

CRMWA

Canadian River Municipal Water Authority



Carbon Fiber Repair

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2016



Clamp Repair



Bypass

Sanford, Texas



CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Sanford, Texas

Comprehensive Annual Financial Report

Fiscal Year Ended
September 30, 2016







Canadian River Municipal Water Authority
P.O. Box 9, 9875 Water Authority Rd
Sanford, Texas 79078
Phone (806) 865-3325
Fax (806) 865-3314
www.crmwa.com

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Comprehensive Annual Financial Report

October 1, 2015 - September 30, 2016

EXECUTIVE COMMITTEE

Steve Tucker, President
Richard Ellis, Vice-President
Kent Satterwhite, General Mgr.
and Secretary-Treasurer

MEMBER CITIES DIRECTORS

AMARILLO

William Hallerberg
Lenny Sadler

BORGER

Glendon Jett
Bill Carder

PAMPA

Jerry Carlson
Mac Smith

PLAINVIEW

Tyke Dipprey
Brian Pohlmeier

LUBBOCK

James Collins
Jay House

SLATON

Steve Tucker

TAHOKA

Jay Dee House

O'DONNELL

Bruce Vaughn

LAMESA

Dale Newberry

BROWNFIELD

Rickey Dunn

LEVELLAND

Richard Ellis
Scott Wade

Prepared by:
Financial Services Division

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Introductory Section





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January 5, 2017

Members of the Board
Canadian River Municipal Water Authority

Canadian River Municipal Water Authority's (the Authority) bylaws require an audit of the financial records to be completed within ninety (90) days after the end of each fiscal year. This Comprehensive Annual Financial Report (CAFR) of the Authority for the fiscal year ended September 30, 2016 is submitted to fulfill that requirement. This report is also published to provide our customers, the Authority Board, the member cities, and the investment community detailed information about the financial condition and operating results of the Authority as measured by the financial activity of the Authority.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide a reasonable, rather than an absolute, assurance that the financial statements are free of any material misstatements. We believe that the Authority's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Doshier, Pickens & Francis, LLC, Certified Public Accountants, has issued an unmodified opinion on the Authority's financial statements for the year ended September 30, 2016. The independent auditor's report is located at the front of the financial section of this report.

