

CITY OF CANYON, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013

BROWN, GRAHAM & COMPANY, P.C.
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CITY OF CANYON, TEXAS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Quinn Alexander, Mayor and
Members of the City Commission
City of Canyon, Texas

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, and each major fund of the City of Canyon, Texas, (the City), as of and for the year ended September 30, 2013, 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, and each major fund of the City of Canyon, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussions and analysis, the analysis of funding progress for the Texas Municipal Retirement System, and the schedule of funding progress for the City's other post employment benefit plan on pages 3 through 9, page 43, and page 44, respectively, 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.

Brown, Graham & Company, P. C.

Amarillo, Texas
November 3, 2014

Management's Discussion and Analysis

City of Canyon, Texas

In this section of the Annual Financial Report we, the city management of the City of Canyon (the "City"), discuss and analyze the City's financial performance for the fiscal year ended September 30, 2013. Please read it in conjunction with the independent auditor's report and the City's Basic Financial Statements.

Financial Highlights:

The City's assets and deferred outflows of resources exceed its liabilities by \$51,398,231 (net position) for the fiscal year reported.

Total net position is compromised of the following:

1. Net investment in capital assets, of \$41,165,061 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
2. Restricted net position of \$210,469 represents the portion that is restricted to a specific purpose.
3. Unrestricted net position of \$10,022,701 represents the portion available to maintain the City's continuing obligation to citizens and creditors.

The City's governmental activities reported total ending net position of \$22,932,878 this year. \$2,865,275 of this amount is unrestricted.

For the fiscal year ended September 30, 2013, the City's net position increased by \$1,415,048. Governmental activities increased by \$1,750,851, while business-type activities decreased by \$335,803.

The City has total liabilities of \$17,612,506. Current liabilities were \$1,808,160 and non-current liabilities were \$15,804,346.

The governmental activities received \$2,273,641 in fees for services and \$929,234 in contributions, grants and inter-governmental revenue. The governmental activities also received \$4,746,468 of general revenues, net of \$1,251,277 of transfers in. Property and sales taxes accounted for \$3,849,262 of the general revenue.

The business-type activities of the City generated \$6,980,788 in charges for services. The business-type activities also had \$67,660 in general revenues, and \$1,251,277 of transfers out.

Total governmental activities expenditures were \$7,449,769. Public safety, streets, and sanitation accounted for \$5,399,028 of the total expenditures.

Total business-type activities expenses were \$6,132,974. Water and sewer accounted for \$4,799,995, and golf accounted for \$1,332,979 of the total expenses.

Overview of the Financial Statements:

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

Government-Wide Financial Statements:

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

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

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

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

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

Fund Financial Statements:

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

The City has three kinds of funds:

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

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

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

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

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

Notes to the Financial Statements:

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

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

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

CITY OF CANYON, TEXAS **Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 3,644,106	\$ 2,901,745	\$ 16,887,480	\$ 19,118,805	\$ 20,531,586	\$ 22,020,550
Capital Assets, net of Depreciation	19,932,895	18,845,815	28,288,029	27,504,216	48,220,924	46,350,031
Total assets	23,577,001	21,747,560	45,175,509	46,623,021	68,752,510	68,370,581
Deferred Charge on Refunding	-	-	258,227	-	258,227	-
Total Deferred Outflows of Resources	-	-	258,227	-	258,227	-
Current liabilities	383,937	267,515	1,424,223	1,361,209	1,808,160	1,628,724
Long-term liabilities	260,186	298,018	15,544,160	16,327,878	15,804,346	16,625,896
Total liabilities	644,123	565,533	16,968,383	17,689,087	17,612,506	18,254,620
Net Investment in Capital Assets	19,857,134	18,786,332	21,307,927	20,721,277	41,165,061	39,507,609
Restricted:						
Fire Protection Services	6,650	6,650	-	-	6,650	6,650
Police Forfeitures	15,239	-	-	-	15,239	-
Municipal Court Technology	23,744	-	-	-	23,744	-
Civic Activities	61,557	114,943	-	-	61,557	114,943
Education Programs	10,115	15,458	-	-	10,115	15,458
Emergency Management	79,664	85,360	-	-	79,664	85,360
Police Services	7,746	7,042	-	-	7,746	7,042
Library	5,754	6,570	-	-	5,754	6,570
Unrestricted	2,865,275	2,159,672	7,157,426	8,212,657	10,022,701	10,372,329
Total net position	\$ 22,932,878	\$ 21,182,027	\$ 28,465,353	\$ 28,933,934	\$ 51,398,231	\$ 50,115,961

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Canyon, assets and deferred outflows of resources exceeded liabilities by \$51,398,231 at the close of the most recent fiscal year, which is an increase of \$1,415,048 from the prior year, net of prior period adjustments.

Government-wide total assets increased by \$381,929 while the total liabilities decreased by \$642,114. Net investment in capital assets represents approximately 80% of the total net position of the City. These assets are not available for future spending. The City's unrestricted net position, which is available for future spending, decreased by \$349,628.

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

CITY OF CANYON, TEXAS
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Charges for services	\$ 2,273,641	\$ 2,153,149	\$ 6,980,788	\$ 6,807,210	\$ 9,254,429	\$ 8,960,359
Capital grants and contributions	700,411	1,145,418	-	-	700,411	1,145,418
Operating grants and contributions	228,823	266,026	-	2,686	228,823	268,712
Property taxes	2,092,830	2,006,502	-	-	2,092,830	2,006,502
Sales taxes	1,756,432	1,699,825	-	-	1,756,432	1,699,825
Franchise taxes	625,661	660,975	-	-	625,661	660,975
Other taxes	174,357	167,332	-	-	174,357	167,332
Investment earnings	6,673	6,965	65,579	30,248	72,252	37,213
Sale of capital assets	5,882	(97,920)	2,081	(28,017)	7,963	(125,937)
Miscellaneous revenue	84,633	110,584	-	-	84,633	110,584
Operating transfers	1,251,277	(251,878)	(1,251,277)	251,878	-	-
Total revenues and transfers	9,200,620	7,866,978	5,797,171	7,064,005	14,997,791	14,930,983
General Governmental	376,791	595,938	-	-	376,791	595,938
Public Safety	3,220,731	3,136,781	-	-	3,220,731	3,136,781
Streets	1,320,352	1,275,219	-	-	1,320,352	1,275,219
Sanitation	857,945	849,251	-	-	857,945	849,251
Culture and Recreation	1,266,417	1,084,155	-	-	1,266,417	1,084,155
Conservation and Development	403,757	192,689	-	-	403,757	192,689
Interest on Long Term Debt	3,776	4,887	-	-	3,776	4,887
Water and sewer	-	-	4,799,995	3,834,718	4,799,995	3,834,718
Golf Course	-	-	1,332,979	1,263,490	1,332,979	1,263,490
Total expenses	7,449,769	7,138,920	6,132,974	5,098,208	13,582,743	12,237,128
Change in net position	\$ 1,750,851	\$ 728,058	\$ (335,803)	\$ 1,965,797	\$ 1,415,048	\$ 2,693,855

Government-wide total revenues increased \$66,808 from the prior year. Government-wide expenses increased \$1,345,615. Water and sewer expenses during the year totaled \$4,799,995, and were the primary cause of the increase from the prior year.

Overall, the City's net position increased \$1,415,048 during the year.

Governmental activities: Governmental activities increased the City's net position by \$1,750,851 for the year. Revenue for governmental activities decreased by \$169,513 (exclusive of operating transfers). The decrease was primarily due to increases in charges for services and sales taxes, and offsetting decreases in capital and operating grants and contributions. Total expenditures increased \$310,849. Depreciation on capital assets in the governmental activities was \$754,742 for the year.

Business-type activities: Revenue for business-type activities increased \$236,321 (exclusive of operating transfers). This increase was primarily due to increases in charges for services and investment earnings. Expenses in the business-type activities increased \$1,034,766. Depreciation in the business-type activities was \$903,940 for the year.

The City invested in significant capital assets during the year. In the governmental activities \$1,876,482 in capital assets were purchased. The largest portion of this expenditure total was due to the new baseball complex, and the US87 Entryway Project. Grant funds of \$20,411, were expended by the state on the City's behalf, and are included in the capital asset additions. Of course, there were other capital expenditures in equipment and infrastructure assets, but these were the largest two. In the business type activities \$2,459,896 in new additions were made. Much of this was additional work on the long range water improvements using the money from bonds issued a few years ago.

The table below shows capital asset balances along with the prior year information.

