

CITY OF CANADIAN
CANADIAN, TEXAS
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2021

INTRODUCTORY SECTION

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CITY OF CANADIAN
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2021

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CITY OF CANADIAN
ROSTER OF ELECTED AND APPOINTED OFFICIALS
September 30, 2021

Elected Officials

Mayor
Mayor Pro-tem
Council Member
Council Member
Council Member
Council Member

Terrill Bartlett
Gary Prater
Ashlee Talley
Jonilyn Hanes
Chase Smyth
Wendie Cook

Appointed Officials

City Manager
City Secretary

Joe Jarosek
Kimberly Sloat

FINANCIAL SECTION

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BROWN, GRAHAM & COMPANY

**PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS**

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Terrill Bartlett and
Members of the City Council
City of Canadian

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canadian, (the City) as of and for the year ended September 30, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, the respective changes in financial position, the respective budgetary comparison for the General Fund and the major special revenue fund, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-12 and the pension and OPEB schedules and related notes on pages 66-70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Emphasis of a Matter

As discussed in Note 18 to the financial statements and in the Management's Discussion and Analysis, the City may be negatively impacted by the effects of the worldwide COVID-19 pandemic. The City's management and City Council continues to monitor operations in response to the uncertainty of this situation. The full extent of the impact of this event on the City's financial position is not known as of the date of this report. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Brown, Graham, & Company, P.C.

Spearman, Texas
February 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As city manager of the City of Canadian, Texas (the City), I offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. I encourage readers to consider the information presented here in conjunction with the financial statements of the City and additional information provided. The *Independent Auditor's Report* is on Page 3 and the basic financial statements begin on page 14.

BACKGROUND INFORMATION

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,067,465 (*net position*). Of this amount, \$5,018,309 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors. This represents approximately 147 percent of the City's annual government-wide expenses.
- The City's total net position increased \$783,783. The increase is greater than the prior year, mainly due to a significant increase in the business-type activities net position which is primarily due to increased capital grants revenue related to the TXDOT water and sewer relocation project and reduced operating expenses.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,654,559 or 323 percent of total general fund expenditures.
- The assets and deferred outflows of resources of the enterprise funds (Water and Sewer, Sanitation and the Golf Course) exceed their liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,392,267 (*net position*). The enterprise funds' total net position increased \$720,724.
- In accordance with GASB 68 – *Accounting and Financial Reporting for Pensions*, the City has recorded a net pension liability of \$1,238,567 at September 30, 2021.
- In accordance with GASB 75 – *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, the City has recorded a total Other Post Employment Benefit (OPEB) liability of \$84,830 at September 30, 2021.

USING THIS ANNUAL REPORT

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

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

- The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *fund financial statements*, beginning on page 18, report the City's operations in greater detail than the *government-wide statements*. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds:** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. The effect is that long-term assets and liabilities are not reported on the fund financial statements. Such information may be useful in evaluating a government's near-term financing requirements. They also serve as the basis for tax levies and the appropriation of budgets.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations can be viewed on pages 19 and 21.

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

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

- **Proprietary Funds:** These are also known as business-type funds. The focus for proprietary funds is on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. Proprietary funds are used for activities similar to those found in the private sector. The proprietary fund statements (Exhibits D-1, D-2 and D-3) report the revenues and expenses of providing utilities (water and sewer), solid waste disposal (sanitation) and golf. These Funds account for activities that the City charges fees to users for goods and services. Generally, fees are set high enough to cover most or all of the costs of providing the goods and services.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-63 of this report.

Other information: Information about the City's pension plan, OPEB plan and cash deposits can be found on pages 66-70.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position and the Statement of Activities

The primary purpose of the *government-wide financial statements* is to report whether the City's financial condition has improved or worsened as a result of the year's activities and to report the resources available for future needs. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Other factors such as changes in the City's property tax base, strength of the local economy, utility rates and the condition of facilities must also be considered. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,067,465 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The largest portion of the City's net position (51 percent) reflects the net position of the governmental activities, while 59 percent of net position represents the City's investment in capital assets (e.g., land, buildings, equipment, furnishings, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

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

An additional portion of the City's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$5,018,309 may be used to meet the City's ongoing obligations to citizens and creditors.

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

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

CITY OF CANADIAN Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,990,990	\$ 4,780,692	\$ 2,168,187	\$ 2,102,657	\$ 7,159,177	\$ 6,883,349
Capital assets, net of accumulated depreciation	2,608,902	2,811,119	7,946,534	7,101,944	10,555,436	9,913,063
Total Assets	<u>7,599,892</u>	<u>7,591,811</u>	<u>10,114,721</u>	<u>9,204,601</u>	<u>17,714,613</u>	<u>16,796,412</u>
Deferred outflows of resources	119,468	127,845	150,231	165,946	269,699	293,791
Total assets & deferred outflows of resources	<u>7,719,360</u>	<u>7,719,656</u>	<u>10,264,952</u>	<u>9,370,547</u>	<u>17,984,312</u>	<u>17,090,203</u>
Other liabilities	7,374	5,621	94,758	97,851	102,132	103,472
Long-term liabilities	298,004	331,243	2,351,098	2,639,677	2,649,102	2,970,920
Premium on refunding bonds	22,113	27,299	186,661	230,436	208,774	257,735
Net pension liability	616,227	625,162	622,340	632,981	1,238,567	1,258,143
OPEB liability	42,206	34,977	42,624	35,415	84,830	70,392
Total liabilities	<u>985,924</u>	<u>1,024,302</u>	<u>3,297,481</u>	<u>3,636,360</u>	<u>4,283,405</u>	<u>4,660,662</u>
Deferred inflows of resources	58,238	83,215	575,204	62,644	633,442	145,859
Total liabilities & deferred inflows of resources	<u>1,044,162</u>	<u>1,107,517</u>	<u>3,872,685</u>	<u>3,699,004</u>	<u>4,916,847</u>	<u>4,806,521</u>
Net position:						
Net investment in capital assets	2,314,322	2,479,451	5,459,920	4,292,996	7,774,242	6,772,447
Restricted:						
Promotion and tourism	160,287	165,496	-	-	160,287	165,496
Debt service	114,627	68,344	-	-	114,627	68,344
Unrestricted	4,085,962	3,898,848	932,347	1,378,547	5,018,309	5,277,395
Total net position	<u>\$ 6,675,198</u>	<u>\$ 6,612,139</u>	<u>\$ 6,392,267</u>	<u>\$ 5,671,543</u>	<u>\$ 13,067,465</u>	<u>\$ 12,283,682</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The cost of all governmental activities was \$1,724,801 in 2021 as compared to \$1,570,598 in 2020. However, as shown in the *statement of activities* on pages 16 and 17, the amount that our taxpayers ultimately financed for these activities through City property and sales taxes was only \$1,386,396 because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Governmental activities increased the City's net position by \$18,838 before transfers. This is less than the prior year due to increases in general government and street expenses.

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

CITY OF CANADIAN Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 28,477	\$ 21,089	\$ 1,652,552	\$ 1,774,745	\$ 1,681,029	\$ 1,795,834
Operating grants and contributions	123,145	9,860	255,002	260,000	378,147	269,860
Capital grants and contributions	-	101,000	514,512	137,348	514,512	238,348
General revenues:						
Property taxes	905,264	899,039	-	-	905,264	899,039
Other taxes	550,210	570,875	1,109	9,032	551,319	579,907
Other revenues	136,543	143,706	22,091	23,956	158,634	167,662
Total revenues	<u>1,743,639</u>	<u>1,745,569</u>	<u>2,445,266</u>	<u>2,205,081</u>	<u>4,188,905</u>	<u>3,950,650</u>
Expenses:						
General government	581,710	476,925	-	-	581,710	476,925
Public safety	2,207	2,207	-	-	2,207	2,207
Public works	122,705	129,051	-	-	122,705	129,051
Highways and streets	453,129	374,069	-	-	453,129	374,069
Culture and recreation	91,883	94,951	-	-	91,883	94,951
Support services	361,949	389,635	-	-	361,949	389,635
Promotion and tourism	103,756	90,378	-	-	103,756	90,378
Debt issuance costs	-	7,831	-	66,093	-	73,924
Interest on long-term debt	7,462	5,551	57,434	45,204	64,896	50,755
Water and sewer	-	-	869,622	919,548	869,622	919,548
Utility administration	-	-	62,986	64,894	62,986	64,894
Sanitation	-	-	485,312	523,211	485,312	523,211
Golf course	-	-	204,967	214,560	204,967	214,560
Total expenses	<u>1,724,801</u>	<u>1,570,598</u>	<u>1,680,321</u>	<u>1,833,510</u>	<u>3,405,122</u>	<u>3,404,108</u>
Increase (decrease) in net position before transfers	18,838	174,971	764,945	371,571	783,783	546,542
Transfers in (out)	<u>44,221</u>	<u>21,671</u>	<u>(44,221)</u>	<u>(21,671)</u>	<u>-</u>	<u>-</u>
Change in net position	63,059	196,642	720,724	349,900	783,783	546,542
Net position - beginning, as previously reported	<u>6,612,139</u>	<u>6,415,497</u>	<u>5,671,543</u>	<u>5,321,643</u>	<u>12,283,682</u>	<u>11,737,140</u>
Net position - ending	<u>\$ 6,675,198</u>	<u>\$ 6,612,139</u>	<u>\$ 6,392,267</u>	<u>\$ 5,671,543</u>	<u>\$ 13,067,465</u>	<u>\$ 12,283,682</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The costliest functions of the governmental activities relate to general government, highways and streets, and support services. It costs the City \$1,396,788 (81 percent of total governmental activity expenses) to provide these services, while direct charges for these services to citizens and others only amounts to \$10,634. The net expense of these functions must be subsidized by the taxpayers. The business-type activities operations increased net position of the City by \$764,945 before transfers during the year ended September 30, 2021. This is significantly higher than the \$371,571 increase in the prior year, mainly due to an increase in capital grants revenue related to the TXDOT water and sewer relocation project and reduced operating expenses.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported ending fund balance of \$4,933,967 an increase of \$231,536 in comparison with the prior year. Approximately 94 percent of this total amount, \$4,654,559 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$4,659,053 of which, \$4,654,559 is *unassigned*. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. *Unassigned* and *total fund balance* represents 323 and 323 percent of total general fund expenditures, respectively. A general rule of thumb is for governments to maintain *unassigned fund balance* in the range of 30 to 100 percent of annual general fund expenditures, however governments often accumulate higher percentages in anticipation of major projects. The fund balance of the City's general fund increased \$190,462 during the current fiscal year.