The management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

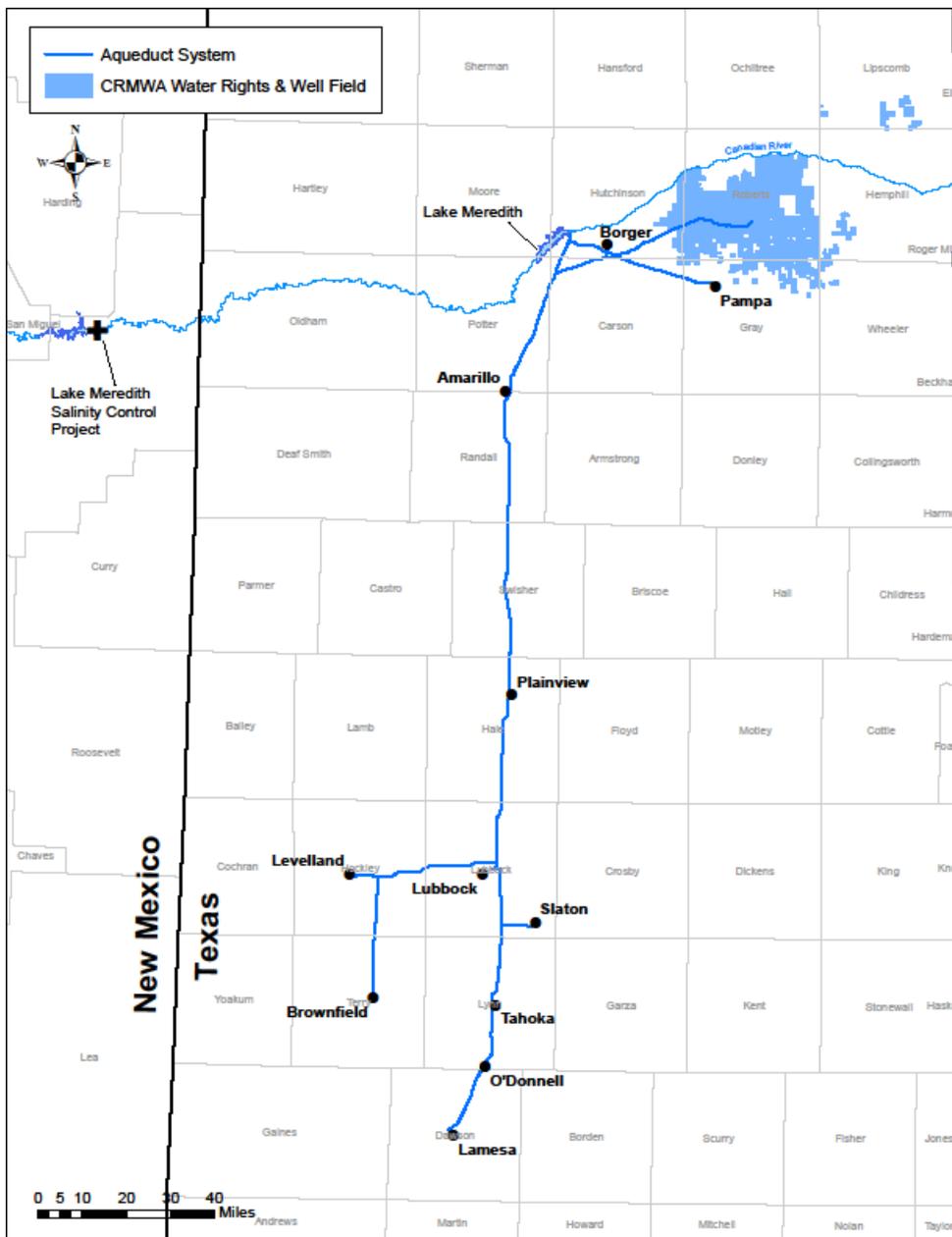
Profile of the organization

The Authority is a political subdivision of the State of Texas, a conservation and reclamation district organized and functioning pursuant to Article 16, Section 59, of the Texas Constitution, under Chapter 243, Acts of the 53rd Legislature Regular Session, 1953, as amended, formerly codified as article 8280-154 of Vernon’s Annotated Texas Civil Statutes (the “Enabling Act”).

The Authority is financially accountable for CRMWA Corporation, a not-for-profit corporation created in the State of Texas, authorized to operate in New Mexico to facilitate the construction and operation of the Salinity Control Project. CRMWA Corporation is presented as a blended component unit within this CAFR.

The Authority was created on May 27, 1953 for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the transportation of such water to its 11 member cities located in the Texas Panhandle and South Plains.

Member cities include: Amarillo, Borger, Brownfield, Lamesa, Levelland, Lubbock, O’Donnell, Pampa, Plainview, Slaton and Tahoka.



The Authority operates under a Board of Directors elected by a majority vote of the governing body of each member city. The Board of Directors shall consist of two directors from each member city having a population of 10,000 or more and one director from each member city having a population of less than 10,000, according to the preceding Federal Census. Board members serve two-year terms and must be a qualified voter and a property owning taxpayer in the city from which they are elected and must not be a member of the governing body or an employee of such city. The Board hires the General Manager and may accord such person full power and authority in the management and operation of the Authority, subject only to the orders of the Board.