CITY OF CANYON, TEXAS
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and easements	\$ 496,589	\$ 496,589	\$ 3,328,119	\$ 3,328,120	\$ 3,824,708	\$ 3,824,709
Buildings	3,777,708	3,777,708	631,221	619,495	4,408,929	4,397,203
Equipment	5,601,575	5,148,319	3,678,063	3,604,434	9,279,638	8,752,753
Improvements	1,582,769	1,582,769	11,897,489	11,801,649	13,480,258	13,384,418
Infrastructure	28,283,451	28,283,451	21,143,189	19,848,400	49,426,640	48,131,851
Construction in progress	2,162,979	931,039	3,730,497	3,519,401	5,893,476	4,450,440
Total	41,905,071	40,219,875	44,408,578	42,721,499	86,313,649	82,941,374
Accumulated depreciation	(21,972,176)	(21,374,060)	(16,120,549)	(15,217,283)	(38,092,725)	(36,591,343)
Net Capital Assets	\$ 19,932,895	\$ 18,845,815	\$ 28,288,029	\$ 27,504,216	\$ 48,220,924	\$ 46,350,031

Summary and Future Outlook:

The economy over the past year seems to have improved some over recent years. We actually saw a slight increase in our existing property values this year, which we had not seen for at least the past 4 years. We feel this is a good sign, and are hopeful it is a positive trend. We have lots of white collar jobs in Canyon, primarily Education-related, and that creates a level of stability for us that many other cities don't enjoy. As other Cities rise and fall on their Sales Tax, and see their property values rise and fall, ours remain fairly steady.

We have been able to maintain our level of service to our customers. We continually look for ways to increase our productivity and utilize technology better to get the most of our limited dollars and return the most back to our citizens.

We will continue to analyze our employee numbers, needs, and services. I would expect to be proposing the addition of employees over the coming years as we grow. Our competitive benefits package is a huge benefit to us when it comes to recruitment of those potential new employees.

Our financial situation is good. We typically are able to put a few dollars in reserves each year, some years more than others. That gives us a pool of money to pull from when we have unexpected needs. Water sales this year have been about as projected, and we're thankful for the rain. I would personally rather preserve the water than put a lot of money in reserves due to high water usage and sales, so I love these wetter years.

As I've stated in the past, I would like to see the General Fund able to more capably support itself than it has over the past few years. The trend has been a larger and larger subsidy from the Water Fund into the General Fund. Lots will have to change to make that a reality, but we continue to grow, and we continue to try to recruit business and industry to town to help with the tax burden currently borne by our homeowners.

Canyon continues to grow. Canyon East is constantly expanding. We have interest in development to the north and west. My philosophy is that if there were more houses to choose from in Canyon, people would buy them and move here, and that is proving over and over again to be true. I appreciate the support of the City Commission to make the decisions and dedicate the funds to support the growth.

For another year, we have accomplished much. Our City is cleaner, bigger, healthier, and better than ever before. We are growing. We have industry coming. We take fantastic care of our citizens, and we get better every day. We have a great staff and a great elected body. Canyon remains the jewel of the State of Texas.

In summary, the City of Canyon is stable and healthy financially. We continue to successfully defend ourselves against an economic storm and a drought that we hope is nearing its end. We have strong leaders, starting with the City Commission and good stewardship from our staff. We have an engaged public. We have hard-working boards and commissions. The future for Canyon is as bright as the sun! We look forward to 2014 with great eagerness and excitement to see what we can do to make a difference in the lives of our citizens.

Contacting the City's Management:

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

A copy of the separately issued financial statements for the Canyon Economic Development Corporation, a component unit, may be obtained by contacting the CEDC, 308 14th Street, Suite 100, Canyon, Texas 79015.

BASIC FINANCIAL STATEMENTS

CITY OF CANYON , TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 856,241	\$ 5,709,624	\$ 6,565,865	\$ 226,996
Investments	1,810,122	1,193,586	3,003,708	202,420
Receivables (net of allowance for uncollectibles)	816,138	747,347	1,563,485	47,232
Internal Balances	(11,637)	11,637	-	-
Inventories	-	93,127	93,127	-
Prepaid Items	8,406	-	8,406	2,007
Restricted Assets:				
Cash and Cash Equivalents	164,836	9,132,159	9,296,995	68,724
Capital Assets:				
Land	496,589	3,328,119	3,824,708	-
Infrastructure, net	11,419,134	11,001,219	22,420,353	-
Buildings, net	2,167,640	296,577	2,464,217	-
Improvements other than Buildings, net	798,907	9,084,376	9,883,283	-
Equipment, net	2,887,646	847,241	3,734,887	6,493
Construction in Progress	2,162,979	3,730,497	5,893,476	-
Total Assets	<u>23,577,001</u>	<u>45,175,509</u>	<u>68,752,510</u>	<u>553,872</u>
DEFERRED OUTFLOWS				
Deferred Charge on Refunding	-	258,227	258,227	-
Total Deferred Outflow of Resources	<u>-</u>	<u>258,227</u>	<u>258,227</u>	<u>-</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	322,478	250,437	572,915	10,329
Accrued Expenses	-	12,432	12,432	-
Accrued Interest Payable	-	60,632	60,632	-
Unearned Revenue	-	33,084	33,084	-
Bonds Payable - Current	-	810,000	810,000	-
Capital Leases Payable - Current	30,934	42,408	73,342	-
Compensated Absences - Current	-	11,827	11,827	-
Grants Payable - Current	-	-	-	170,000
Customer Deposits	30,525	203,403	233,928	-
Noncurrent Liabilities				
Bonds Payable - Noncurrent	-	15,390,056	15,390,056	-
Capital Leases Payable - Noncurrent	44,828	128,021	172,849	-
Compensated Absences - Noncurrent	147,821	11,827	159,648	-
Other Post Employment Benefits Obligation	67,537	14,256	81,793	-
Grants Payable - Noncurrent	-	-	-	170,000
Total Liabilities	<u>644,123</u>	<u>16,968,383</u>	<u>17,612,506</u>	<u>350,329</u>
NET POSITION				
Net Investment in Capital Assets	19,857,134	21,307,927	41,165,061	6,493
Restricted for Fire Protection Services	6,650	-	6,650	-
Restricted for Police Forfeitures	15,239	-	15,239	-
Restricted for Municipal Court Technology	23,744	-	23,744	-
Restricted for Civic Activities	61,557	-	61,557	-
Restricted for Education Programs	10,115	-	10,115	-
Restricted for Emergency Management	79,664	-	79,664	-
Restricted for Police Services	7,746	-	7,746	-
Restricted for Library	5,754	-	5,754	-
Unrestricted Net Position	2,865,275	7,157,426	10,022,701	197,050
Total Net Position	<u>\$ 22,932,878</u>	<u>\$ 28,465,353</u>	<u>\$ 51,398,231</u>	<u>\$ 203,543</u>

The accompanying notes are an integral part of these statements.

**CITY OF CANYON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Program Revenues			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 376,791	\$ 12,874	\$ -	\$ 119,325
Public Safety	3,220,731	827,804	-	42,735
Streets	1,320,352	-	20,411	-
Sanitation	857,945	1,355,926	-	-
Culture and Recreation	1,266,417	77,037	680,000	66,763
Conservation and Development	403,757	-	-	-
Interest on Long Term Debt	3,776	-	-	-
Total Governmental Activities:	7,449,769	2,273,641	700,411	228,823
BUSINESS-TYPE ACTIVITIES:				
Water and Sewer Fund	4,799,995	6,100,849	-	-
Palo Duro Creek Golf Course	1,332,979	879,939	-	-
Total Business-Type Activities	6,132,974	6,980,788	-	-
TOTAL PRIMARY GOVERNMENT	\$ 13,582,743	\$ 9,254,429	\$ 700,411	\$ 228,823
COMPONENT UNIT:				
Canyon Economic Development Corporation	\$ 404,627	\$ -	\$ -	\$ -

General Revenues:

- Property Taxes, Levied for General Purposes
- Sales Taxes
- Franchise Taxes
- Other Taxes
- Investment Earnings
- Gain (Loss) on Sale of Capital Assets
- Miscellaneous Revenue

Transfers in (out)

Total General Revenues and Transfers

Change in Net Position

Net Position- Beginning of year, as previously reported

Prior Period Adjustment- GASB 65 Implementation

Net Position- Beginning of year, as adjusted

Net Position- Ending

The accompanying notes are an integral part of these statements.