BUDGETARY HIGHLIGHTS

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

GASBs 34 and 37 do not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

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

The following table examines the summary budget performance of the budgeted funds for the fiscal year ending September 30, 2021. Detailed budget performance is examined through the Budgetary Comparison Statements at exhibits C-1 and C-2.

CITY OF CANADIAN Funds Expenditure Budget Performance

	Final Budget	Actual Amounts Budgetary Basis	Variance
General Fund	\$ 1,445,810	\$ 1,436,130	\$ 9,680
Hotel/Motel Occupancy Tax Fund	62,785	62,785	-

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

- \$311,783 in increases to revenues
- \$47,680 in decreases to maintenance of buildings and structures
- \$35,281 in decreases to supplies and materials
- \$32,917 in decreases to personnel costs

There was also a \$1,072 increase in the Occupancy Tax Fund budget which consists of \$4,327 decreases to revenues and \$5,399 decreases to expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets: The City's investment in capital assets for business-type activities and governmental activities as of September 30, 2021, amounts to \$5,459,920 and \$2,314,322, respectively (net of accumulated depreciation and debt related to the financing of the capital assets). This investment in capital assets includes the following:

CITY OF CANADIAN Capital Assets, Net of Accumulated Depreciation

	Business-type Activities		Governmental Activities	
	2021	2020	2021	2020
Buildings and improvements	\$ 891,327	\$ 891,327	\$ 5,630,952	\$ 5,616,262
Furniture and fixtures	3,640	3,640	34,535	34,535
Machinery and equipment	1,552,474	1,226,931	690,646	690,646
Transportation equipment	849,207	931,814	512,140	550,988
Infrastructure	10,416,787	10,416,787	-	-
Construction-in-progress	916,932	214,435	-	-
Land	32,464	32,464	75,000	75,000
Total, at cost	14,662,831	13,717,398	6,943,273	6,967,431
Accumulated depreciation	(6,716,297)	(6,615,454)	(4,334,371)	(4,156,312)
Total capital assets, net of accumulated depreciation	<u>\$ 7,946,534</u>	<u>\$ 7,101,944</u>	<u>\$ 2,608,902</u>	<u>\$ 2,811,119</u>

Major capital asset events during the current fiscal year included:

General	
Visitor Center Parkway	\$ 14,690
Water and Sewer	
Water/Sewer Line Relocation Project	\$ 702,498
Automatic Water Meters	\$ 420,439
Flow Meters	\$ 49,811

Additional information on the City's capital assets can be found in Note 5 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term debt: At the end of the current fiscal year, the business-type activities and governmental activities of the City had total long-term debt outstanding of \$2,537,758 and \$320,117, respectively. Long-term debt secured by pledged property tax revenues in the governmental activities and the business-type activities at the end of the current fiscal year was \$276,448 and \$2,333,552, respectively.

CITY OF CANADIAN Outstanding Debt

	Business-type Activities		Governmental Activities	
	2021	2020	2021	2020
Long-term debt:				
2019 general obligation refunding bonds	\$ 2,333,552	\$ 2,610,717	\$ 276,448	\$ 309,283
Unamortized bond premium	186,661	230,436	22,113	27,299
Lease payable	-	9,273	-	-
Accrued compensated absences	17,546	19,687	21,556	21,960
Total long-term debt	<u>\$ 2,537,759</u>	<u>\$ 2,870,113</u>	<u>\$ 320,117</u>	<u>\$ 358,542</u>

In prior years, the City issued Certificates of Obligation (CO), Series 2008 and 2010. Proceeds from the bonds totaled \$5,820,000. During fiscal year 2020, the City issued \$2,985,000 of Series 2019 General Obligation Refunding Bonds to advance refund \$3,210,000 of the Series 2008 and 2010 Bonds. The Series 2019 Bonds were issued at a net premium of \$294,160. Current year amortization of the premium was \$48,962. The bonds payable and unamortized premium are recorded as noncurrent liabilities on the Statement of Net Position. For the 2021 fiscal year, the City had a tax rate of \$0.071176 for the interest and sinking fund requirements that was used to make the bond payments. Repayment of the Series 2019 Refunding Bonds began in February 2020 and the bonds mature in February 2030.

Additional information on the City's long-term debt can be found in Note 7 of this report. Information on the City's landfill closure and post closure care costs can be found in Note 16.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials consider many factors when adopting budgets and setting tax rates. Chief among those factors is the local economy. The economy of the City has been hit hard by decreases in oil and gas activity in the area over the past few years but it seems to have stabilized somewhat. Sales tax collections were down slightly compared to the prior year and occupancy tax revenues remained fairly consistent compared to prior year. The City's efforts at economic development have helped to diversify the economy of the City and this has helped soften the blow from the slide in the oil and gas industry.

These and other factors are taken into account during the budgeting process. For the fiscal year ending September 30, 2022, the City has budgeted \$1,681,774 of revenues in the General Fund that will be available for appropriation, a decrease of 8% percent over the final 2020-2021 budget of \$1,832,043. The City will use its revenues to finance programs we currently offer. The City has not added or subtracted any major programs or initiatives in its 2021-2022 budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to decrease \$132,597 at the close of the 2021-2022 fiscal year. In the event of any national, state, economic, or natural catastrophe, management will adjust and maintain necessary services while cutting expenditures and capital projects.

EFFECTS OF THE COVID-19 PANDEMIC

The City continues to be impacted by the effects of the COVID-19 Pandemic. The City instituted some changes, primarily to office visitor procedures, however the City was not forced to reduce its workforce through furloughs or lay-offs. Looking ahead to fiscal year 2022 and the future, the City's management realize the negative impacts the pandemic may have including collection of property taxes and decreases in property values for future taxes. These factors were considered when approving the budget for the 2020-2021 fiscal year. Additional discussion about the City's assessment of the impact of COVID-19 has had on the City's operations can be found in Note 18 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

REQUEST FOR INFORMATION

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

**BASIC
FINANCIAL STATEMENTS**

CITY OF CANADIAN
STATEMENT OF NET POSITION
September 30, 2021

Exhibit A-1
Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and temporary investments	\$ 4,824,831	\$ 1,327,703	\$ 6,152,534	\$ 576,706
Receivables, net of allowance for uncollectibles	146,999	252,537	399,536	18,910
Due from component unit	14,666	-	14,666	-
Inventory	4,494	71,560	76,054	-
Restricted cash	-	516,387	516,387	-
Capital assets, net of accumulated depreciation	<u>2,608,902</u>	<u>7,946,534</u>	<u>10,555,436</u>	<u>9,047</u>
Total assets	<u>7,599,892</u>	<u>10,114,721</u>	<u>17,714,613</u>	<u>604,663</u>
Deferred outflows of resources				
Differences between expected and actual experience on pension plan	26,241	26,501	52,742	-
Changes in assumptions on pension plan	12,977	13,106	26,083	-
Pension contributions subsequent to the measurement date	66,965	67,629	134,594	-
Changes in assumptions on OPEB plan	8,411	8,495	16,906	-
OPEB contributions subsequent to the measurement date	893	902	1,795	-
Deferred charge on refunding bonds	<u>3,981</u>	<u>33,598</u>	<u>37,579</u>	<u>-</u>
Total deferred outflows of resources	<u>119,468</u>	<u>150,231</u>	<u>269,699</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 7,719,360</u>	<u>\$ 10,264,952</u>	<u>\$ 17,984,312</u>	<u>\$ 604,663</u>

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF NET POSITION
September 30, 2021

Exhibit A-1
Page 2 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Liabilities				
Accounts payable	\$ 6,810	\$ 11,721	\$ 18,531	\$ 760
Accrued expenses	564	3,677	4,241	11,866
Utility deposits	-	67,596	67,596	-
Accrued interest on long-term debt	-	11,764	11,764	-
Due to primary government	-	-	-	14,666
Long-term debt:				
Due within one year	32,835	277,165	310,000	-
Due in more than one year	265,169	2,073,933	2,339,102	-
Premium on refunding bonds	22,113	186,661	208,774	-
Net pension liability	616,227	622,340	1,238,567	-
OPEB liability	42,206	42,624	84,830	-
Total liabilities	985,924	3,297,481	4,283,405	27,292
Deferred inflows of resources				
Differences between expected and actual experience on OPEB plan	437	442	879	-
Differences between projected and actual earnings on pension plan	57,801	58,375	116,176	-
Unearned grant revenue	-	516,387	516,387	-
Total deferred inflows of resources	58,238	575,204	633,442	-
Net position				
Net investment in capital assets	2,314,322	5,459,920	7,774,242	9,047
Restricted:				
Promotion and tourism	160,287	-	160,287	-
Debt service	114,627	-	114,627	-
Unrestricted	4,085,962	932,347	5,018,309	568,324
Total net position	6,675,198	6,392,267	13,067,465	577,371
Total liabilities, deferred inflows of resources and net position	\$ 7,719,360	\$ 10,264,952	\$ 17,984,312	\$ 604,663