The budget for the operating fund is adopted annually by the Board of Directors on a basis consistent with GAAP except for depreciation expense, which the Authority has elected to not include in the formal budget. Formal budgetary integration is not employed for debt service or construction because those are set by separate action and do not normally change on an annual basis. However, debt service requirements are included in the budgetary data provided to each city at the time of consideration of the proposed operating Budget each year. Unbudgeted operating expenditures in excess of \$10,000 must be approved by the Board of Directors. The General Manager's legal level of budgetary control is at the Authority's level; therefore, the Board of Directors does not need to approve nominal reallocations within the Authority's budget as a whole.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
Reconciliation of the total operating expenses to the net GOM assessment due from the member cities
Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating Expenses:				
Personnel costs	\$ 3,765,246	\$ 4,280,905	\$ 4,244,692	\$ 36,213
Professional fees	406,202	2,053,741	1,371,603	682,138
Purchased and contracted services	242,290	197,290	1,522,484	(1,325,194)
Consumable supplies and materials	666,077	1,321,393	1,225,080	96,313
Recurring operating cost	573,385	957,665	818,568	139,097
Depreciation and amortization	-	-	2,271,450	(2,271,450) ¹
Pumping energy and line chemicals (PEC)	10,074,165	10,074,165	5,140,047	4,934,118 ²
Total Operating Expenses	<u>\$ 15,727,365</u>	<u>\$ 18,885,159</u>	<u>\$ 16,593,924</u>	<u>\$ 2,291,235</u>
Reconciling Items:				
Costs funded by the Minor Equipment Replacement Reserve	\$ -	\$ -	\$ (547,214)	\$ 547,214 ³
Costs funded by the Well and Well Pump Reserve	-	-	(620,233)	620,233 ³
Costs funded by the Dam and Reservoir Reserve	(60,000)	(60,000)	(48,061)	(11,939) ³
Costs funded by the 2009 Bond Issue	-	-	(236,420)	236,420 ⁵
Sale Proceeds and Other Insurance Proceeds	-	-	(9,400)	9,400 ⁸
Depreciation and amortization	-	-	(2,271,450)	2,271,450 ¹
Pumping energy and line chemicals assessments (PEC)	(11,334,204)	(11,334,204)	(5,734,395)	(5,599,809) ⁶
Funding of the Well and Well Pump Reserve from PEC fees	569,677	569,677	273,774	295,903 ⁶
Funding of the New Well Construction Reserve from PEC fees	690,362	690,362	320,574	369,788 ⁶
Capitalized GOM costs	298,850	6,798,850	6,978,508	(179,658) ⁴
Budget Amendment not Included in GOM Assessments	-	(9,657,794)	-	(9,657,794) ⁹
Additional GOM funds received	-	-	(7,859,917)	7,859,917 ¹⁰
Funding of the Minor Equipment Replacement Reserve - CRMWA Corp	225,000	225,000	225,000	- ⁷
Total Reconciling Items	<u>(9,610,315)</u>	<u>(12,768,109)</u>	<u>(9,529,234)</u>	<u>(3,238,875)</u>
Net General Operating and Maintenance assessments due to CRMWA	<u>\$ 6,117,050</u>	<u>\$ 6,117,050</u>	<u>\$ 7,064,690</u>	<u>\$ (947,640) ¹⁰</u>

A: Per the Statement of Revenues, Expenses and Changes in Net Position

Notes:

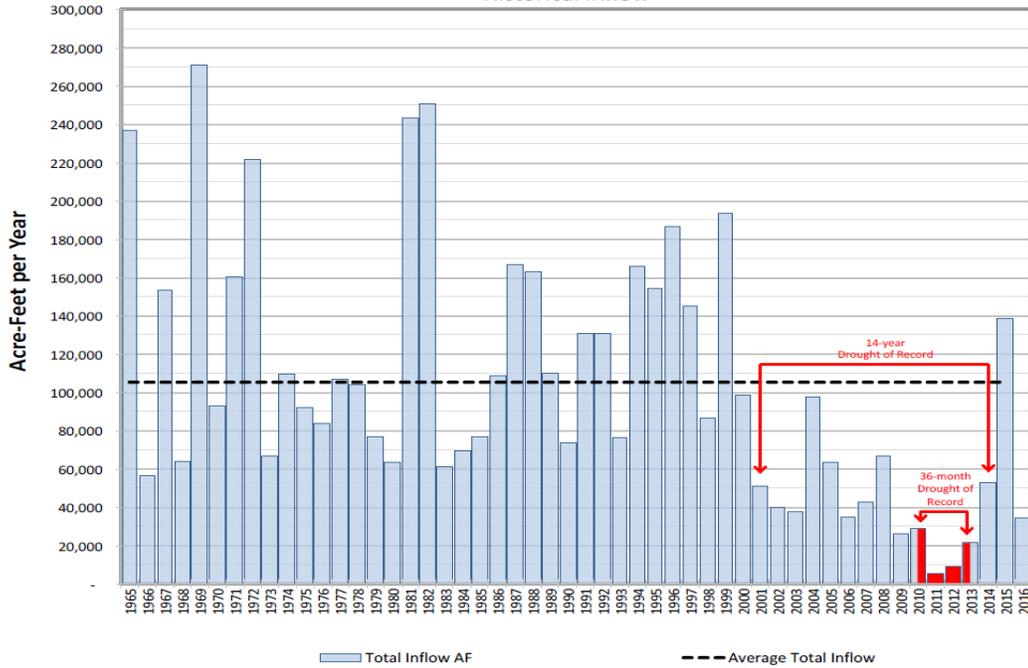
- 1) The Authority has elected not to budget for depreciation and amortization since member cities are charged for capital costs at the time of purchase rather than over the useful life of the asset. GASB 34 accounting standards require computation of depreciation and amortization over the life of the asset. Therefore, in order to be in compliance with GAAP, the financial statements reflect depreciation and amortization expense for the current fiscal year resulting in a reconciling item in the amount of \$2,271,450.
- 2) Budgeted PEC charges were based on an estimated usage of 75,000 acre-feet from a blend of lake and groundwater plus anticipated energy costs. For the current fiscal year, actual usage was only 59,672 acre-feet (44,724 from groundwater and 14,948 from the lake) due to multiple shutdowns for pipeline repair work. Energy costs were also not as high as expected resulting in a net variance of \$4,934,118 under budget.
- 3) The Authority maintains several type of reserves intended for various uses. Member cities are not charged for expenses that qualify to be funded by a reserve, however, in order to be in compliance with GAAP, the financial statements include these costs in the current fiscal year which results in a reconciling item.
- 4) The Authority capitalizes all assets with a cost of at least \$7,500 and a useful life of at least three years and therefore these costs are not reflected in operating expenses. As noted above, member cities are charged for capital costs at the time of purchase resulting in a reconciling item in the amount of \$179,658.
- 5) The Authority purchased spare motors funded using bond proceeds and therefore were not charged to the member cities. GAAP standards require that these expenses be included in the operating expenses, thereby, resulting in a reconciling item of \$236,420.
- 6) The Authority's member cities are assessed for GOM and PEC separately, therefore, a reconciling item for the PEC costs is necessary in order to reconcile to the net GOM refund.
- 7) The Authority has elected to include contributions to specific reserves in the GOM budget which are charged to the cities in the year the reserve is funded rather than when the reserve is utilized. However, GAAP standards do not consider these contributions as expenses until actually incurred, therefore, the contributions are not included in the operating expenses. This results in the reconciling item of \$225,000.
- 8) The Authority sold a vehicle which helped to offset GOM expense resulting in a reconciling item in the amount of \$9,400.
- 9) The Authority increased the FY1516 GOM budget by \$9,657,794 as a result of pipeline repair and bypass costs. It was decided to not increase the member city assessments at that time.
- 10) Member cities have remitted an additional \$7,859,917 in addition to their initial FY1516 GOM assessment of \$6,117,049. Payment arrangements have been made with each member city for any additional amounts owed as of September 30, 2016.