Net (expenses) Revenue and
Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (244,592)	\$ -	\$ (244,592)	\$ -
(2,350,192)	-	(2,350,192)	-
(1,299,941)	-	(1,299,941)	-
497,981	-	497,981	-
(442,617)	-	(442,617)	-
(403,757)	-	(403,757)	-
(3,776)	-	(3,776)	-
<u>(4,246,894)</u>	<u>-</u>	<u>(4,246,894)</u>	<u>-</u>
-	1,300,854	1,300,854	-
-	(453,040)	(453,040)	-
<u>-</u>	<u>847,814</u>	<u>847,814</u>	<u>-</u>
<u>(4,246,894)</u>	<u>847,814</u>	<u>(3,399,080)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(404,627)</u>
2,092,830	-	2,092,830	-
1,756,432	-	1,756,432	582,820
625,661	-	625,661	-
174,357	-	174,357	-
6,673	65,579	72,252	835
5,882	2,081	7,963	-
84,633	-	84,633	42,167
<u>1,251,277</u>	<u>(1,251,277)</u>	<u>-</u>	<u>-</u>
<u>5,997,745</u>	<u>(1,183,617)</u>	<u>4,814,128</u>	<u>625,822</u>
<u>1,750,851</u>	<u>(335,803)</u>	<u>1,415,048</u>	<u>221,195</u>
21,182,027	28,933,934	50,115,961	(17,652)
<u>-</u>	<u>(132,778)</u>	<u>(132,778)</u>	<u>-</u>
<u>21,182,027</u>	<u>28,801,156</u>	<u>49,983,183</u>	<u>(17,652)</u>
<u>\$ 22,932,878</u>	<u>\$ 28,465,353</u>	<u>\$ 51,398,231</u>	<u>\$ 203,543</u>