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

		Program Revenues		
		Charges for	Operating Grants and	Capital
	Expenses	Services	Contributions	Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 581,710	\$ 10,634	\$ -	\$ -
Public safety	2,207	444	123,145	-
Public works	122,705	595	-	-
Highways and streets	453,129	-	-	-
Culture and recreation	91,883	16,804	-	-
Support services	361,949	-	-	-
Promotion and tourism	103,756	-	-	-
Interest on long-term debt	7,462	-	-	-
Total governmental activities	<u>1,724,801</u>	<u>28,477</u>	<u>123,145</u>	<u>-</u>
Business-type activities:				
Water and sewer	869,622	962,690	250,000	514,509
Utility administration	62,986	-	-	-
Sanitation	485,312	548,830	-	-
Golf Course	204,967	141,032	5,002	3
Interest on long-term debt	57,434	-	-	-
Total business-type activities	<u>1,680,321</u>	<u>1,652,552</u>	<u>255,002</u>	<u>514,512</u>
Total Primary Government	<u>\$ 3,405,122</u>	<u>\$ 1,681,029</u>	<u>\$ 378,147</u>	<u>\$ 514,512</u>
Component unit:				
Economic Development Corporation	<u>\$ 211,197</u>	<u>\$ 92,620</u>	<u>\$ -</u>	<u>\$ -</u>

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

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
\$ (571,076)	\$ -	\$ (571,076)	\$ -
121,382	-	121,382	-
(122,110)	-	(122,110)	-
(453,129)	-	(453,129)	-
(75,079)	-	(75,079)	-
(361,949)	-	(361,949)	-
(103,756)	-	(103,756)	-
(7,462)	-	(7,462)	-
<u>(1,573,179)</u>	<u>-</u>	<u>(1,573,179)</u>	<u>-</u>
-	857,577	857,577	-
-	(62,986)	(62,986)	-
-	63,518	63,518	-
-	(58,930)	(58,930)	-
-	(57,434)	(57,434)	-
<u>-</u>	<u>741,745</u>	<u>741,745</u>	<u>-</u>
<u>(1,573,179)</u>	<u>741,745</u>	<u>(831,434)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,577)</u>
905,264	-	905,264	-
481,132	-	481,132	160,565
67,576	-	67,576	-
112,010	-	112,010	-
1,502	1,109	2,611	-
2,171	19,641	21,812	-
19,112	-	19,112	262
3,250	2,450	5,700	-
44,221	(44,221)	-	-
<u>1,636,238</u>	<u>(21,021)</u>	<u>1,615,217</u>	<u>160,827</u>
63,059	720,724	783,783	42,250
<u>6,612,139</u>	<u>5,671,543</u>	<u>12,283,682</u>	<u>535,121</u>
<u>\$ 6,675,198</u>	<u>\$ 6,392,267</u>	<u>\$ 13,067,465</u>	<u>\$ 577,371</u>

CITY OF CANADIAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

Exhibit B-1

	General Fund	Special Revenue Fund Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 4,550,135	\$ 152,920	\$ 121,776	\$ 4,824,831
Receivables, net of allowance for uncollectibles	134,706	7,367	4,926	146,999
Due from other funds	7,787	-	-	7,787
Due from component unit	14,666	-	-	14,666
Inventory	4,494	-	-	4,494
Total assets	\$ 4,711,788	\$ 160,287	\$ 126,702	\$ 4,998,777
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,810	\$ -	\$ -	\$ 6,810
Accrued expenditures	563	-	-	563
Due to other funds	638	-	7,149	7,787
Total liabilities	8,011	-	7,149	15,160
Deferred inflows of resources:				
Unavailable property taxes	44,724	-	4,926	49,650
Total liabilities and deferred inflows of resources	52,735	-	12,075	64,810
Fund balances:				
Nonspendable:				
Inventory	4,494	-	-	4,494
Restricted:				
Promotion and tourism	-	160,287	-	160,287
Debt Service	-	-	114,627	114,627
Unassigned	4,654,559	-	-	4,654,559
Total fund balances	4,659,053	160,287	114,627	4,933,967
Total liabilities, deferred inflows of resources and fund balances	\$ 4,711,788	\$ 160,287	\$ 126,702	\$ 4,998,777

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021

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

Total fund balances - governmental funds (page 18)	\$ 4,933,967
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,608,902
Unavailable property taxes are not available to pay for current-period expenditures and therefore, are deferred in the funds.	49,650
Included in the items related to debt is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$616,227, the OPEB liability required by GASB 75 in the amount of \$42,206, deferred resource outflows related to TMRS and OPEB in the amount of \$115,487, and deferred resource inflows related to TMRS and OPEB in the amount of \$58,238. This amounted to a decrease in net position in the amount of \$601,184.	(601,184)
Long-term liabilities, are reported in the Statement of Net Assets, including accrued compensated absences of \$21,556, bonds payable of \$276,448, premiums on the 2019 refunding bonds of \$22,113 and deferred charges on the 2019 refunding bonds of \$3,980 are not due and payable in the current period and therefore are not reported as liabilities on the fund balance sheets.	(316,137)
	<hr/>
Total net position - governmental activities (page 15)	\$ <u><u>6,675,198</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended September 30, 2021

Exhibit B-2

	General Fund	Special Revenue Fund Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Taxes, penalties, and interest	\$ 1,298,713	\$ 67,577	\$ 90,832	\$ 1,457,122
Charges for services	16,804	-	-	16,804
Fees and permits	114,634	-	-	114,634
Grants and donations	123,145	-	-	123,145
Royalties and rents	2,171	-	-	2,171
Interest on temporary investments	19,112	-	-	19,112
Sale of assets	3,250	-	-	3,250
Other	9,049	-	-	9,049
Total revenues	1,586,878	67,577	90,832	1,745,287
Expenditures				
Current:				
City council	2,382	-	-	2,382
Administration	527,792	-	-	527,792
Legal	7,300	-	-	7,300
Tax office	41,987	-	-	41,987
Elections	1,811	-	-	1,811
Community service	24,954	-	-	24,954
Highways and streets	302,449	-	-	302,449
Public works	122,390	-	-	122,390
Swimming pool	56,731	-	-	56,731
Support services	220,008	-	-	220,008
Maintenance shop	116,782	-	-	116,782
Promotion and tourism	-	72,785	-	72,785
CARE commission	1,361	-	-	1,361
Debt service:				
Principal	-	-	32,835	32,835
Interest	-	-	11,715	11,715
Capital outlay	14,690	-	-	14,690
Total expenditures	1,440,637	72,785	44,550	1,557,972
Excess of revenues over (under) expenditures	146,241	(5,208)	46,282	187,315
Other financing sources (uses)				
Operating transfers in (out)	44,221	-	-	44,221
Net change in fund balances	190,462	(5,208)	46,282	231,536
Fund balances - beginning	4,468,591	165,495	68,345	4,702,431
Fund balances - ending	\$ 4,659,053	\$ 160,287	\$ 114,627	\$ 4,933,967

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

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

Net change in total fund balances - governmental funds (page 20)	\$	231,536
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and the remaining basis on assets sold is offset against sales proceeds to report gain or loss on the sale.

Capital outlay		14,690
Depreciation		(216,907)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes		(1,646)
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GASB 68 and GASB 75 require that certain expenditures be de-expended and recorded as deferred resource outflows and inflows. The City recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability and the total OPEB liability. This caused a decrease in the change in net position of \$2,105.

		(2,105)
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Proceeds from the issuance of long-term debt are reported as providing current financial resources in governmental funds but are reported as long-term debt in the government wide financial statement and repayments of such debt is reported as an expenditure for governmental funds but is reported as a reduction of debt in government-wide financial statements

Principal payment on long-term debt		32,835
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During the prior year, the city issued the Series 2019 Refunding Bonds. Amortization of premiums and deferred charges on the refunding bonds were \$5,186 and \$934 respectively. The net result of reclassifying the amounts related to the refunding bonds is to increase net position by \$4,253.

		4,252
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

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Change in net position of governmental activities (page 17)	\$	63,059
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The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2021

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>
Revenues			
Taxes, penalties, and interest	\$ 1,338,277	\$ 1,243,480	\$ 1,286,278
Charges for services	12,000	16,802	16,804
Fees and permits	124,125	110,527	113,342
Grants and donations	-	-	-
Royalties and rents	1,100	2,172	2,171
Interest on temporary investments	34,000	17,580	19,112
Sale of assets	-	-	-
Other	10,758	441,482	110,350
	<u>1,520,260</u>	<u>1,832,043</u>	<u>1,548,057</u>
Total revenues			
	<u>1,520,260</u>	<u>1,832,043</u>	<u>1,548,057</u>
Expenditures			
Current:			
City Council			
Supplies and materials	500	1,028	1,027
Contractual services	15,050	1,996	1,355
Total city council	<u>15,550</u>	<u>3,024</u>	<u>2,382</u>
Administration			
Personnel services	304,312	292,204	291,568
Supplies and materials	18,000	6,797	6,921
Maintenance of buildings and structures	4,000	1,994	1,994
Maintenance of equipment	1,900	499	498
Contractual services	151,200	227,078	227,285
Total administration	<u>479,412</u>	<u>528,572</u>	<u>528,266</u>
Legal			
Supplies and materials	100	-	-
Contractual services	8,500	7,300	7,300
Total legal	<u>8,600</u>	<u>7,300</u>	<u>7,300</u>
Tax office			
Contractual services	42,000	41,988	41,987
Total tax office	<u>42,000</u>	<u>41,988</u>	<u>41,987</u>
Elections			
Supplies and materials	2,000	-	-
Contractual services	4,000	1,812	1,811
Total elections	<u>6,000</u>	<u>1,812</u>	<u>1,811</u>

