9,662</u>	<u>\$ 310,869</u>

Continued



CITY OF CANYON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Debt Service</u>	<u>Total Non- major Governmental Funds</u>
Continuation		
REVENUES		
Taxes:		
Property	\$ 448,367	\$ 448,367
Hotel/Motel	-	272,521
Licenses and fees	-	19,652
Intergovernmental	-	1,875
Investment earnings	406	517
Miscellaneous	1,634	6,220
	<u>450,407</u>	<u>749,152</u>
Total revenues		
EXPENDITURES		
Current:		
General government	450	450
Judicial	-	17,107
Culture and recreation	-	4,806
Public safety	-	3,480
Public services	-	115,681
Debt service:		
Principal	245,000	245,000
Interest	137,025	137,025
	<u>382,475</u>	<u>523,549</u>
Total expenditures		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	67,932	225,603
FUND BALANCES - BEGINNING	<u>257,628</u>	<u>410,826</u>
FUND BALANCES - ENDING	<u><u>\$ 325,560</u></u>	<u><u>\$ 636,429</u></u>



COMPLIANCE AND INTERNAL CONTROL



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Commission
City of Canyon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the City of Canyon, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not designed to identify all deficiencies in the internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

Amarillo, Texas

March 3, 2022