**CITY OF CANYON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Board of City Development Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and Cash Equivalents	\$ 237,655	\$ -	\$ 237,655
Investments	1,810,122	-	1,810,122
Interest Receivable - Investments	62	-	62
Taxes Receivable	380,670	-	380,670
Allowance for Uncollectible Taxes	(48,455)	-	(48,455)
Receivables	483,861	-	483,861
Due from Other Funds	362	-	362
Prepaid Items	8,406	-	8,406
Temporarily Restricted Cash and Cash Equivalents	103,279	61,557	164,836
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 2,975,962	\$ 61,557	\$ 3,037,519
	<u> </u>	<u> </u>	<u> </u>
Liabilities:			
Accounts Payable	\$ 304,243	\$ -	\$ 304,243
Claims and Judgments Payable	1,500	-	1,500
Customer Deposits	30,525	-	30,525
Due to Other Funds	11,999	-	11,999
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	348,267	-	348,267
	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes	18,687	-	18,687
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	18,687	-	18,687
	<u> </u>	<u> </u>	<u> </u>
Fund Balances:			
Nonspendable Fund Balance:			
Prepaid Items	8,406	-	8,406
Restricted Fund Balance:			
Fire Protection Services	6,650	-	6,650
Police Forfeiture	15,239	-	15,239
Municipal Court Technology	23,744	-	23,744
Civic Activities	-	61,557	61,557
Education Programs	10,115	-	10,115
Emergency Management	79,664	-	79,664
Police Services	7,746	-	7,746
Library	5,754	-	5,754
Assigned Fund Balance:			
Police Services	13,639	-	13,639
Fire Protection Services	968	-	968
Streets	201,253	-	201,253
Community Center	4,000	-	4,000
Civic Complex	63,576	-	63,576
Sanitation Services	14,011	-	14,011
Capital Outlay	22,751	-	22,751
Mayor and Commission	25,000	-	25,000
Unassigned Fund Balance	2,106,492	-	2,106,492
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	2,609,008	61,557	2,670,565
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,975,962	\$ 61,557	\$ 3,037,519
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds	\$ 2,670,565
<p>The City uses an internal service fund to account for the activities of a vehicle replacement fund. The assets and liabilities of the internal service fund are reported with the governmental activities on the Statement of Net Position, but not in the Governmental Funds Balance Sheet. The net effect of this consolidation is to increase net position.</p>	
	1,060,797
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$40,219,875 and the accumulated depreciation was \$21,374,060. In addition, long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. At the beginning of the year, the balance of long-term liabilities was \$237,673. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.</p>	
	18,608,142
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are reported as increases in capital assets and reductions in long-term debt in the government on the government-wide financial statements. For the year ended September 30, 2013, the amount of capital outlays and debt principal payments were \$1,368,724, excluding \$507,758 of equipment purchases in the internal service fund, and \$31,818 respectively. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position.</p>	
	1,400,542
<p>The 2013 depreciation expense increases accumulated depreciation. The effect of the current year's depreciation of \$754,742, net of accumulated depreciation of \$48,813 in the internal service fund, is to decrease net position.</p>	
	(705,929)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue and eliminating interfund transactions, recording transfers of capital assets to the internal service fund, and recognizing the compensated absences and OPEB liabilities, along with the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.</p>	
	<u>(101,239)</u>
Net Position of Governmental Activities	<u><u>\$ 22,932,878</u></u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Board of City Development Fund	Total Governmental Funds
Revenues:			
Taxes:			
Property Taxes	\$ 2,061,941	\$ -	\$ 2,061,941
General Sales and Use Taxes	1,756,432	-	1,756,432
Franchise Tax	625,661	-	625,661
Other Taxes	9,227	165,130	174,357
Penalty and Interest on Taxes	12,202	-	12,202
Licenses and Permits	85,864	-	85,864
Intergovernmental Revenue and Grants	1,248,533	-	1,248,533
Charges for Services	1,520,678	-	1,520,678
Fines	331,039	-	331,039
Investment Earnings	3,930	278	4,208
Contributions and Donations	16,763	-	16,763
Other Revenue	101,013	-	101,013
Total Revenues	<u>7,773,283</u>	<u>165,408</u>	<u>7,938,691</u>
Expenditures:			
Current:			
General Government	417,118	-	417,118
Public Safety	3,062,230	-	3,062,230
Streets	983,078	-	983,078
Sanitation	838,104	-	838,104
Culture and Recreation	1,087,919	-	1,087,919
Conservation and Development	190,719	218,794	409,513
Capital Outlay	1,368,724	-	1,368,724
Debt Service:			
Principal Retirement	31,818	-	31,818
Interest and Fiscal Charges	3,776	-	3,776
Total Expenditures	<u>7,983,486</u>	<u>218,794</u>	<u>8,202,280</u>
(Deficit) of Revenues over Expenditures	<u>(210,203)</u>	<u>(53,386)</u>	<u>(263,589)</u>
Other Financing Sources (Uses):			
Transfers In	322,369	-	322,369
Transfers Out	(10,196)	-	(10,196)
Issuance of Capital Leases	48,096	-	48,096
Total Other Financing Sources (Uses)	<u>360,269</u>	<u>-</u>	<u>360,269</u>
Net Change in Fund Balance	<u>150,066</u>	<u>(53,386)</u>	<u>96,680</u>
Fund balance- Beginning of year	<u>2,458,942</u>	<u>114,943</u>	<u>2,573,885</u>
Fund Balance- Ending	<u>\$ 2,609,008</u>	<u>\$ 61,557</u>	<u>\$ 2,670,565</u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Total Net Change in Fund Balances- Governmental Funds	\$ 96,680
 The City uses an internal service fund to account for the activities of a vehicle replacement fund. The change in net position of the internal service fund is reported with the governmental activities on the Statement of Activities. The net effect of this consolidation is to increase net position.	1,060,797
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are reported as increases in capital assets and reductions in long-term debt in the government on the government-wide financial statements. For the year ended September 30, 2013, the amount of capital outlays and debt principal payments were \$1,368,724, excluding \$507,758 of equipment purchases in the internal service fund, and \$31,818 respectively. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position.	1,400,542
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation of \$754,742, net of accumulated depreciation of \$48,813 in the internal service fund, is to decrease net position.	(705,929)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue and eliminating interfund transactions, recording transfers of capital assets to the internal service fund, and recognizing the compensated absences and OPEB liabilities, along with the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	<u>(101,239)</u>
 Change in Net Position of Governmental Activities	\$ <u><u>1,750,851</u></u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts (GAAP Basis)	With Final Budget
Revenues:				
Taxes:				
Property Taxes	\$ 2,012,460	\$ 2,012,460	\$ 2,061,941	\$ 49,481
General Sales and Use Taxes	1,550,000	1,550,000	1,756,432	206,432
Franchise Tax	600,000	600,000	625,661	25,661
Other Taxes	9,000	9,000	9,227	227
Penalty and Interest on Taxes	7,500	7,500	12,202	4,702
Licenses and Permits	60,250	60,250	85,864	25,614
Intergovernmental Revenue	551,197	551,197	1,248,533	697,336
Charges for Services	1,439,000	1,439,000	1,520,678	81,678
Fines	293,000	293,000	331,039	38,039
Investment Earnings	13,000	13,000	3,930	(9,070)
Contributions and Donations	-	-	16,763	16,763
Other Revenue	40,000	40,000	101,013	61,013
Total Revenues	<u>6,575,407</u>	<u>6,575,407</u>	<u>7,773,283</u>	<u>1,197,876</u>
Expenditures:				
Current:				
General Government	408,143	408,143	417,118	(8,975)
Public Safety	3,044,605	3,044,605	3,062,230	(17,625)
Streets	966,699	966,699	983,078	(16,379)
Sanitation	861,366	861,366	838,104	23,262
Culture and Recreation	1,100,434	1,100,434	1,087,919	12,515
Conservation and Development	190,950	190,950	190,719	231
Capital Outlay	220,716	220,716	1,368,724	(1,148,008)
Debt Service:				
Principal Retirement	57,033	57,033	31,818	25,215
Interest and Fiscal Charges	-	-	3,776	(3,776)
Total Expenditures	<u>6,849,946</u>	<u>6,849,946</u>	<u>7,983,486</u>	<u>(1,133,540)</u>
Excess (Deficit) of Revenues over (under) Expenditures	<u>(274,539)</u>	<u>(274,539)</u>	<u>(210,203)</u>	<u>64,336</u>
Other Financing Sources (Uses):				
Transfers In	274,442	274,442	322,369	47,927
Transfers Out	-	-	(10,196)	(10,196)
Issuance of Capital Leases	-	-	48,096	48,096
Total Other Financing Sources (Uses)	<u>274,442</u>	<u>274,442</u>	<u>360,269</u>	<u>85,827</u>
Net Change in Fund Balance	<u>(97)</u>	<u>(97)</u>	<u>150,066</u>	<u>150,163</u>
Fund balance- Beginning of year	<u>2,458,942</u>	<u>2,458,942</u>	<u>2,458,942</u>	<u>-</u>
Fund Balance- Ending	<u>\$ 2,458,845</u>	<u>\$ 2,458,845</u>	<u>\$ 2,609,008</u>	<u>\$ 150,163</u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Golf Course	Total Enterprise Funds	Internal Service Fund
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 5,279,988	\$ 429,636	\$ 5,709,624	\$ 618,586
Investments	1,193,586	-	1,193,586	-
Interest Receivable - Investments	147	-	147	-
Accounts Receivable	725,143	22,057	747,200	-
Due from Other Funds	-	11,999	11,999	-
Inventories	4,684	88,443	93,127	-
Total Current Assets	<u>7,203,548</u>	<u>552,135</u>	<u>7,755,683</u>	<u>618,586</u>
Restricted Assets:				
Cash and Cash Equivalents	9,132,159	-	9,132,159	-
Total Restricted Assets	<u>9,132,159</u>	<u>-</u>	<u>9,132,159</u>	<u>-</u>
Noncurrent Assets:				
Capital Assets:				
Land and Easements	2,930,981	397,138	3,328,119	-
Infrastructure	20,445,019	698,170	21,143,189	-
Buildings	300,909	330,311	631,220	-
Improvements other than Buildings	11,372,066	525,423	11,897,489	-
Equipment	2,801,177	876,886	3,678,063	507,759
Construction in Progress	3,721,294	9,203	3,730,497	-
Accumulated Depreciation	(14,905,698)	(1,214,850)	(16,120,548)	(48,813)
Total Noncurrent Assets	<u>26,665,748</u>	<u>1,622,281</u>	<u>28,288,029</u>	<u>458,946</u>
Total Assets	<u>43,001,455</u>	<u>2,174,416</u>	<u>45,175,871</u>	<u>1,077,532</u>
Deferred Outflows:				
Deferred Charge on Refunding	186,035	72,192	258,227	-
Total Deferred Outflows of Resources	<u>186,035</u>	<u>72,192</u>	<u>258,227</u>	<u>-</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	213,254	37,183	250,437	16,735
Accrued Expenses	-	12,432	12,432	-
Due to Other Funds	362	-	362	-
Accrued Interest Payable	51,365	9,267	60,632	-
Unearned Revenue	33,084	-	33,084	-
Bonds Payable- Current	769,463	40,537	810,000	-
Capital Leases Payable- Current	-	42,408	42,408	-
Compensated Absences - Current	11,827	-	11,827	-
Customer Deposits	203,403	-	203,403	-
Total Current Liabilities	<u>1,282,758</u>	<u>141,827</u>	<u>1,424,585</u>	<u>16,735</u>
Noncurrent Liabilities:				
Bonds Payable	13,587,364	1,802,692	15,390,056	-
Capital Leases Payable	-	128,021	128,021	-
Compensated Absences	11,827	-	11,827	-
Other Post Employment Benefits Obligation	13,299	957	14,256	-
Total Noncurrent Liabilities	<u>13,612,490</u>	<u>1,931,670</u>	<u>15,544,160</u>	<u>-</u>
Total Liabilities	<u>14,895,248</u>	<u>2,073,497</u>	<u>16,968,745</u>	<u>16,735</u>
Net Position:				
Net Investment in Capital Assets	21,627,113	(319,186)	21,307,927	458,946
Unrestricted Net Position	6,665,129	492,297	7,157,426	601,851
Total Net Position	<u>\$ 28,292,242</u>	<u>\$ 173,111</u>	<u>\$ 28,465,353</u>	<u>\$ 1,060,797</u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental
	<u>Water and Sewer Fund</u>	<u>Golf Course</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Fund</u>
Operating Revenues:				
Charges for Water Services	\$ 4,194,087	\$ -	\$ 4,194,087	\$ -
Charges for Sewer Services	1,809,423	-	1,809,423	-
Permits and Licenses	14,220	-	14,220	-
Lease & Other income	83,119	6,856	89,975	143,976
Golf Services	-	604,007	604,007	-
Sales of Goods	-	269,076	269,076	-
Total Operating Revenues	<u>6,100,849</u>	<u>879,939</u>	<u>6,980,788</u>	<u>143,976</u>
Operating Expenses:				
Personnel Costs	1,365,668	478,369	1,844,037	-
Contractual Services	2,118,642	298,854	2,417,496	-
Supplies	307,998	175,249	483,247	96
Depreciation	639,348	264,591	903,939	48,813
Intercity Charges	44,160	51,100	95,260	-
Total Operating Expenses	<u>4,475,816</u>	<u>1,268,163</u>	<u>5,743,979</u>	<u>48,909</u>
Operating Income (Loss)	<u>1,625,033</u>	<u>(388,224)</u>	<u>1,236,809</u>	<u>95,067</u>
Non-operating Revenues / (Expenses):				
Investment Earnings	61,807	3,772	65,579	2,465
Sale of Assets	2,081	-	2,081	-
Interest and Fiscal Charges	(324,179)	(64,816)	(388,995)	-
Total Non-Operating Revenue (Expense)	<u>(260,291)</u>	<u>(61,044)</u>	<u>(321,335)</u>	<u>2,465</u>
Income (Loss) before Transfers	<u>1,364,742</u>	<u>(449,268)</u>	<u>915,474</u>	<u>97,532</u>
Other Financing Sources (Uses):				
Transfers In	10,196	183,743	193,939	1,024,161
Transfers Out	(1,287,500)	(157,716)	(1,445,216)	(60,896)
Total Other Financing Sources (Uses)	<u>(1,277,304)</u>	<u>26,027</u>	<u>(1,251,277)</u>	<u>963,265</u>
Change in Net Position	<u>87,438</u>	<u>(423,241)</u>	<u>(335,803)</u>	<u>1,060,797</u>
Net Position- Beginning of year, as previously reported	28,323,934	610,000	28,933,934	-
Prior Period Adjustment- GASB 65 Implementation	(119,130)	(13,648)	(132,778)	-
Net Position- Beginning of year, as adjusted	<u>28,204,804</u>	<u>596,352</u>	<u>28,801,156</u>	<u>-</u>
Net Position- Ending	<u>\$ 28,292,242</u>	<u>\$ 173,111</u>	<u>\$ 28,465,353</u>	<u>\$ 1,060,797</u>

The accompanying notes are an integral part of these statements.