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
\$ 42,798	\$ 12,435	\$ 1,298,713
2	-	16,804
2,815	1,292	114,634
-	123,145	123,145
(1)	-	2,171
1,532	-	19,112
-	3,250	3,250
<u>(331,132)</u>	<u>(101,301)</u>	<u>9,049</u>
<u>(283,986)</u>	<u>38,821</u>	<u>1,586,878</u>
1	-	1,027
641	-	1,355
<u>642</u>	<u>-</u>	<u>2,382</u>
636	(2)	291,566
(124)	(55)	6,866
-	-	1,994
1	-	498
<u>(207)</u>	<u>(417)</u>	<u>226,868</u>
<u>306</u>	<u>(474)</u>	<u>527,792</u>
-	-	-
<u>-</u>	<u>-</u>	<u>7,300</u>
<u>-</u>	<u>-</u>	<u>7,300</u>
1	-	41,987
<u>1</u>	<u>-</u>	<u>41,987</u>
-	-	-
<u>1</u>	<u>-</u>	<u>1,811</u>
<u>1</u>	<u>-</u>	<u>1,811</u>

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Expenditures (continued)			
Community service			
Personnel services	5,040	5,305	5,304
Maintenance of buildings and structures	-	15,764	15,764
Maintenance of equipment	4,600	-	-
Contractual services	19,550	18,630	18,576
Total community service	29,190	39,699	39,644
Highways and streets			
Personnel services	169,262	156,106	150,198
Supplies and materials	16,200	11,045	11,160
Maintenance of buildings and structures	161,500	103,912	106,857
Maintenance of equipment	7,200	11,161	11,380
Contractual services	21,770	20,053	20,290
Total highways and streets	375,932	302,277	299,885
Public Works			
Personnel services	119,288	116,057	114,367
Supplies and materials	5,900	5,842	5,840
Maintenance of equipment	640	1,027	1,026
Contractual services	4,717	1,160	1,157
Total public works	130,545	124,086	122,390
Swimming pool			
Personnel services	36,500	30,185	30,185
Supplies and materials	20,550	11,153	11,166
Maintenance of buildings and structures	1,600	108	107
Maintenance of equipment	10,750	2,600	3,319
Contractual services	16,200	9,952	10,295
Total swimming pool	85,600	53,998	55,072
CARE Commission			
Contractual services	50,000	1,361	1,361
Support services			
Personnel	117,872	119,682	115,917
Supplies and materials	15,450	14,451	13,220
Maintenance of buildings and structures	2,600	1,234	1,234
Maintenance of equipment	7,150	5,576	5,572
Contractual services	78,082	82,815	82,811
Total support services	221,154	223,758	218,754

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
1	-	5,304
-	(14,690)	1,074
-	-	-
54	-	18,576
55	(14,690)	24,954
5,908	1	150,199
(115)	(6)	11,154
(2,945)	2,565	109,422
(219)	-	11,380
(237)	4	20,294
2,392	2,564	302,449
1,690	-	114,367
2	-	5,840
1	-	1,026
3	-	1,157
1,696	-	122,390
-	-	30,185
(13)	1,612	12,778
1	-	107
(719)	-	3,319
(343)	47	10,342
(1,074)	1,659	56,731
-	-	1,361
3,765	(1)	115,916
1,231	378	13,598
-	-	1,234
4	87	5,659
4	790	83,601
5,004	1,254	220,008

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>
Expenditures (continued)			
Maintenance shop			
Personnel	102,521	102,339	101,441
Supplies and materials	20,200	13,303	13,537
Maintenance of buildings and structures	1,000	8	8
Maintenance of equipment	5,500	2,285	2,292
Total maintenance shop	<u>129,221</u>	<u>117,935</u>	<u>117,278</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,573,204</u>	<u>1,445,810</u>	<u>1,436,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(52,944)</u>	<u>386,233</u>	<u>111,927</u>
Other financing sources (uses)			
Cash used (generated) to balance budget	(3,406)	(442,583)	-
Operating transfers in (out)	<u>56,350</u>	<u>56,350</u>	<u>56,350</u>
Total other financing sources (uses)	<u>52,944</u>	<u>(386,233)</u>	<u>56,350</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>168,277</u>
Fund balances - beginning	<u>4,468,591</u>	<u>4,468,591</u>	<u>4,468,591</u>
Fund balances - ending	<u>\$ 4,468,591</u>	<u>\$ 4,468,591</u>	<u>\$ 4,636,868</u>

Explanation of differences:

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

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
898	1	101,442
(234)	(67)	13,470
-	-	8
(7)	(430)	1,862
<u>657</u>	<u>(496)</u>	<u>116,782</u>
-	14,690	14,690
<u>9,680</u>	<u>4,507</u>	<u>1,440,637</u>
<u>(274,306)</u>	<u>34,314</u>	<u>146,241</u>
442,583	-	-
-	(12,129)	44,221
<u>442,583</u>	<u>(12,129)</u>	<u>44,221</u>
<u>168,277</u>	<u>22,185</u>	<u>190,462</u>
-	-	4,468,591
\$ <u><u>168,277</u></u>	\$ <u><u>22,185</u></u> (1)	\$ <u><u>4,659,053</u></u>

\$ 27,684
(5,499)

\$ 22,185 (1)

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
HOTEL/MOTEL OCCUPANCY TAX - SPECIAL REVENUE FUND
Year Ended September 30, 2021

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>
Revenues			
Taxes, penalties, and interest	\$ <u>68,184</u>	\$ <u>63,857</u>	\$ <u>64,687</u>
Expenditures			
Current:			
Promotion and tourism			
Maintenance of buildings and structures	1,000	-	-
Contractual services	<u>67,184</u>	<u>62,785</u>	<u>62,785</u>
Total promotion and tourism	<u>68,184</u>	<u>62,785</u>	<u>62,785</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>68,184</u>	<u>62,785</u>	<u>62,785</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>1,072</u>	<u>1,902</u>
Other financing sources (uses)			
Cash used (generated) to balance budget	<u>-</u>	<u>(1,072)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1,902</u>
Fund balances - beginning	<u>165,495</u>	<u>165,495</u>	<u>165,495</u>
Fund balances - ending	\$ <u><u>165,495</u></u>	\$ <u><u>165,495</u></u>	\$ <u><u>167,397</u></u>

Explanation of differences:

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

The accompanying notes are an integral part of these financial statements

Variance with Final Budget - Favorable/ (Unfavorable)	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
\$ <u>830</u>	\$ <u>2,890</u>	\$ <u>67,577</u>
-	-	-
<u>-</u>	<u>10,000</u>	<u>72,785</u>
<u>-</u>	<u>10,000</u>	<u>72,785</u>
-	-	-
<u>-</u>	<u>10,000</u>	<u>72,785</u>
<u>830</u>	<u>(7,110)</u>	<u>(5,208)</u>
<u>1,072</u>	<u>-</u>	<u>-</u>
<u>1,902</u>	<u>(7,110)</u>	<u>(5,208)</u>
<u>-</u>	<u>-</u>	<u>165,495</u>
\$ <u><u>1,902</u></u>	\$ <u><u>(7,110) (1)</u></u>	\$ <u><u>160,287</u></u>
	\$ <u><u>(7,110) (1)</u></u>	

CITY OF CANADIAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

Exhibit D-1
Page 1 of 2

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Assets				
Current assets:				
Cash and temporary investments	\$ 915,327	\$ 412,376	\$ -	\$ 1,327,703
Receivables:				
Accounts, net of allowance for doubtful accounts	71,734	42,473	24	114,231
Grants	138,306	-	-	138,306
Inventory	62,501	9,059	-	71,560
Restricted cash	516,387	-	-	516,387
Total current assets	<u>1,704,255</u>	<u>463,908</u>	<u>24</u>	<u>2,168,187</u>
Noncurrent assets:				
Property, plant and equipment, net of accumulated depreciation	<u>7,606,700</u>	<u>205,504</u>	<u>134,330</u>	<u>7,946,534</u>
Total assets	<u>9,310,955</u>	<u>669,412</u>	<u>134,354</u>	<u>10,114,721</u>
Deferred outflows of resources				
Differences in expected and actual experience on pension plan	12,780	11,463	2,258	26,501
Difference in assumption changes on pension plan	6,320	5,669	1,117	13,106
Pension contributions subsequent to the measurement date	32,614	29,253	5,762	67,629
Differences between expected and actual experience on OPEB plan	4,097	3,674	724	8,495
OPEB contributions subsequent to the measurement date	435	390	77	902
Deferred charge on refunding bonds	<u>33,598</u>	<u>-</u>	<u>-</u>	<u>33,598</u>
Total deferred outflows of resources	<u>89,844</u>	<u>50,449</u>	<u>9,938</u>	<u>150,231</u>
Total assets and deferred outflows of resources	<u>\$ 9,400,799</u>	<u>\$ 719,861</u>	<u>\$ 144,292</u>	<u>\$ 10,264,952</u>