Water Statistics

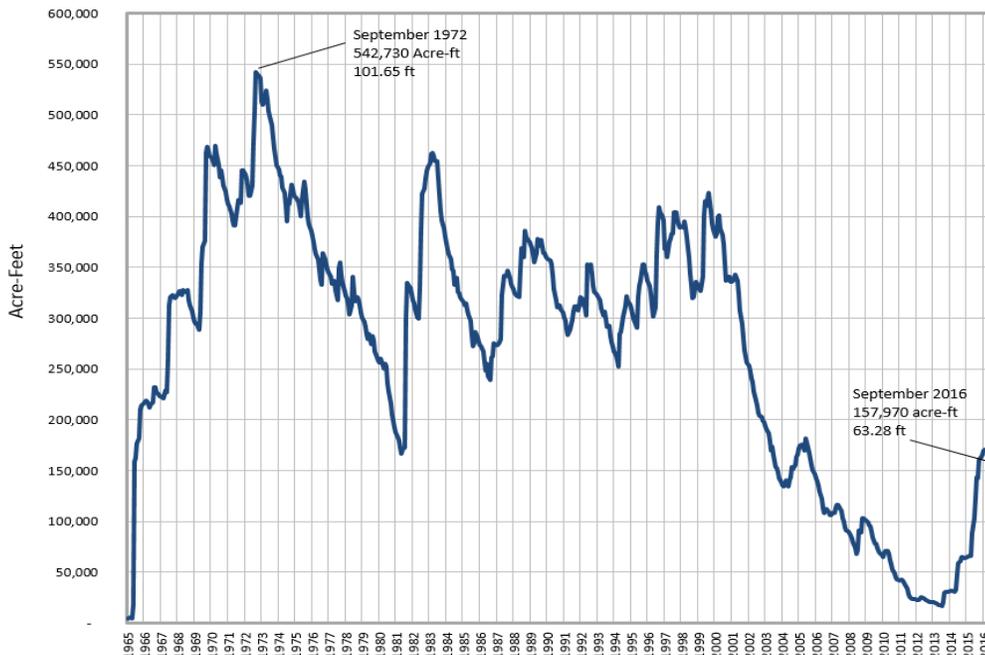
Lake Meredith

As of September 30, 2016, the water in Lake Meredith stood at a nominal depth of 63.28 feet (Elev. 2876.28 feet above MSL), having increased 2.71 feet since September 30, 2015. The Lake now contains 157,970 acre-feet of water. Total inflow for the fiscal year was 60,563 acre-feet. Evaporation during this fiscal year has been estimated at 31,453 acre-feet. During the year, deliveries to member cities and their customers amounted to 59,672 acre-feet, with 14,948 acre-feet coming from Lake Meredith and 44,724 acre-feet from the John C. Williams Wellfield. Deliveries of groundwater supplemented the surface water in previous years; however, these deliveries have been significantly reduced due to the well-below normal lake levels.