CITY OF CANYON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities			Governmental Activities Internal Service Fund
	Water and Sewer Fund	Golf Course	Total Enterprise Funds	
Cash Flows from Operating Activities:				
Cash Received from User Charges	\$ 5,987,994	\$ 880,183	\$ 6,868,177	\$ -
Cash Received from Inter-Fund Services Provided	-	-	-	143,976
Cash Payments to Employees for Services	(1,356,033)	(470,124)	(1,826,157)	-
Cash Payments for Suppliers	(2,581,205)	(496,612)	(3,077,817)	16,639
Cash Payments for Inter-Fund Services Used	(43,798)	(63,099)	(106,897)	-
Net Cash flows from Operating Activities	<u>2,006,958</u>	<u>(149,652)</u>	<u>1,857,306</u>	<u>160,615</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers from Other Funds	10,196	183,743	193,939	1,000,000
Transfers to Other Funds	(1,287,500)	(157,716)	(1,445,216)	(60,896)
Net cash flows from Non-Capital Financing Activities	<u>(1,277,304)</u>	<u>26,027</u>	<u>(1,251,277)</u>	<u>939,104</u>
Cash Flows from Capital and Related Financing Activities:				
Net Acquisition of Capital Assets	(1,588,191)	(55,508)	(1,643,699)	(483,598)
Proceeds from Sale of Capital Assets	2,081	-	2,081	-
Issuance of Series 2013 Refunding Obligations	4,670,805	1,809,690	6,480,495	-
Transfer to Fiscal Agent for Series 2013 Refunding Obligations	(4,725,896)	(1,833,917)	(6,559,813)	-
Principal Payments on Capital Debt	(665,000)	(132,439)	(797,439)	-
Interest Paid on Capital Debt	(428,919)	(72,785)	(501,704)	-
Net Cash flows from Capital Financing Activities	<u>(2,735,120)</u>	<u>(284,959)</u>	<u>(3,020,079)</u>	<u>(483,598)</u>
Cash flows from Investing Activities:				
Sale of Investment	250,000	-	250,000	-
Interest on Investments	61,994	3,772	65,766	2,465
Net Cash flows from Investing Activities	<u>311,994</u>	<u>3,772</u>	<u>315,766</u>	<u>2,465</u>
Net change in Cash and Cash Equivalents	(1,693,472)	(404,812)	(2,098,284)	618,586
Cash and Cash Equivalents at Beginning of the Year:	16,105,619	834,448	16,940,067	-
Cash and Cash Equivalents at the End of the Year:	<u>\$ 14,412,147</u>	<u>\$ 429,636</u>	<u>\$ 14,841,783</u>	<u>\$ 618,586</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:				
Operating Income (Loss)	\$ 1,625,033	\$ (388,224)	\$ 1,236,809	\$ 95,067
Adjustments to reconcile Operating Income (Loss) to Net Cash flows from Operating Activities:				
Depreciation	639,348	264,591	903,939	48,813
Effect of Increases and Decreases in Assets and Liabilities:				
Decrease (increase) in Receivables	(105,227)	244	(104,983)	-
Decrease (increase) in Prepaid Expense	1,050	-	1,050	-
Decrease (increase) in Due From Other Funds	-	(11,999)	(11,999)	-
Decrease (increase) in Inventories	40,431	(39,349)	1,082	-
Increase (decrease) in Accounts Payable	(196,046)	16,839	(179,207)	16,735
Increase (decrease) in Unearned Revenue	1,316	-	1,316	-
Increase (decrease) in Accrued Expenses	-	8,988	8,988	-
Increase (decrease) in Due To Other Funds	362	-	362	-
Increase (decrease) in Accrued Absences	(3,663)	(1,700)	(5,363)	-
Increase (decrease) in Other Post Employment Benefit Obligation	13,299	958	14,257	-
Increase (decrease) in Customer Deposits	(8,945)	-	(8,945)	-
Net Cash flows from Operating Activities	<u>\$ 2,006,958</u>	<u>\$ (149,652)</u>	<u>\$ 1,857,306</u>	<u>\$ 160,615</u>
Reconciliation of Total Cash and Cash Equivalents				
Cash and Cash Equivalents on Statement of Net Assets	\$ 5,279,988	\$ 429,636	\$ 5,709,624	\$ 618,586
Restricted Cash and Cash Equivalents on Statement of Net Assets	9,132,159	-	9,132,159	-
Total Cash and Cash Equivalents	<u>\$ 14,412,147</u>	<u>\$ 429,636</u>	<u>\$ 14,841,783</u>	<u>\$ 618,586</u>
Non-Cash Transactions				
Transfer of Capital Assets (To) From other Funds	\$ -	\$ -	\$ -	\$ 24,161

The accompanying notes are an integral part of these statements.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. REPORTING ENTITY

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

The City has one component unit. A component unit is a separate entity that the City or Commission can exert significant influence over. The Canyon Economic Development Corporation (CEDC) is a component unit due to the fact that the Commission appoints the CEDC board and also approves the annual budget. The CEDC has issued separately audited financial statements. Copies of the CEDC audit report for the fiscal year ended September 30, 2013 may be obtained by contacting the management of the CEDC.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net position and the statement of activities are government-wide financial statements. They report information on all of the City’s non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, user fees and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the City. Examples include utility charges, service fees, etc. The “grants and contributions” column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. An example is payment for fire protection by Randall County. If a type of revenue is not a program revenue, it is a general revenue used to support all of the City’s functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and proprietary funds appear as due to/due from on the governmental fund balance sheet and proprietary fund statement of net position and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance and on the proprietary fund statement of revenues, expenses and changes in fund net position. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide statement of net position as due to / due from and on the statement of activities as inter-fund transfers.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers all governmental and proprietary funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows and outflows, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for interest and principal on long-term debt, which is recognized when due. The expenditure related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of taxes. Property tax revenues are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they are collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of net position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The City reports the following major governmental fund:

1. **The General Fund** – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Board of City Development Fund** – The board of city development fund accounts for the City’s collection of hotel/motel taxes and expenditures related to promoting tourism to the City.

The City reports the following major proprietary funds:

1. **Water and Sewer Fund** – The water and sewer fund accounts for the operations of the water and sewer utilities furnished by the City to its residents.
2. **Golf Course Fund** – The golf course fund accounts for all the operations of Palo Duro Creek Golf Course.

The City reports the following internal service fund:

1. **Capital Fund** – The capital fund accounts for vehicles and equipment that are leased to the City’s other funds.

E. NET POSITION AND FUND BALANCE

The City’s fund balances for its governmental funds are presented in accordance with GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which classifies fund balance based on the level of constraints placed on the usage of fund resources. Under GASB 54, fund balances for the governmental funds are reported in the following categories:

- **Nonspendable** – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

E. NET POSITION AND FUND BALANCE (continued)

- Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – The committed fund balance classification includes amounts that are constrained by the City’s intent to be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority, the City Commission, in the form of a resolution.
- 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 Commission has delegated the authority to assign fund balance to the City Manager.
- 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.

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.

The City has established a goal to achieve and maintain a minimum unassigned fund balance in the general fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance target is set at 25% of budgeted revenues for the most recent fiscal year, which would provide for roughly 90 days of estimated expenditures.

F. OTHER ACCOUNTING POLICIES

1. For the purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.
3. Employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on full-time status, length of service, and other factors. Employees are eligible for payment of accrued sick leave time upon termination or retirement upon completion of eight years of service.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

F. OTHER ACCOUNTING POLICIES (continued)

4. Capital assets, which include land, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than Buildings	20
Infrastructure	50
Equipment	3 -10

5. The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the City purchased insurance through Texas Municipal League (TML) to cover general liabilities. There are no significant changes in coverage in the past fiscal year and there were no settlements in excess of the insurance coverage for any of the past three years.

6. The preparation of the 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.

7. The Water and Sewer Fund maintains an inventory of supplies. The Golf Course Fund maintains an inventory of goods for sale at the pro shop. These inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

8. Management provides an allowance for uncollectible receivables based on estimate of the amounts that will ultimately be uncollectible.

9. Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. The City also received grants or other donations that are subject to restrictions by outside parties, which are also classified as restricted assets.

10. The amounts on these statements have been rounded individually and therefore some columns may not total because of rounding.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

F. OTHER ACCOUNTING POLICIES (continued)

11. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in that category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the life of the debt.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of this item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported on in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The City adopts an “appropriated budget” for the General Fund. The City compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5.

The following procedures are used in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to September 30th, the City prepares a budget for the next fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Commission is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance by the Commission. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Commission. Amendments are presented to the Commission at its regular meetings. Any amendment must have Commission approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Commission and are not made after fiscal year end. The City had no budget amendments during the year.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

III. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (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, certain 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 Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit policy. That policy addresses the following risks:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is not exposed to custodial credit risk for its deposits as all are covered by depository insurance and pledged securities.
- b. Interest-Rate Risk – The City does not have a policy dealing with interest-rate risk because they do not have any risk.
- c. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments include certificates of deposit that are covered by depository insurance and pledged securities.

Investments Held

At September 30, 2013, the carrying amounts of the City's investments are \$3,003,708. The City's investments are valued at cost, which approximates market value. The City did not invest in any other types of investments other than certificates of deposit during the year ended September 30, 2013.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 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 a 60-day period after the close of the City's fiscal year. The tax rate of the 2012 tax roll for the 2012-13 fiscal year was \$.37613 per \$100 of assessed valuation. The resulting levy was \$2,060,070 on an assessed taxable value of approximately 547,701,593 (after exemptions).