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

Exhibit D-1
Page 2 of 2

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Liabilities				
Current liabilities:				
Accounts payable	\$ 7,287	\$ 1,357	\$ 3,077	\$ 11,721
Accrued expenses	434	3,243	-	3,677
Accrued interest payable	11,764	-	-	11,764
Unearned grant revenue	516,387	-	-	516,387
Current portion of long-term debt	277,165	-	-	277,165
Total current liabilities	<u>813,037</u>	<u>4,600</u>	<u>3,077</u>	<u>820,714</u>
Long-term liabilities:				
Utility deposits	67,596	-	-	67,596
Compensated absences	3,530	10,520	3,496	17,546
Long-term debt due in more than one year	2,056,387	-	-	2,056,387
Premium on refunding bonds	186,661	-	-	186,661
Net pension liability	300,121	269,194	53,025	622,340
OPEB liability	20,555	18,437	3,632	42,624
Total long-term liabilities	<u>2,634,850</u>	<u>298,151</u>	<u>60,153</u>	<u>2,993,154</u>
Total liabilities	<u>3,447,887</u>	<u>302,751</u>	<u>63,230</u>	<u>3,813,868</u>
Deferred inflows of resources				
Changes in assumptions on OPEB plan	213	191	38	442
Difference between projected and actual earnings on pension plan	<u>28,151</u>	<u>25,250</u>	<u>4,974</u>	<u>58,375</u>
Total deferred inflows of resources	<u>28,364</u>	<u>25,441</u>	<u>5,012</u>	<u>58,817</u>
Net position				
Net investment in capital assets	5,120,086	205,504	134,330	5,459,920
Unrestricted	<u>804,462</u>	<u>186,165</u>	<u>(58,280)</u>	<u>932,347</u>
Total net position	<u>5,924,548</u>	<u>391,669</u>	<u>76,050</u>	<u>6,392,267</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,400,799</u>	<u>\$ 719,861</u>	<u>\$ 144,292</u>	<u>\$ 10,264,952</u>

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended September 30, 2021

Exhibit D-2

	Business-Type Activities - Enterprise Funds			Totals
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	
Operating revenues:				
Water	\$ 565,883	\$ -	\$ -	\$ 565,883
Sewer	396,807	-	-	396,807
Sanitation	-	548,830	-	548,830
Golf course	-	-	141,032	141,032
Total operating revenues	<u>962,690</u>	<u>548,830</u>	<u>141,032</u>	<u>1,652,552</u>
Operating expenses:				
Cost of sales and services:				
Water and sewer	869,622	-	-	869,622
Administration	62,986	-	-	62,986
Sanitation	-	485,312	-	485,312
Golf course	-	-	204,967	204,967
Total operating expenses	<u>932,608</u>	<u>485,312</u>	<u>204,967</u>	<u>1,622,887</u>
Operating income (loss)	<u>30,082</u>	<u>63,518</u>	<u>(63,935)</u>	<u>29,665</u>
Non-operating revenues (expenses):				
Other income	1,109	-	-	1,109
Gain on sale of assets	-	2,450	-	2,450
Interest expense	(57,014)	-	(420)	(57,434)
Rents	19,641	-	-	19,641
Grants and donations	764,509	-	5,005	769,514
Total non-operating revenues (expenses)	<u>728,245</u>	<u>2,450</u>	<u>4,585</u>	<u>735,280</u>
Income (loss) before transfers	758,327	65,968	(59,350)	764,945
Operating transfers in (out)	(68,000)	(27,350)	51,129	(44,221)
Change in net position	<u>690,327</u>	<u>38,618</u>	<u>(8,221)</u>	<u>720,724</u>
Net position - beginning	<u>5,234,221</u>	<u>353,051</u>	<u>84,271</u>	<u>5,671,543</u>
Total net position - ending	<u>\$ 5,924,548</u>	<u>\$ 391,669</u>	<u>\$ 76,050</u>	<u>\$ 6,392,267</u>

The accompanying notes are an integral part of these financial statements

CITY OF CANADIAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended September 30, 2021

Exhibit D-3

	Business-Type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,110,393	\$ 555,983	\$ 141,032	\$ 1,807,408
Payments to employees	(247,319)	(225,052)	(47,274)	(519,645)
Payments to vendors	(431,341)	(217,617)	(140,199)	(789,157)
Net cash flows from operating activities	<u>431,733</u>	<u>113,314</u>	<u>(46,441)</u>	<u>498,606</u>
Cash flows from non-capital and related financing activities:				
Transfers from (to) other funds, net	(68,000)	(27,350)	51,129	(44,221)
Other receipts	<u>19,641</u>	<u>-</u>	<u>-</u>	<u>19,641</u>
Net cash flows from non-capital and related financing activities	<u>(48,359)</u>	<u>(27,350)</u>	<u>51,129</u>	<u>(24,580)</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(1,172,748)	-	-	(1,172,748)
Proceeds from sale of property	-	2,450	-	2,450
Grants received	1,142,590	-	5,005	1,147,595
Principal paid on capital debt	(277,165)	-	(9,273)	(286,438)
Interest paid on capital debt	<u>(98,884)</u>	<u>-</u>	<u>(420)</u>	<u>(99,304)</u>
Net cash flows from capital and related financing activities	<u>(406,207)</u>	<u>2,450</u>	<u>(4,688)</u>	<u>(408,445)</u>
Cash flows from investing activities:				
Interest received	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>1,109</u>
Net increase (decrease) in cash and temporary investments	(21,724)	88,414	-	66,690
Cash and temporary investments - beginning	<u>1,453,438</u>	<u>323,962</u>	<u>-</u>	<u>1,777,400</u>
Cash and temporary investments - ending	<u>\$ 1,431,714</u>	<u>\$ 412,376</u>	<u>\$ -</u>	<u>\$ 1,844,090</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	\$ 30,082	\$ 63,518	\$ (63,935)	\$ 29,665
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation and amortization	263,866	48,128	16,164	328,158
(Increase) decrease in:				
Accounts receivable	143,067	7,153	-	150,220
Inventory	(8,549)	(2,205)	-	(10,754)
Deferred outflows of resources	3,452	3,375	611	7,438
Increase (decrease) in:				
Accounts payable	(3,449)	947	918	(1,584)
Accrued expenses	214	(2,659)	-	(2,445)
Pension liability	(3,472)	(6,500)	(669)	(10,641)
OPEB liability	3,567	3,014	627	7,208
Deferred inflows of resources	(1,681)	(1,457)	(292)	(3,430)
Utility deposits	<u>4,636</u>	<u>-</u>	<u>135</u>	<u>4,771</u>
Net cash flows from operating activities	<u>\$ 431,733</u>	<u>\$ 113,314</u>	<u>\$ (46,441)</u>	<u>\$ 498,606</u>

The accompanying notes are an integral part of these financial statements

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CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies

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

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

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

A. Financial Reporting Entity

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

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

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

B. Government-wide and fund financial statements

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The City reports the following major governmental funds:

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

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

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City also reports the following major proprietary funds:

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

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

D. Assets, Liabilities and Net Position or Equity

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

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

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

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

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

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

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Interfund Receivables and Payables: Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable. Infrastructure assets are depreciated just as other assets are. Additions and improvements to infrastructure assets are capitalized and depreciated. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in impairment of a capital asset are netted against impairment loss.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Property Taxes: Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they were imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during the 60-day period after the close of the fiscal year. The assessed value of the certified roll, upon which the levy for the 2021 fiscal year was based upon, was \$126,261,660.

Taxes are due on October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended September 30, 2021 were 96% of the tax levy. The tax rate assessed for the year ended September 30, 2021 to finance general fund operations and debt service, respectively, was 0.646208 and 0.071176 per \$100 valuation.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources and Deferred Inflows of Resources: In addition to assets, if present the statements of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City only has items, which arise under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the deferred outflows of resources reported on the Statement of Net Position are deferred and recognized as an outflow of resources in the future. Deferred outflows of resources reported at September 30, 2021 relate to the City's pension obligation, its supplemental death benefit that qualifies as an Other Post Employment Benefit (OPEB) plan, and a deferred charge on the refunding bonds.

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

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Compensated Absences: Vested or accumulated vacation that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Eligible City employees may accumulate up to 160 hours of earned but unused vacation, which will be paid if not used, on death, retirement or termination. A long-term liability of \$39,102 (\$21,556 in governmental activities and \$17,546 in business-type activities) of accrued vacation has been recorded in the government-wide financial statements as non-current liabilities, at September 30, 2021.

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

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

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

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

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

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

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

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

As of September 30, 2021 the City has classified its fund balances as follows:

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

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

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

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

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

E. New Pronouncements and the effects on Financial Reporting

Recently Issued and Adopted Accounting Pronouncements

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 2018 and later. Providing governments with sufficient time to apply the authoritative guidance addressed in this statement will help safeguard the reliability of their financial statements, which will in turn benefit the users of those financial statements. The requirements of this Statement are effective immediately. The adoption of this Statement will delay the implementation of other Statements as noted below.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The requirements of this Statement were effective for reporting periods beginning after December 15, 2018. Early application is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after December 15, 2019. The adoption of this statement did not have any significant impact on the City's financial statements.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Recently Issued and Adopted Accounting Pronouncements (continued)

In August 2018, the GASB issued Statement 90, *Majority Equity Interests-An amendment of GASB Statements No. 14 and No. 61*. The primary objective of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The adoption of this statement did not have any significant impact on the City's financial statements.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were effective for reporting periods beginning after December 15, 2019.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Recently Issued Accounting Pronouncements (continued)

Earlier application is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after June 15, 2021.

According to the requirements of this Statement, leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a presorting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosures will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Recently Issued Accounting Pronouncements (continued)

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020. Earlier adoption is encouraged. However, in accordance with GASB 95, the effective date of the Statement is postponed for reporting periods beginning after December 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates* (GASB 93). Some governments have entered into agreements in which the variable payments made or received depend on an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions relating to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No 87, *Leases*, as amended, replacement of the rate on which the variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR.