Lake Meredith
Historical Inflow



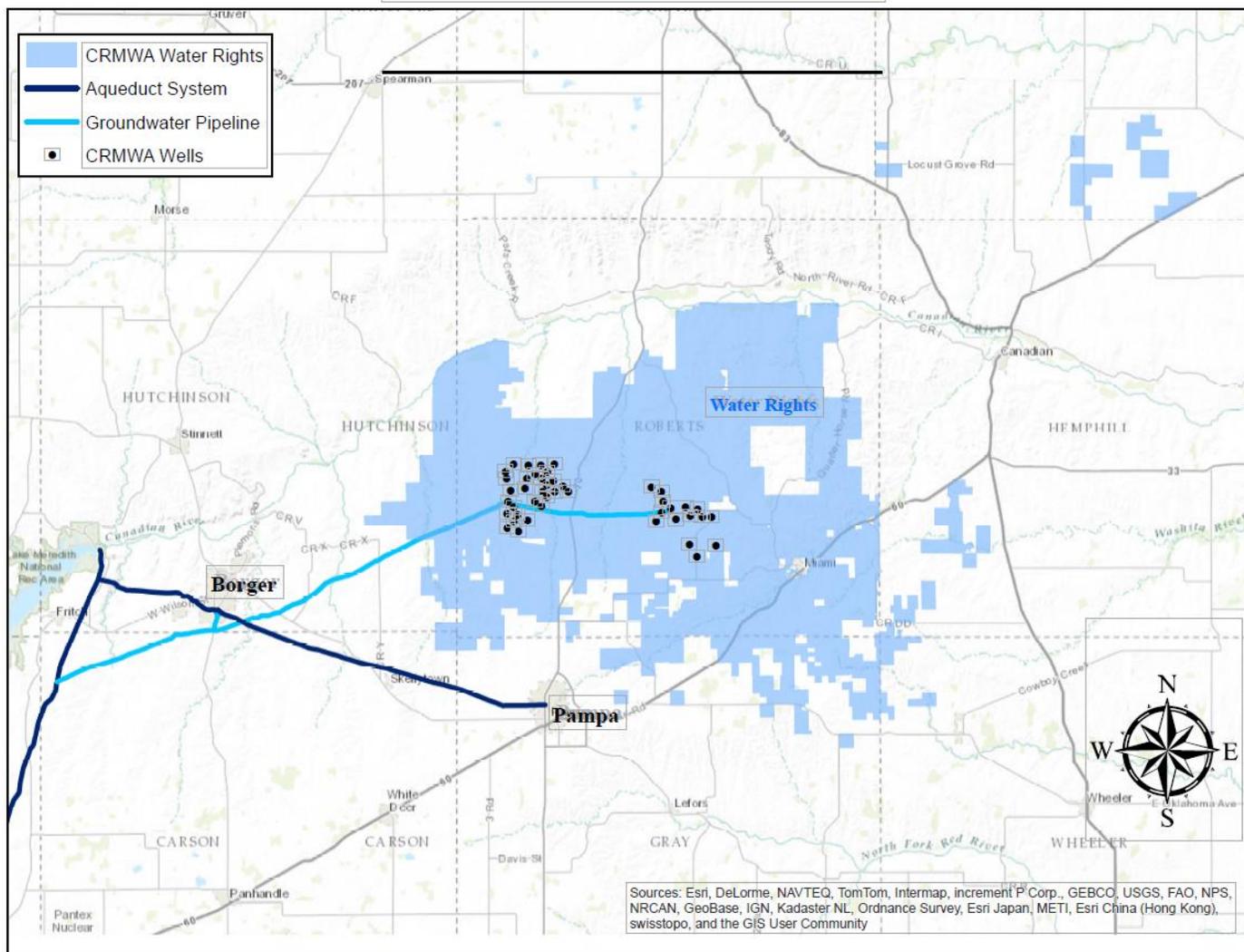
LAKE MEREDITH
Total Reservoir Storage



Groundwater

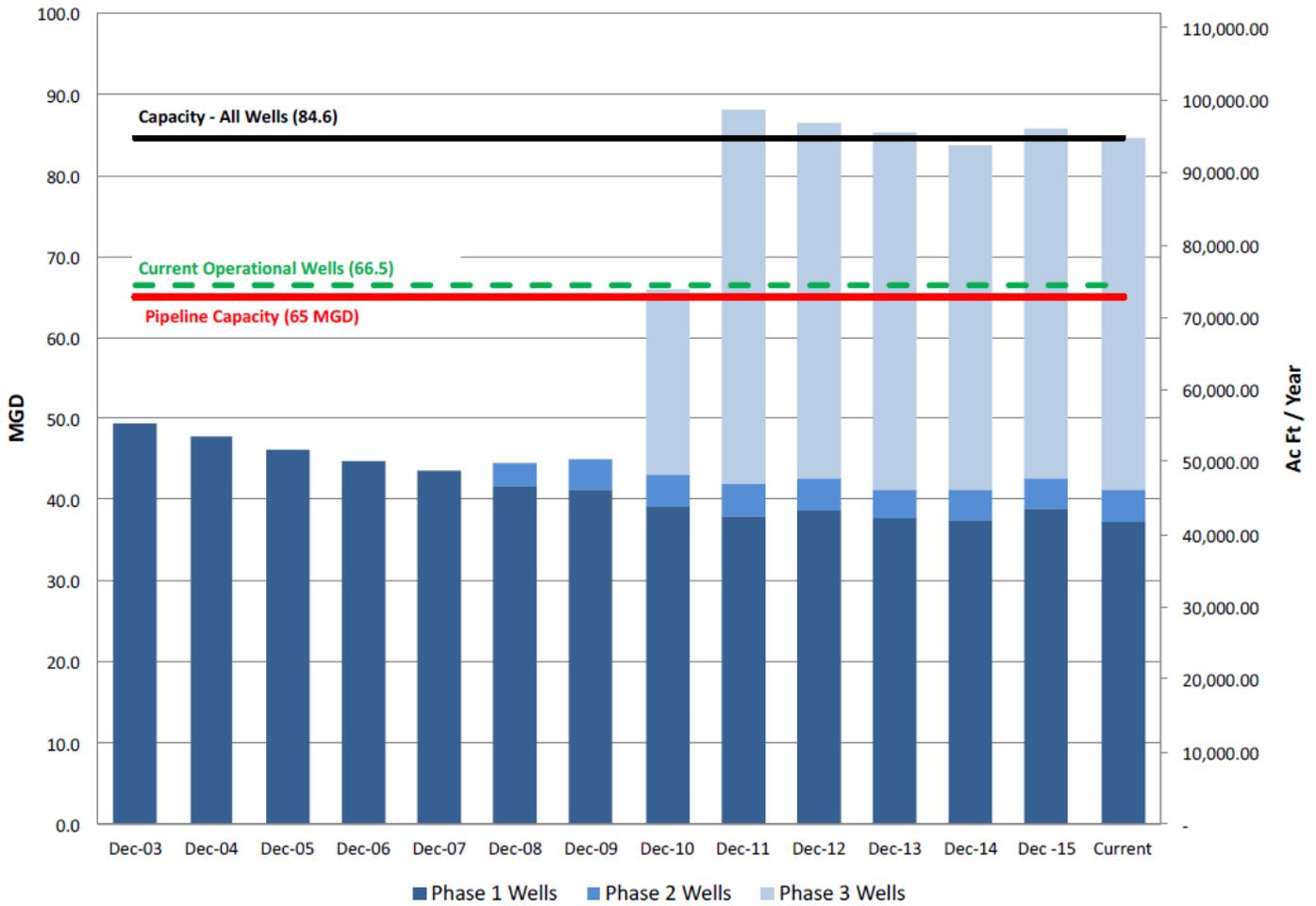
Due to continued lack of inflow, the reliability of water from Lake Meredith has been severely impacted resulting in increased reliance on groundwater. The Authority currently relies on the John C. Williams Wellfield as the source for the groundwater supply. The Authority's total holdings of water rights is over 444,000 acres in Roberts and adjacent counties. As shown on the map below, only a fraction of these rights are developed. The current capacity of the transmission system from the Roberts County well field is 65 MGD and the Authority can deliver up to 69,000 acre-feet per year. The existing well field capacity is 84 MGD. The Authority is proceeding to expand the groundwater production and delivery capacity in order to meet member cities demand. Those water rights in conjunction with the existing Canadian River Project Supply, will provide the district's 11 members with an abundant water supply that is expected to be available for over 100 years.