C. DELINQUENT TAXES RECEIVABLE

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

D. INTER-FUND BALANCES AND TRANSFERS

The composition of inter-fund balances as of September 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>		
	<u>General</u>	<u>Water & Sewer</u>	<u>Total</u>
General	\$ -	\$ 362	\$ 362
Golf Course	11,999	-	11,999
	<u>\$ 11,999</u>	<u>\$ 362</u>	<u>\$ 12,361</u>

Outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund good and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments made between funds are made.

Inter-fund transfers of cash occurred during the year as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General</u>	<u>Water & Sewer</u>	<u>Golf Course</u>	<u>Capital Fund</u>	
General	\$ -	\$ 10,196	\$ -	\$ -	\$ 10,196
Water & Sewer	103,757	-	183,743	1,000,000	1,287,500
Golf Course	157,716	-	-	-	157,716
Capital Fund	60,896	-	-	-	60,896
	<u>\$ 322,369</u>	<u>\$ 10,196</u>	<u>\$ 183,743</u>	<u>\$ 1,000,000</u>	<u>\$ 1,516,308</u>

Inter-fund transfers were done in order to supplement the operations of the Golf Course; to transfer funds in order to fund debt service payments; and to clear out inter-fund receivables and payables between various funds. In addition to the above cash transfers, capital assets with a net book value of \$24,161 were transferred from the Governmental Activities to the Capital Fund.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

E. RECEIVABLES

Receivables at September 30, 2013, were as follows:

	<u>General</u>	<u>Water & Sewer</u>	<u>Golf Course</u>
Accrued Interest	\$ 62	\$ 147	\$ -
Property Taxes	69,558	-	-
Sales Taxes	311,112	-	-
Accounts Receivable	483,861	725,143	22,057
Less: Allowance for Doubtful Accounts	(48,455)	-	-
Net Total Receivables	<u>\$ 816,138</u>	<u>\$ 725,290</u>	<u>\$ 22,057</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2013, was as follows:

Primary Government:	Beginning Balance <u>October 1, 2012</u>	<u>Additions</u>	Sales, Retirements, and Transfers	Ending Balance <u>September 30, 2013</u>
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 496,589	\$ -	\$ -	\$ 496,589
Construction in Progress	931,039	1,231,940	-	2,162,979
Total Capital Assets, not being depreciated	<u>1,427,628</u>	<u>1,231,940</u>	<u>-</u>	<u>2,659,568</u>
Capital Assets, being depreciated				
Buildings	3,777,708	-	-	3,777,708
Equipment	5,148,319	644,542	(191,286)	5,601,575
Improvements	1,582,769	-	-	1,582,769
Infrastructure	28,283,451	-	-	28,283,451
Total Capital Assets, being depreciated	<u>38,792,247</u>	<u>644,542</u>	<u>(191,286)</u>	<u>39,245,503</u>
Less Accumulated Depreciation:				
Buildings	1,522,099	87,969	-	1,610,068
Equipment	2,555,064	315,491	(156,626)	2,713,929
Improvements	715,415	68,447	-	783,862
Infrastructure	16,581,482	282,835	-	16,864,317
Total Accumulated Depreciation	<u>21,374,060</u>	<u>754,742</u>	<u>(156,626)</u>	<u>21,972,176</u>
Total Capital Assets, being depreciated, net	<u>17,418,187</u>	<u>(110,200)</u>	<u>(34,660)</u>	<u>17,273,327</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 18,845,815</u>	<u>\$ 1,121,740</u>	<u>\$ (34,660)</u>	<u>\$ 19,932,895</u>

Construction in progress in the governmental activities consists of costs incurred related to the construction of the City's Gateway Project which was being completed in conjunction with the Texas Department of Transportation, construction of a baseball complex, a reconstruction project on 4th avenue, and an expansion project for the City's Civic Complex, which were not complete as of September 30, 2013.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

F. CAPITAL ASSET ACTIVITY (continued)

	Beginning Balance October 1, 2012	Additions	Sales and Retirements	Ending Balance September 30, 2013
Business-Type Activities:				
Capital Assets, not being depreciated				
Land and Easements	\$ 3,328,119	\$ -	\$ -	\$ 3,328,119
Construction in Progress	3,519,401	983,238	(772,142)	3,730,497
Total Capital Assets, not being depreciated	<u>6,847,520</u>	<u>983,238</u>	<u>(772,142)</u>	<u>7,058,616</u>
Capital Assets, being depreciated				
Buildings	619,495	11,725	-	631,220
Equipment	3,604,434	74,304	(675)	3,678,063
Infrastructure	19,848,400	1,294,789	-	21,143,189
Improvements	11,801,649	95,840	-	11,897,489
Total Capital Assets, being depreciated	<u>35,873,978</u>	<u>1,476,658</u>	<u>(675)</u>	<u>37,349,961</u>
Less Accumulated Depreciation:				
Buildings	295,985	38,658	-	334,643
Equipment	2,609,579	221,918	(675)	2,830,822
Infrastructure	9,771,899	370,071	-	10,141,970
Improvements	2,539,820	273,293	-	2,813,113
Total Accumulated Depreciation	<u>15,217,283</u>	<u>903,940</u>	<u>(675)</u>	<u>16,120,548</u>
Total Capital Assets, being depreciated, net	<u>20,656,695</u>	<u>572,718</u>	<u>-</u>	<u>21,229,413</u>
Business-Type Activities:				
Capital Assets, Net	<u>\$ 27,504,215</u>	<u>\$ 1,555,956</u>	<u>\$ (772,142)</u>	<u>\$ 28,288,029</u>

Construction in progress in the business-type activities consists of costs incurred related to construction of water distribution system improvements and water wells to support the City's water and sewer system, and a lift station rehab project which were not complete as of September 30, 2013.

G. LONG-TERM DEBT

Certificates of Obligation are direct obligations and pledged by the full faith and credit of the City. The principal thereof and the interest thereon, are paid from the surplus net revenues derived from the operation and ownership of the City's water and sewer system and golf course activities.

In December of 2004, the City issued \$6,965,000 of Tax and Water and Sewer System Surplus Revenue Certificates of Obligation, Series 2004, (the "2004 Obligations"), that were used for improvements on the City's water and sewer system. These 2004 Obligations are due and payable between February 15, 2006 and February 15, 2025, and carry variable interest rates between 3.00% and 4.75%. During the year ended September 30, 2013, \$4,555,000 of the 2004 Obligations were refunded by the 2013 General Obligation Refunding Bonds as discussed below, and the City repaid \$300,000 on the 2004 Obligations, which have a remaining outstanding balance of \$315,000 as of September 30, 2013.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

G. LONG-TERM DEBT (continued)

In February of 2007, the City issued \$2,250,000 of Tax and Waterworks and Sewer System Certificates of Obligation, Series 2007, (the “2007 Obligations”), that were used for the purchase of, and improvements to, the Palo Duro Creek Golf Course. The 2007 Obligations are due and payable between February 15, 2008 and February 15, 2027, and carry an interest rate of 4.25%. During the year ended September 30, 2013, \$1,798,000 of the 2007 Obligations were refunded by the 2013 General Obligation Refunding Bonds as discussed below, and the City repaid \$92,000 on the 2007 Obligations, which had no remaining outstanding balance as of September 30, 2013.

In August of 2012, the City issued \$9,090,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2012, (the “2012 Obligations”), that are to be used for improvements to the City’s water and sewer system. The 2012 Obligations are due and payable between February 15, 2013 and February 15, 2032, and carry variable interest rates between 2.00% and 3.50%. As of September 30, 2013 the outstanding balance on the 2012 Obligations was \$8,735,000.

In February of 2013, the City issued \$6,180,000 of General Obligation Refunding Bonds, Series 2013, (the “2013 Obligations”). Proceeds from the sale of the 2013 Obligations will be used to 1) refund a portion of the City’s Series 2004 and Series 2007 Obligations, and 2) pay costs of issuance of the bonds. The 2013 Obligations are due and payable between February 15, 2014 and February 15, 2027, and carry variable interest rates between 2.00% and 3.00%. As of September 30, 2013 the outstanding balance on the 2013 Obligations was \$6,180,000.