The requirements for this Statement were effective for reporting periods beginning after June 15, 2020. Early application is encouraged. However, in accordance with GASB 95, the effective date of the parts of this Statement regarding leases is postponed to periods beginning after June 15, 2021 and in the case of using the LIBOR for derivative instruments, after December 15, 2021. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public- Public Partnerships and Availability Payment Arrangements* (GASB 94). The primary objective of this Statement is to improve financial reporting by addressing issues related to Public-private and public-public partnership arrangements (PPPs). As used in the Statement, a PPP is an arrangement in which a governments (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may included designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Recently Issued Accounting Pronouncements (continued)

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements* (GASB 96). The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA's). That objective is accomplished by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset, and a corresponding subscription liability, (3) providing the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requiring note disclosures of essential information regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is permitted. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is permitted. Management is currently evaluating the impact of the adoption of this Statement on the City's financial statements.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 2. Stewardship, Compliance and Accountability (continued)

The Council properly amended the budget during the year ended September 30, 2021. These amendments resulted in the following changes:

	Cash Generated (Used) to Balance the Budget	
	Original Budget	Final Budget
Budgeted funds:		
General Fund	\$ 3,406	\$ 442,583
Hotel/Motel Occupancy Tax Fund	-	1,072
Total	<u>\$ 3,406</u>	<u>\$ 443,655</u>

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

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

NOTE 3. Deposits and Investments

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

At September 30, 2021, the carrying amount of the City's deposits was \$6,668,921. The total cash and temporary investment balance per the financial institutions of \$6,854,212 consists of an interest bearing NOW account, \$891,288 and insured cash sweep (ICS) account, \$5,962,924. Of these account balances, \$6,212,924 was covered by federal depository insurance and \$641,288 was covered by collateral held in joint safekeeping by a third party in the name of the City.

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

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

The schedule below reports the insured portion of the deposits.

	Happy State Bank
NOW and ICS accounts	\$ 6,854,212
FDIC Coverage	6,212,924
Total uninsured public funds	641,288
Pledged collateral held by third parties in the City's name	2,142,665
(Over) collateralized	<u>\$ (1,501,377)</u>

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 4. Receivables

Receivables as of September 30, 2021 for governmental fund types are as follows:

Governmental Fund Types

	General Fund	Hotel/Motel Occupancy Tax Fund	Debt Service Fund	Totals
Receivables:				
Property taxes	\$ 74,542	\$ -	\$ 8,210	\$ 82,752
Due from other governments	56,844	-	-	56,844
Accounts receivable	33,137	7,367	-	40,504
Total receivables	164,523	7,367	8,210	180,100
Allowance for doubtful accounts and taxes	(29,817)	-	(3,284)	(33,101)
Total net receivables	\$ 134,706	\$ 7,367	\$ 4,926	\$ 146,999

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred inflows of resources related to delinquent property taxes were \$49,650.

Receivables as of September 30, 2021 for proprietary fund types are as follows:

Proprietary Fund Types

	Water and Sewer Fund	Sanitation Fund	Golf Course Fund	Totals
Receivables:				
Accounts receivable	\$ 100,401	\$ 52,572	\$ 24	\$ 152,997
Grants	138,306	-	-	138,306
Allowance for doubtful accounts and taxes	(28,667)	(10,099)	-	(38,766)
Total net receivables	\$ 210,040	\$ 42,473	\$ 24	\$ 252,537

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 5. Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows for the City's governmental activities:

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets being depreciated:				
Buildings and improvements	5,616,262	\$ 14,690	\$ -	5,630,952
Furniture and fixtures	34,535	-	-	34,535
Machinery and equipment	690,646	-	-	690,646
Transportation equipment	550,988	-	(38,848)	512,140
Total capital assets being depreciated	6,892,431	\$ 14,690	\$ (38,848)	6,868,273
Less accumulated depreciation for:				
Buildings and improvements	(2,958,305)	\$ (200,049)	\$ -	(3,158,354)
Furniture and fixtures	(34,534)	-	-	(34,534)
Machinery and equipment	(658,383)	(7,388)	-	(665,771)
Transportation equipment	(505,090)	(9,470)	38,848	(475,712)
Total accumulated depreciation	(4,156,312)	\$ (216,907)	\$ 38,848	(4,334,371)
Total capital assets being depreciated, net	2,736,119			2,533,902
Governmental activities capital assets, net	\$ 2,811,119			\$ 2,608,902

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

Governmental activities:	
General government	\$ -
Public safety	2,207
Culture and recreation	8,837
Highways and streets	150,302
Support services	24,589
Promotion and tourism	30,972
Total depreciation expense - governmental activities	\$ 216,907

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 5. Capital Assets (continued)

Capital asset activity for the year ended September 30, 2021 was as follows for the City's business-type activities:

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land	\$ 16,164	\$ -	\$ -	\$ 16,164
Construction-in-progress	214,435	702,497	-	916,932
Total capital assets not being depreciated	<u>230,599</u>	<u>\$ 702,497</u>	<u>\$ -</u>	<u>933,096</u>
Capital assets being depreciated:				
Buildings and improvements	551,109	\$ -	\$ -	551,109
Machinery and equipment	575,229	470,251	-	1,045,480
Transportation equipment	154,653	-	-	154,653
Infrastructure	10,416,787	-	-	10,416,787
Total capital assets being depreciated	<u>11,697,778</u>	<u>\$ 470,251</u>	<u>\$ -</u>	<u>12,168,029</u>
Less accumulated depreciation for:				
Buildings and improvements	(550,633)	\$ (68)	\$ -	(550,701)
Machinery and equipment	(505,288)	(30,744)	-	(536,032)
Transportation equipment	(119,217)	(8,221)	-	(127,438)
Infrastructure	(4,055,421)	(224,833)	-	(4,280,254)
Total accumulated depreciation	<u>(5,230,559)</u>	<u>\$ (263,866)</u>	<u>\$ -</u>	<u>(5,494,425)</u>
Total capital assets being depreciated, net	<u>6,467,219</u>			<u>6,673,604</u>
Water and sewer fund capital assets, net	<u>\$ 6,697,818</u>			<u>\$ 7,606,700</u>

Construction in progress above includes relocating utility lines for a TXDOT project beginning in 2019 and to be completed in 2022. The total cost of the project to the City is estimated to be \$724,128.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 5. Capital Assets (continued)

	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Sanitation Fund:				
Capital assets not being depreciated:				
Land	\$ 16,300	\$ -	\$ -	\$ 16,300
Capital assets being depreciated:				
Buildings and improvements	24,433	\$ -	\$ -	24,433
Machinery and equipment	405,207	-	(144,708)	260,499
Transportation equipment	757,445	-	(82,607)	674,838
Total capital assets being depreciated	1,187,085	\$ -	\$ (227,315)	959,770
Less accumulated depreciation for:				
Buildings and improvements	(24,433)	\$ -	\$ -	(24,433)
Machinery and equipment	(338,063)	(15,714)	144,708	(209,069)
Transportation equipment	(587,257)	(32,414)	82,607	(537,064)
Total accumulated depreciation	(949,753)	\$ (48,128)	\$ 227,315	(770,566)
Total capital assets being depreciated, net	237,332			189,204
Sanitation fund capital assets, net	\$ 253,632			\$ 205,504
	Beginning Balance	Increases	Decreases/ Transfer	Ending Balance
Golf Course Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 315,785	\$ -	\$ -	\$ 315,785
Furniture and fixtures	3,640	-	-	3,640
Machinery and equipment	246,495	-	-	246,495
Transportation equipment	19,716	-	-	19,716
Total capital assets being depreciated	585,636	\$ -	\$ -	585,636
Less accumulated depreciation for:				
Buildings and improvements	(209,202)	\$ (7,813)	\$ -	(217,015)
Furniture and fixtures	(3,640)	-	-	(3,640)
Machinery and equipment	(202,584)	(8,351)	-	(210,935)
Transportation equipment	(19,716)	-	-	(19,716)
Total accumulated depreciation	(435,142)	\$ (16,164)	\$ -	(451,306)
Golf course fund capital assets, net	\$ 150,494			\$ 134,330

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 5. Capital Assets (continued)

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

Business-type activities:

Water	\$ 100,546
Sewer	163,320
Sanitation	48,128
Golf course	<u>16,164</u>
Total depreciation expense - business-type activities	<u>\$ 328,158</u>

NOTE 6. Construction commitments

The City will continue a number of capital projects during the next year, to make improvements to the City's streets and public works. The projects call for construction of street improvements, including lighting, drainage improvements and utility line relocations, and improvements and extensions to waterworks system facilities as well as improving water and sewer properties and facilities.

NOTE 7. Long-term Debt

On May 15, 2008 the City issued \$1,000,000 of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2008. The certificates were issued to make improvements to the City's streets, including drainage improvements and utility line relocations, improvements to the waterworks system facilities, improvements to the solid waste transfer station, and professional services rendered in relation to such projects. The certificates constitute a direct obligation of the City, payable from a combination of: (i) the Levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates are due in annual principal installments ranging from \$35,000 to \$90,000 due February 15 of each year through 2023. Interest at 4.25% is due semi-annually on February and August 15 until maturity. The outstanding balance of the Series 2008 bonds as of September 30, 2021 was \$0, as the remaining unpaid balance was refunded during fiscal year 2020 by the Series 2019 bonds as discussed below.

On June 21, 2010 the City issued \$4,820,000 of Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2010. The certificates were issued to make improvements to the City's water and sewer system properties and facilities, including land and rights-of-way. The certificates constitute a direct obligation of the City, payable from a combination of: (i) the Levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates are due in annual principal installments ranging from \$135,000 to \$340,000 due February 15 of each year through 2030. Interest at rates varying from 3.0% to 4.125% is due semi-annually on February and August 15 until maturity. Current year principal and interest payments on the bonds were \$230,000 and \$4,025, respectively. The outstanding balance of the Series 2010 bonds as of September 30, 2021 was \$0, as the remaining unpaid balance was refunded during fiscal year 2020 by the Series 2019 bonds as discussed below.