CRMWA Water Rights and Wellfield



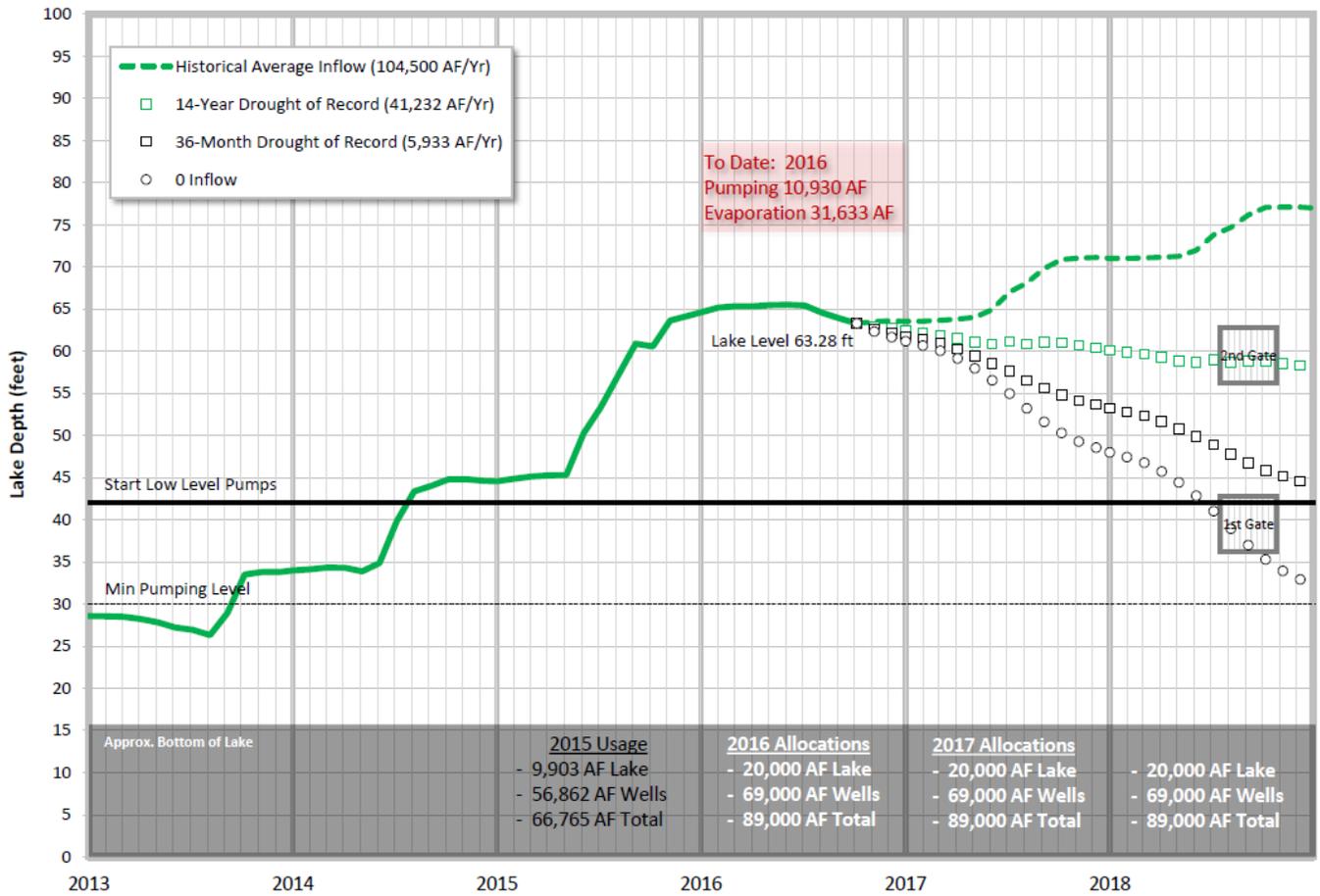
The chart below shows the total capacity of the well field(s) each year. In 2003, the total capacity was near 50 million gallons per day (MGD) (or 55,000 acre-feet per year). Capacity continued to drop slightly each subsequent year due to use until 2008 when 2 new wells (Phase 2) were brought online. In 2010 and 2011, Phase 3 was completed, adding 15 more wells for a total of 44 wells. This brought the capacity to near 90 MGD (100,000 acre-feet per year), while the capacity of the pipeline is limited to 65 MGD.