Business-Type Activities surplus revenue certificates of obligation outstanding at year end that are currently being serviced with surplus net revenues from the City’s Water and Sewer system are as follows:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
2004 certificates of obligation, callable at par beginning February 15, 2014	3.00% - 4.75%	2025	\$ 315,000
2012 certificates of obligation, callable at par beginning February 15, 2023	2.00% - 3.50%	2032	8,735,000
2013 general obligation refunding bonds, callable at par beginning February 15, 2022	2.00% - 3.00%	2027	<u>6,180,000</u>
			<u>\$ 15,230,000</u>

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

G. LONG-TERM DEBT (continued)

Interest is payable semi-annually at various dates for the respective issues. The Business-Type Activities revenue bonds and certificates of obligations currently being serviced by net surplus revenues service requirements to maturity are as follows:

Fiscal year ending September 30,	Principal	Interest	Total
2014	\$ 810,000	\$ 434,919	\$ 1,244,919
2015	830,000	414,975	1,244,975
2016	845,000	398,225	1,243,225
2017	865,000	381,125	1,246,125
2018	885,000	361,700	1,246,700
2019-2023	4,815,000	1,423,738	6,238,738
2024-2028	3,865,000	681,388	4,546,388
2029-2032	2,315,000	165,813	2,480,813
	<u>\$ 15,230,000</u>	<u>\$ 4,261,883</u>	<u>\$ 19,491,883</u>

Current year interest expense and capitalized bond interest was recorded as follows:

	Accrued Interest Payable October 1, 2012	Interest Paid during the Year	Amortization of Bond Premium and Deferred Loss on Refunding	Accrued Interest Payable September 30, 2013	Capitalized Interest	Interest Expense
Water & Sewer	\$ 57,126	\$ 428,919	\$ 54,924	\$ 51,365	\$ 44,055	\$ 324,179
Golf Course	14,501	72,785	2,735	9,267	-	64,816
	<u>\$ 71,627</u>	<u>\$ 501,704</u>	<u>\$ 57,659</u>	<u>\$ 60,632</u>	<u>\$ 44,055</u>	<u>\$ 388,995</u>

Long-term liability activity for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due Within One Year
Governmental Activities					
Capital Leases	\$ 59,483	\$ 48,097	\$ 31,818	\$ 75,762	\$ 30,934
Compensated Absences	178,190	147,821	178,190	147,821	-
Other Post Employment Benefits Obligation	-	67,537	-	67,537	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 237,673</u>	<u>\$ 263,455</u>	<u>\$ 210,008</u>	<u>\$ 291,120</u>	<u>\$ 30,934</u>

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

G. LONG-TERM DEBT (continued)

Business-Type Activities	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013	Due Within One Year
Bonds Payable					
Surplus Revenue Obligations	\$ 16,150,000	\$ 6,180,000	\$ 7,100,000	\$ 15,230,000	\$ 810,000
Unamortized Bond Premiums	683,150	441,323	154,417	970,056	-
Deferred Charge on Refunding	-	(258,227)	-	(258,227)	-
Capital Leases	210,868	-	40,439	170,429	42,408
Compensated Absences	29,017	23,654	29,017	23,654	11,827
Other Post Employment Benefits Obligation	-	14,256	-	14,256	-
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 17,073,035</u>	<u>\$ 6,401,006</u>	<u>\$ 7,323,873</u>	<u>\$ 16,150,168</u>	<u>\$ 864,235</u>
Unamortized Bond Issuance Costs as Previously Reported**			\$ (132,778)		
Prior Period Adjustment for GASB 65 Implementation			<u>132,778</u>		
Unamortized Bond Issuance Costs - Beginning of Year - as Adjusted			<u><u>\$ -</u></u>		

** During the year, the City implemented GASB 65. As a result, the unamortized bond issuance costs were required to be removed and taken against beginning net position

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

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

H. LEASE OBLIGATIONS

Capital Leases

The City has leased certain equipment under non-cancellable capital leases. The following summarizes the City's obligations under capital leases:

Year Ending September 30,	Governmental Activities	Golf Course
2014	\$ 35,344	\$ 50,772
2015	35,344	50,772
2016	12,947	50,772
2017	-	38,773
Total	83,635	191,089
Less amounts representing interest	7,873	20,660
Present Value of Lease Payments	\$ 75,762	\$ 170,429

The following summarizes the assets acquired under capital leases:

Equipment	\$ 168,289	\$ 308,395
Accumulated Depreciation	59,527	106,695
Net Leased Equipment	\$ 108,762	\$ 201,700

Operating Leases

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

Year Ending September 30,	Governmental Activities	Water & Sewer
2014	\$ 16,962	\$ 1,167
2015	9,614	1,000
2016	7,737	1,000
2017	4,934	500
2018	575	-
Total	\$ 39,822	\$ 3,667

Rental expenditures under the City's operating leases for the governmental activities totaled \$16,962, and have been recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance. Rental expenditures for the water and sewer fund totaled \$1,167, and have been recorded in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

I. EMPLOYEES' RETIREMENT PLAN

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the TMRS. This report may be obtained by writing TMRS at P.O. Box 149153, Austin, Texas 78714-9153, or by call 1-800-924-8677; in addition, the report is available on TMRS's website at www.TMRS.com.

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:

	<u>Plan Year 2013</u>	<u>Plan Year 2012</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI, Repeating	70% of CPI, Repeating	70% of CPI, Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that services as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligations/ (asset) are as follows:

	<u>Fiscal Year Ending 2013</u>	<u>Fiscal Year Ending 2012</u>	<u>Fiscal Year Ending 2011</u>
Annual pension cost (APC)	\$ 632,968	\$ 594,520	\$ 581,487
Actual contributions made	\$ 632,968	\$ 594,520	\$ 581,487
Percentage of APC contributed	100%	100%	100%
Net pension obligation/(asset)	\$ -	\$ -	\$ -
Annual required contribution rate	17.16%	16.76%	16.22%

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. EMPLOYEES' RETIREMENT PLAN (continued)

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuation. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 equivalent single amortization period	25.4 years - closed period	26.5 years - closed period	27.4 years - closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Assumptions:			
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial valuation date	12/31/2012	12/31/2011	12/31/2010
Actuarial value of assets	\$ 18,154,490	\$ 16,844,807	\$ 15,661,363
Actuarial accrued liability (AAL)	\$ 21,562,630	\$ 20,322,105	\$ 19,061,694
Funded ratio	84.2%	82.9%	82.2%
Unfunded AAL (UAAL)	\$ 3,408,140	\$ 3,477,298	\$ 3,400,331
Covered payroll	\$ 3,591,514	\$ 3,527,546	\$ 3,305,227
UAAL as % of covered payroll	94.9%	98.6%	102.9%

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

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

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

I. EMPLOYEES' RETIREMENT PLAN (continued)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

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

The death benefits 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributed 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 prefund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$5,028, \$6,864, and \$7,580, respectively, which equaled the required contributions each year.

The City's contribution rates for the last three years were as follows:

Calendar year	2012	2011	2010
Annual required contribution rate (ARC)	0.14%	0.19%	0.27%
Actual contribution rate made	0.14%	0.19%	0.27%
Percentage of ARC contributed	100%	100%	100%

J. OTHER POST-EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

Plan Description

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

The contribution requirements of the City are established and may be amended by the governing council. Employee plan members are not currently required to contribute.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

J. OTHER POST-EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

Annual OPEB Cost and Net OPEB Obligation

The year ended September 30, 2013 is the initial year for this OPEB plan. Accordingly, the annual OPEB cost is equal to the annual required contribution of \$90,447, as determined by an actuarial valuation performed at October 1, 2012. The end of the year net OPEB obligation and schedule of employer contributions is determined as follows:

Net OPEB Obligation ("NOO")

	Fiscal Year Ending 2013	Fiscal Year Ending 2014 ***	Fiscal Year Ending 2015 ***
Annual Required Contribution	\$ 90,447	\$ 93,125	\$ 95,206
Interest on NOO	1,861	3,272	3,998
Adjustment to ARC	(1,896)	(3,355)	(4,182)
Annual OPEB Cost	\$ 90,412	\$ 93,042	\$ 95,022
Employer Contributions **	(55,148)	(74,879)	(97,404)
Increase (Decrease) in NOO	\$ 35,264	\$ 18,163	\$ (2,382)
NOO beginning of year	46,529	81,793	99,956
NOO end of year	\$ 81,793	\$ 99,956	\$ 97,574

Schedule of Employer Contributions

	Fiscal Year Ending 2013	Fiscal Year Ending 2014 ***	Fiscal Year Ending 2015 ***
Annual OPEB Cost	\$ 90,412	\$ 93,042	\$ 95,022
Employer Contributions **	\$ 55,148	\$ 74,879	\$ 97,404
Percentage Contributed	61%	80%	103%

** Employer contributions for fiscal year ending 2014 and 2015 (Pay-As-You-Go costs) are estimates and should be determined at fiscal year end and will equal retiree costs less contributions paid by retirees.

***The 10/1/2013 and 10/1/2014 liabilities and fiscal year ending 2014 and 2015 annual costs are based on this 10/1/2012 GASB No. 45 Actuarial Valuation.