On December 3, 2019 the City issued \$2,985,000 of General Obligation Refunding Bonds, Series 2019 (the "Series 2019 bonds") to advance refund \$340,000 of the Series 2008 bonds and \$2,870,000 of the Series 2010 bonds in order to achieve debt service savings. The 2008 Series bond maturities that were refunded were the 2020 through 2023 maturities, with interest rates of 4.25%. The 2010 Series bond maturities that were refunded were the 2021 through 2030 maturities, with interest rates ranging from 3.0% to 4.125%. The net proceeds from the issuance of the bonds were used to purchase U.S. Government Securities, and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the Series 2008 and 2010 bonds have been refunded. The advance refunding met the requirements of an in-substance defeasance, and therefore, the Series 2008 and 2010 bonds refunded have been removed from the City's government-wide financial statements.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 7. Long-term Debt (continued)

The Series 2019 bonds were issued as serial bonds which bear interest at a rate of 4.00% and have maturity dates on February 15, 2020 through February 15, 2030. The certificates constitute a direct obligation of the City, payable from a combination of: (i) the Levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law upon all taxable property within the City, and (ii) a limited pledge of net revenues from the operation of the City's waterworks and sewer system. The Certificates are due in annual principal installments ranging from \$65,000 to \$330,000 due February 15 of each year through 2030. Interest at a rate of 4.0% is due semi-annually on February and August 15 until maturity. Current year principal and interest payments on the bonds were \$310,000 and \$110,600, respectively. The outstanding balance of the Series 2019 bonds as of September 30, 2021 was \$2,610,000. This balance is split between the governmental activities and the business-type activities since the refunded debt was also split. The allocation between government activities and business-type activities is based on the proportionate balance refunded in each. The Series 2019 bonds were issued at a premium of \$322,060, net of an underwriter's discount of \$27,900. This net premium of \$294,160 is being amortized over the life of the Series 2019 bonds using the effective interest method. Current year amortization of the net premium was \$48,962.

The City follows the reporting guidance of GASB 65 for the reporting of the Series 2019 bonds. Under GASB 65, since the Series 2019 bonds are considered to be an in-substance defeasance of the Series 2008 and 2010 bonds refunded, the difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction – in the City's case the amount placed in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt) and the net carrying value of the refunded debt (the amount due at maturity, adjusted for any unamortized premium or discount related to the old debt) is reported as a deferred outflow of resources and is being amortized over the remaining life of the Series 2019 bonds using the effective interest method. The reacquisition price of the Series 2008 and 2010 bonds was \$3,262,948 and the net carrying value was \$3,210,000, which resulted in a deferred outflow of resources of \$52,948. The current year's amortization of the deferred outflow of resources was \$8,813.

The old net cash flow requirements of the City for the bonds affected by the 2019 refunding prior to issuance of the Series 2019 bonds were \$4,190,144 from 2021 through 2030 and the new net cash flow requirements were \$3,922,293 after the issuance of the Series 2019 bonds. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments of refunded and refunding debt) of \$289,360.

In total, during the year ended September 30, 2021, the City amortized \$48,962 of the net unamortized premiums on bond issuances, which was recorded as a reduction in interest expense reported on the Statement of Activities. Additionally, the City amortized \$8,813 of the deferred charge on refunding, which was recorded as an increase in interest expense on the Statement of Activities.

Bonded indebtedness of the City is reflected in the government-wide Statement of Net Position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. There are a number of limitations and restrictions contained in the bond indenture. The City's administrators believe that the City is in compliance with all significant limitations and restrictions as of September 30, 2021.

The amount currently outstanding on the Series 2019 refunding bonds is as follows:

	Interest rates	Amount
Purpose:		
Business-type activities - Water & Sewer	4.00%	\$ <u>2,333,552</u>
	Interest rates	Amount
Purpose:		
Governmental Activities	4.00%	\$ <u>276,448</u>

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 7. Long-term Debt (continued)

Annual debt service requirements to maturity for the Series 2019 refunding bonds are as follows:

<u>September 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 277,165	\$ 87,799
2023	295,047	76,355
2024	223,520	65,983
2025	232,461	56,864
2026	241,402	47,386
2027-2030	<u>1,063,957</u>	<u>87,262</u>
Totals	<u>\$ 2,333,552</u>	<u>\$ 421,649</u>

<u>September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 32,835	\$ 10,401
2023	34,954	9,045
2024	26,480	7,817
2025	27,539	6,736
2026	28,598	5,614
2027-2030	<u>126,042</u>	<u>10,338</u>
Totals	<u>\$ 276,448</u>	<u>\$ 49,951</u>

On December 27, 2018, the City entered into a financing agreement with John Deere Credit for the purchase of a new 2018 John Deere utility tractor and loader with a total cost of \$27,036. The agreement provides for \$27,036 to be financed over three years with semi-annual payments of principal and interest of \$4,847, at an interest rate of 5.95%. The financing agreement was completely paid off during fiscal year 2021 and the balance at September 30, 2021 was \$0.

Changes in long-term liabilities

Governmental activities long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
2019 General obligation refunding bonds	\$ 309,283	\$ -	\$ (32,835)	\$ 276,448
Accrued compensated absences	21,960	-	(404)	21,556
Add: Net unamortized bond premium	<u>27,299</u>	<u>-</u>	<u>(5,186)</u>	<u>22,113</u>
Totals	<u>\$ 358,542</u>	<u>\$ -</u>	<u>\$ (38,425)</u>	<u>\$ 320,117</u>
Deferred charge on refunding	<u>\$ 4,914</u>	<u>\$ -</u>	<u>\$ (934)</u>	<u>\$ 3,980</u>

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 7. Long-term Debt (continued)

Changes in long-term liabilities

Business-type activities long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
PNC Equipment Leasing	\$ 9,273	\$ -	\$ (9,273)	\$ -
2019 General obligation refunding bonds	2,610,717	-	(277,165)	2,333,552
Accrued compensated absences	19,687	-	(2,141)	17,546
Add: Net unamortized bond premium	230,436	-	(43,775)	186,661
Totals	\$ 2,870,113	\$ -	\$ (332,354)	\$ 2,537,759
Deferred charge on refunding	\$ 41,478	-	(7,880)	33,598

NOTE 8. Interfund receivables/payables

The composition of interfund balances as of September 30, 2021, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Debt Service	\$ 7,149

NOTE 9. Transfers and Payments

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

Transfers to/from other funds:

<u>Receiving Fund</u>	<u>Paying Fund</u>	
General	Water & Sewer	\$ 68,000
General	Sanitation	27,350
Golf Course	General	51,129
		\$ 146,479

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 10. Risk Management

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

NOTE 11. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds: The Golf Course fund reflects a deficit of unrestricted fund balance at September 30, 2021 of \$58,280.
- B. Excess of expenditures over appropriations: No funds exceeded approved budgetary authority for the year ended September 30, 2021.
- C. Special revenue funds are limited by state and/or federal law for the financing of limited functions that are legally restricted to a specified purpose. The City's Hotel/Motel Occupancy Tax Fund is authorized by state law and local ordinance and is used to account for the proceeds of the Hotel/Motel Tax. This tax is restricted to expenditures that promote and develop tourism for the City of Canadian and the surrounding area.

NOTE 12. Pension Plans

Texas Municipal Retirement System Pension Plan

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.TMRS.org.

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

Benefits Provided

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

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

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

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

Employees covered by benefit terms.

At the December 31, 2020 valuation and measurement date, the City had the following numbers of employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	8
Active employees	20
Total	<u>38</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.06% and 17.80% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$183,646 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 110% for employers with less than 100 members. There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members, times 1%). For underfunded plans, the maximum period for amortizing losses is decreased by 1 year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $25 - (20 - 1) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard policy. Beginning December 31, 2020, the member threshold will be lowered to 15 to be consistent with the decrease in the standard amortization period to 20.

Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

Discount Rate

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

Allocations

The City's net pension liability, pension expense, deferred inflows and deferred outflows of resources related to TMRS have been allocated between governmental activities and business-type activities using a contribution-based method.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	(a)		
Balance at 12/31/19	\$ 5,351,431	\$ 4,093,288	\$ 1,258,143
Service cost	172,946	-	172,946
Interest	360,435	-	360,435
Change in benefit terms	-	-	-
Difference between expected and actual experience	5,056	-	5,056
Changes in assumptions	-	-	-
Contributions - employer	-	176,771	(176,771)
Contributions - employee	-	72,362	(72,362)
Net investment income	-	310,969	(310,969)
Benefit payments, including refunds of employee contributions	(196,261)	(196,261)	-
Administrative expense	-	(2,011)	2,011
Other changes	-	(78)	78
Net changes	342,176	361,752	(19,576)
Balance at 12/31/20	\$ 5,693,607	\$ 4,455,040	\$ 1,238,567

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
City's net pension liability (asset)	2,095,227	1,238,566	541,806

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 12. Pension Plans (continued)

Texas Municipal Retirement System Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$178,971.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Schedule of Outflows and Inflows - Current and Future Expense

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 52,742	\$ -
Changes in actuarial assumptions	26,083	-
Difference between projected and actual investment earnings	-	116,176
Contributions subsequent to the measurement date	134,594	-
Total	<u>\$ 213,419</u>	<u>\$ 116,176</u>

\$134,594 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31</u>	<u>Outflows (Inflows)</u>
2021	\$ (13,378)
2022	27,054
2023	(49,475)
2024	(1,838)
2025	286
Thereafter	-
Total	<u>\$ (37,351)</u>

NOTE 13. Post-Employment Benefits other than Pensions (OPEB)

Plan Description and Benefits Provided

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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 Post Employment 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 in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75). 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.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 13. Post-Employment Benefits other than Pensions (OPEB) (continued)

Employees Covered by Benefit Terms

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

Employees covered by benefit terms

Inactive employees currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	2
Active employees	20
Total	<u>31</u>