K. CONSTRUCTION COMMITMENTS

The City has an on-going project for the construction of additional water wells and connecting pipeline infrastructure to supplement the public water supply system. The City's management estimates the total costs to complete this project to be \$4,636,102, of which approximately \$3,672,049, had been expended as of September 30, 2013. The project cost also includes approximately \$44,055 of capitalized interest for the year ended September 30, 2013. Subsequent to September 30, 2013, \$964,053 was paid completing the water wells and connecting pipeline infrastructure project.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

K. CONSTRUCTION COMMITMENTS (continued)

The City is completing a rehabilitation project on the main lift station at the wastewater treatment plant. The City is completing this project in-house and has not engaged an outside contractor to perform the services. The City estimates the total costs to complete this project to be \$47,000, of which approximately \$42,920 had been expended as of September 30, 2013. The City is unsure if this project will be completed by the end of 2014.

During fiscal year 2013, the City began the planning phase of a project for possible expansion of City Hall. The City is currently unsure if the project will be pursued, and architect fees were expended totaling \$12,650 as of September 30, 2013. No additional costs have been incurred or plans to pursue the project had been made subsequent to September 30, 2013.

During fiscal year 2013, the City began construction of a new tee box at the Golf Course. Approximately \$9,203 had been expended as of September 30, 2013. The City anticipates this project will be completed during 2014.

During fiscal year 2010, the City received a grant from the Texas Department of Transportation, to perform an enhancement project on Canyon US 87. Under the terms of this grant agreement, \$714,497 of grant funds were awarded, and the City was required to fund the remaining costs of the project. As of September 30, 2013, the project has an estimated total cost of \$1,015,493, of which \$1,007,338 had been expended. The City's remaining portion of the project expenditures is estimated to be \$2,801, which has already been remitted to the Texas Department of Transportation, by the City. Because the amount had not been expended on the project as of September 30, 2013, the City has reported this amount as a prepaid asset. Subsequent to September 30, 2013, grant funds of \$8,155 were used completing the enhancement project. The City's portion of the project expenditures remitted exceeded actual total cost for the City, resulting in a refund received from the Texas Department of Transportation subsequent to September 30, 2013, totaling \$1,745.

During fiscal year 2013, the City began a construction project at the Kent Johnson Baseball Complex. The City's management estimates the total costs to complete this project to be \$1,196,361, of which approximately \$1,094,229, had been expended as of September 30, 2013. Subsequent to September 30, 2013, \$102,132 was paid completing the baseball complex construction project.

During fiscal year 2013, the City began a street reconstruction project on 4th Avenue. The City's management estimates the total costs to complete this project to be \$636,809, of which approximately \$55,089, had been expended as of September 30, 2013. Subsequent to September 30, 2013, \$581,720 was paid completing the street reconstruction project.

L. COMPONENT UNIT TRANSACTIONS

During a prior year, the Canyon Economic Development Corporation ("CEDC") approved a grant to the City in the amount of \$850,000 to be used for park improvements. As of September 30, 2013, the City had expended in excess of \$850,000 on park improvements and received \$510,000 of the grant funds, with the remaining \$340,000 recorded as accounts receivable on the governmental funds balance sheet.

Each year the City receives monthly sales tax payments from the Texas State Comptroller and remits 25% of the amount received to the CEDC. The City made sales tax payments to the CEDC totaling \$685,681 during fiscal year 2013.

**CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

M. SUBSEQUENT EVENTS

The City's management has evaluated subsequent events through November 3, 2014, which is the date the financial statements were available to be issued.

In October 2013, the City Commission voted to authorize the purchase of approximately one acre of land adjacent to the Palo Duro Creek Golf Course, for a purchase price of \$120,000.

In November 2013, the City Commission voted to authorize the purchase of the old Canyon Independent School District Administration building located at 508 16th street, for the purchase price of \$167,960. The building is currently undergoing asbestos abatement, which is estimated to be completed prior to December 31, 2014 at a cost of approximately \$50,000.

In December of 2013, the City Commission voted to authorize the allocation of up to \$220,000 for renovations to be completed of the hay barn, tower, and 2 rehab huts at the City's fire department training facility. Management estimates this project will be completed prior to December 31, 2014.

In March 2014, the City Commission voted to award the bid of \$290,108 for the 2014 sealcoating project from 16th street to 23rd street south of state highway 60. This project was completed during August 2014.

In March 2014, the City Commission voted to authorize the purchase of a new backhoe for the public works department, for a purchase price of \$106,700.

In July 2014, the City Commission voted to authorize the purchase of a new rear loader trash truck for the sanitation department, for a purchase price of \$172,000.

In August 2014, the City Commission voted to authorize the City Manager to execute the appropriate documents necessary to purchase approximately 15 acres of land from the Texas Department of Transportation for a purchase price not to exceed the appraised value. The City purchased the land for approximately \$150,000 and paid appraisal fees of approximately \$7,700 related to the purchase. The land purchase was completed during September 2014.

In September 2014, the City purchased property and a building adjacent to city hall located at 1605 3rd Avenue, for a purchase price of \$64,568. Management's current intent is to have asbestos abatement done on the building, and then evaluate the property for future City use.

N. BUDGET VARIANCES

The City's General Fund actual expenditures exceeded amounts budgeted in the general government, public safety, streets, capital outlay, interest and fiscal charges, and transfers out categories for the year ended September 30, 2013 as shown on Exhibit C-5. In addition, the City's overall expenditures exceeded the approved budget. The general government expenditures exceeded the approved budget because expenditure transactions made from restricted cash accounts are not included in the City's budget. Capital outlay expenditures exceeded the approved budget primarily as a result of capital grant transactions, which were not budgeted by the City. Management will continue to evaluate the City's budget process to ensure that all expenditures are properly authorized.

CITY OF CANYON, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

O. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"). GASB 63 standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It also alleviated uncertainty about reporting those financial statement elements by providing guidance where none previously existed. GASB 63 became effective for the City's fiscal year ended September 30, 2013. The most significant impact GASB 63 had on the City's financial statements was to change the titles of the government-wide and proprietary fund financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012, with early implementation encouraged. The City's management decided to implement GASB 65 for the City's fiscal year ending September 30, 2013. The most significant impact on the City's financial statements was to restate the beginning net position by decreasing it \$132,778 for business type activities for the remaining balance of unamortized bond issuance costs. GASB 65 requires bond issuance costs to be expensed in the year incurred. Costs incurred in prior periods should be taken to beginning net position in the year that GASB 65 is implemented. In addition, the City has reported unearned tax revenues as deferred inflows of resources on the fund financial statements. These were previously reported by the City as deferred revenue on prior fund financial statements. Furthermore, the City has reported a deferred outflow of resources on the government-wide and proprietary statements of net position pertaining to bond refunding transactions.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF CANYON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS**

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll (4)/(5)
2013	\$ 18,154,490	\$ 21,562,630	84.2%	\$ 3,408,140	\$ 3,591,514	94.9%
2012	16,844,807	20,322,105	82.9%	3,477,298	3,527,546	98.6%
2011	15,661,363	19,061,694	82.2%	3,400,331	3,305,227	102.9%
2010	8,245,929	12,722,417	64.8%	4,476,488	3,116,277	143.6%
2009	8,327,539	12,345,508	67.5%	4,017,969	3,011,369	133.4%
2008	10,606,386	14,027,076	75.6%	3,420,690	2,878,250	118.8%
2007	10,737,426	12,502,924	85.9%	1,765,498	2,752,542	64.1%
2006	9,790,394	11,468,393	85.4%	1,677,999	2,607,233	64.4%
2005	8,921,057	10,555,249	84.5%	1,634,192	2,444,276	66.9%
2004	8,507,161	10,081,607	84.4%	1,574,446	2,359,426	66.7%

Data above is as of December 31, of the preceding year, which is the date of the actuarial valuation.

A. FUNDED STATUS AND FUNDING PROGRESS

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. The schedule of funding progress, presented in the above table, presents multi-year trending information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**CITY OF CANYON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFIT OBLIGATION
SCHEDULE OF FUNDING PROGRESS**

Actuarial Date	<u>10/1/2012</u>	<u>10/1/2013***</u>	<u>10/1/2014***</u>
Actuarial Accrued Liability	\$ 978,970	\$ 1,010,924	\$ 1,024,425
Actuarial Value of Plan Assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability	\$ 978,970	\$ 1,010,924	\$ 1,024,425
Funded Ratio	0%	0%	0%

***The 10/1/2013 and 10/1/2014 liabilities and fiscal year ending 2014 and 2015 annual costs are based on this 10/1/2012 GASB No. 45 Actuarial Valuation.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the futures.