Total OPEB Liability

The City's total OPEB liability of \$84,830 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	\$ -
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
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Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 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.
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The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 13. Post-Employment Benefits other than Pensions (OPEB) (continued)

Changes in the Total OPEB Liability

Total OPEB Liability - 12/31/19	\$ 70,392
Changes for the year	
Service cost	2,688
Interest on Total OPEB Liability	1,967
Changes of benefit terms	-
Differences between expected and actual experience	(891)
Changes in assumptions or other inputs	11,087
Benefit payments	(413)
Net changes	14,438
Total OPEB Liability - 12/31/20	\$ 84,830
Total OPEB liability as a percentage of covered payroll	8.21%

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current discount rate:

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

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	103,494	84,830	70,507

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$9,724. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Schedule of Outflows and Inflows - Current and Future Expense Related to OPEB

	Deferred Outflows of Resources	Deferred inflows of Resources
Changes in assumptions or other inputs on OPEB plan	\$ 16,906	\$ -
Differences between expected and actual experience on OPEB plan	-	879
Contributions subsequent to the measurement date on OPEB plan	1,795	-
Total	\$ 18,701	\$ 879

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 13. Post-Employment Benefits other than Pensions (OPEB) (continued)

\$1,795 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31</u>	Net deferred outflows (inflows) of resources
2021	\$ 3,418
2022	3,418
2023	2,972
2024	3,086
2025	2,351
Thereafter	782
Total	\$ <u>16,027</u>

NOTE 14. Deferred Compensation Plan

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

IRC 457 was amended in 1996 and requires that in order to be considered an eligible plan, all assets and income of the Plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. To comply with this requirement, the Plan entered into a trust and custody agreement with a third party to provide custodial services with respect to the assets of the Plan. The assets of the Plan are no longer required to be reflected within an agency fund of the City. Accordingly, these assets totaling \$351,123 are not reflected in the current year financial statements.

NOTE 15. Lawsuits and Contingent Liabilities

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

The City is exposed to various claims and lawsuits arising in the normal course of business. This City is insured through the Texas Municipal League Intergovernmental Risk Pool. The City was not involved in any litigation during or subsequent to year end.

CITY OF CANADIAN
NOTES TO THE FINANCIAL STATEMENTS
Year Ended September 30, 2021

NOTE 16. Municipal Solid Waste Landfill Closure and Post Closure Care Costs

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

The City is subject to the Financial Assurance Requirements promulgated by the Texas Commission on Environmental Quality (TCEQ) concerning its solid waste transfer station Permit #V-40026. The local government financial test requires the City to submit various documents and pledge net position of the sanitation fund in the amount of \$391,669 to demonstrate financial assurance as specified by TCEQ regulations, for closure of the transfer station.

NOTE 17. Subsequent Events

Management has evaluated subsequent events through February 21, 2022 which is the date on which the financial statements were issued. No subsequent events through the issued financial statement date were noted.

NOTE 18. Effect of COVID-19 Pandemic

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains and created significant uncertainty, volatility, and disruption across economies and financial markets, impacting essentially all entities. While the ultimate health and economic impact of the COVID-19 pandemic is highly uncertain, the City's management continue to monitor the spread of COVID-19 and following guidance from local, state and national agencies continues to assess the potential impact of the pandemic on the City. While the potential impact of the pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANADIAN
SCHEDULE OF CHANGES TO NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS
September 30, 2021

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
Total Pension Liability			
Service cost	\$ 116,896	\$ 141,436	\$ 143,622
Interest on total pension liability	248,811	260,685	273,930
Difference between expected and actual experience	(88,286)	34,807	33,069
Changes of assumptions	-	31,421	-
Benefit payments, including refunds of employee contributions	<u>(121,629)</u>	<u>(118,494)</u>	<u>(152,100)</u>
Net change in total pension liability	155,792	349,855	298,521
Total pension liability, beginning	<u>3,556,815</u>	<u>3,712,607</u>	<u>4,062,462</u>
Total pension liability, ending (a)	<u>3,712,607</u>	<u>4,062,462</u>	<u>4,360,983</u>
Fiduciary Net Position			
Employer contributions	132,276	148,274	143,815
Member contributions	57,835	66,491	67,338
Investment income net of investment expenses	146,506	4,094	194,175
Benefit payments/refunds of contributions	(121,629)	(118,494)	(152,100)
Administrative expenses	(1,529)	(2,493)	(2,192)
Other	<u>(126)</u>	<u>(123)</u>	<u>(118)</u>
Net change in fiduciary net position	213,333	97,749	250,918
Fiduciary net position, beginning	<u>2,560,828</u>	<u>2,774,161</u>	<u>2,871,910</u>
Fiduciary net position, ending (b)	<u>2,774,161</u>	<u>2,871,910</u>	<u>3,122,828</u>
Net pension liability (asset), ending = (a) - (b)	<u>\$ 938,446</u>	<u>\$ 1,190,552</u>	<u>\$ 1,238,155</u>
Fiduciary net position as a % of total pension liability	74.72%	70.69%	71.61%
Pensionable covered payroll	\$ 826,211	\$ 949,874	\$ 961,971
Net pension liability (asset) as a % of covered payroll	113.58%	125.34%	128.71%

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

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

See the accompanying independent auditor's report

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
\$	153,990	\$ 167,503	\$ 172,572	\$ 172,946
	292,877	311,370	333,783	360,435
	14,504	43,115	41,747	5,056
	-	-	42,082	-
	<u>(198,128)</u>	<u>(190,167)</u>	<u>(194,800)</u>	<u>(196,261)</u>
	263,243	331,821	395,384	342,176
	<u>4,360,983</u>	<u>4,624,226</u>	<u>4,956,047</u>	<u>5,351,431</u>
	<u>4,624,226</u>	<u>4,956,047</u>	<u>5,351,431</u>	<u>5,693,607</u>
	152,056	155,853	169,235	176,771
	71,245	71,539	72,991	72,362
	433,048	(107,267)	542,547	310,969
	(198,128)	(190,167)	(194,800)	(196,261)
	(2,243)	(2,072)	(3,063)	(2,011)
	<u>(115)</u>	<u>(107)</u>	<u>(92)</u>	<u>(78)</u>
	455,863	(72,221)	586,818	361,752
	<u>3,122,828</u>	<u>3,578,691</u>	<u>3,506,470</u>	<u>4,093,288</u>
	<u>3,578,691</u>	<u>3,506,470</u>	<u>4,093,288</u>	<u>4,455,040</u>
\$	<u>1,045,535</u>	\$ <u>1,449,577</u>	\$ <u>1,258,143</u>	\$ <u>1,238,567</u>
	77.39%	70.75%	76.49%	78.25%
\$	1,017,780	\$ 1,021,986	\$ 1,042,732	\$ 1,033,747
	102.73%	141.84%	120.66%	119.81%

CITY OF CANADIAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
September 30, 2021

Schedule E-2

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 117,111	\$ 117,111	\$ -	\$ 728,821	16.07%
2012	126,089	126,089	-	826,375	15.26%
2013	125,976	125,976	-	815,582	15.45%
2014	132,276	132,276	-	826,211	16.01%
2015	148,274	148,274	-	949,874	15.61%
2016	143,815	143,815	-	961,971	14.95%
2017	152,056	152,056	-	1,017,780	14.94%
2018	155,853	155,853	-	1,021,986	15.25%
2019	169,235	169,235	-	1,042,732	16.23%
2020	176,771	176,771	-	1,033,747	17.10%

Note: This Schedule of Employer Contributions shows the City's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. The data in the schedule above corresponds to the calendar year as opposed to the City's fiscal year end of September 30.

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 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.

See the accompanying independent auditor's report

CITY OF CANADIAN
SCHEDULE OF CHANGES TO OPEB LIABILITY
AND RELATED RATIOS
September 30, 2021

Schedule F-1

	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Total OPEB Liability			
Service cost	\$ 1,942	\$ 1,774	\$ 2,688
Interest on total OPEB liability	1,890	2,085	1,967
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(46)	(145)	(891)
Changes of assumptions or other inputs	(4,184)	11,577	11,087
Benefit payments	<u>(409)</u>	<u>(417)</u>	<u>(413)</u>
Net change in total OPEB liability	(807)	14,874	14,438
 Total OPEB liability, beginning	 <u>56,325</u>	 <u>55,518</u>	 <u>70,392</u>
Total OPEB liability, ending	\$ <u><u>55,518</u></u>	\$ <u><u>70,392</u></u>	\$ <u><u>84,830</u></u>
 Covered employee payroll	 \$ 1,021,986	 \$ 1,042,732	 \$ 1,033,747
 Total OPEB liability as a percentage of covered employee payroll	 5.43%	 6.75%	 8.21%

Notes to Schedule:

Changes of benefit terms: Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc.

See the accompanying independent auditor's report

CITY OF CANADIAN
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2021

Changes of Benefit Terms:

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

Changes of Assumptions:

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for annuity purchase rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Adoption of this actuarial changes are reflected in the deferred outflows of resources.

SUPPLEMENTARY INFORMATION

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CITY OF CANADIAN
DEPOSITS AND TEMPORARY INVESTMENTS
September 30, 2021

Schedule G-1

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Rate of Interest</u>	<u>Bank Balance</u>	<u>Reconciled Book Balance</u>
<u>Happy State Bank</u>				
General operating account	NOW	0.02%	\$ 891,288	\$ 705,340
General operating account - ICS	ICS	0.31%	<u>5,962,924</u>	<u>5,962,924</u>
Total Happy State Banking Center			<u>6,854,212</u>	<u>6,668,264</u>
<u>Cash on hand</u>				
General fund			<u>-</u>	<u>657</u>
Total cash and temporary investments			<u>\$ 6,854,212</u>	<u>\$ 6,668,921</u>

See the accompanying independent auditor's report