Well Field Capacity



LAKE MEREDITH - Drought Planning

Projections based on Drought of Record Inflows



The above graph reflects potential future drought conditions and is used to forecast the allocation between surface water (Lake) and groundwater (Wells), which in turn determines how City allocations may be impacted (Total). Currently, only 20,000 acre-feet of surface water is to be allocated during the fiscal year ending September 30, 2017 leaving 69,000 acre-feet of groundwater to be allocated to member cities. This allocation could change if higher than expected inflows are experienced during the year.

Long-term financial planning and major project initiatives

Pipeline Rehabilitation

The aqueduct was completed in 1966 and is comprised of over 300 miles of pipe ranging from 18-inches in diameter to 96-inches. The pipe varies in design and materials depending on its location within the system, though most of the system consists of pre-stressed non-cylinder pipe, reinforced concrete pipe, and bar-wrapped pipe. The most common cause of failure is corrosion of the steel in the pipe. Some designs, such as the pre-stressed pipe, rely more heavily on the strength of the steel and are subject to failure should corrosion occur.

The main aqueduct from Lake Meredith to Amarillo is 72-inch and 78-inch pre-stressed non-cylinder pipe and as of December 2015 there had only been one pipe leak and one complete failure due to corrosion in the last 50 years. Both of these issues occurred within the last 5 years. In late December of 2015 a failure occurred in the pre-stressed pipe between Lake Meredith and Amarillo. It was determined that corrosion had weakened the steel in the pipe that lead to its failure. Just a few days after this joint of pipe was replaced, another pipe failure occurred about 30-feet away. Because of the two failures, their proximity to each other and the huge impact these failures have on our member cities, the Authority decided to perform an internal pipe inspection for that area.

The Authority contracted with a vendor to conduct an electromagnetic inspection. The internal inspection uses an electromagnetic tool to detect wire breaks within the pipe which can then be used to determine where failures are most likely to occur. This inspection revealed several “bad” joints of pipe in the area causing concern regarding the condition of the remainder of the pre-stressed pipe. As a result, the Board elected to perform an electromagnetic survey of the remaining 45-miles of pipe between Pumping Plant 3 to the end of the pre-stressed pipe east of Canyon. An inspection was also performed on the pipe under the City of Fritch to determine if there were any anomalies that posed a threat to the homes or property above ground, as well as, a two-mile section of the Central System, made of reinforced concrete pipe, to determine if this technology would work for this type of pipe.

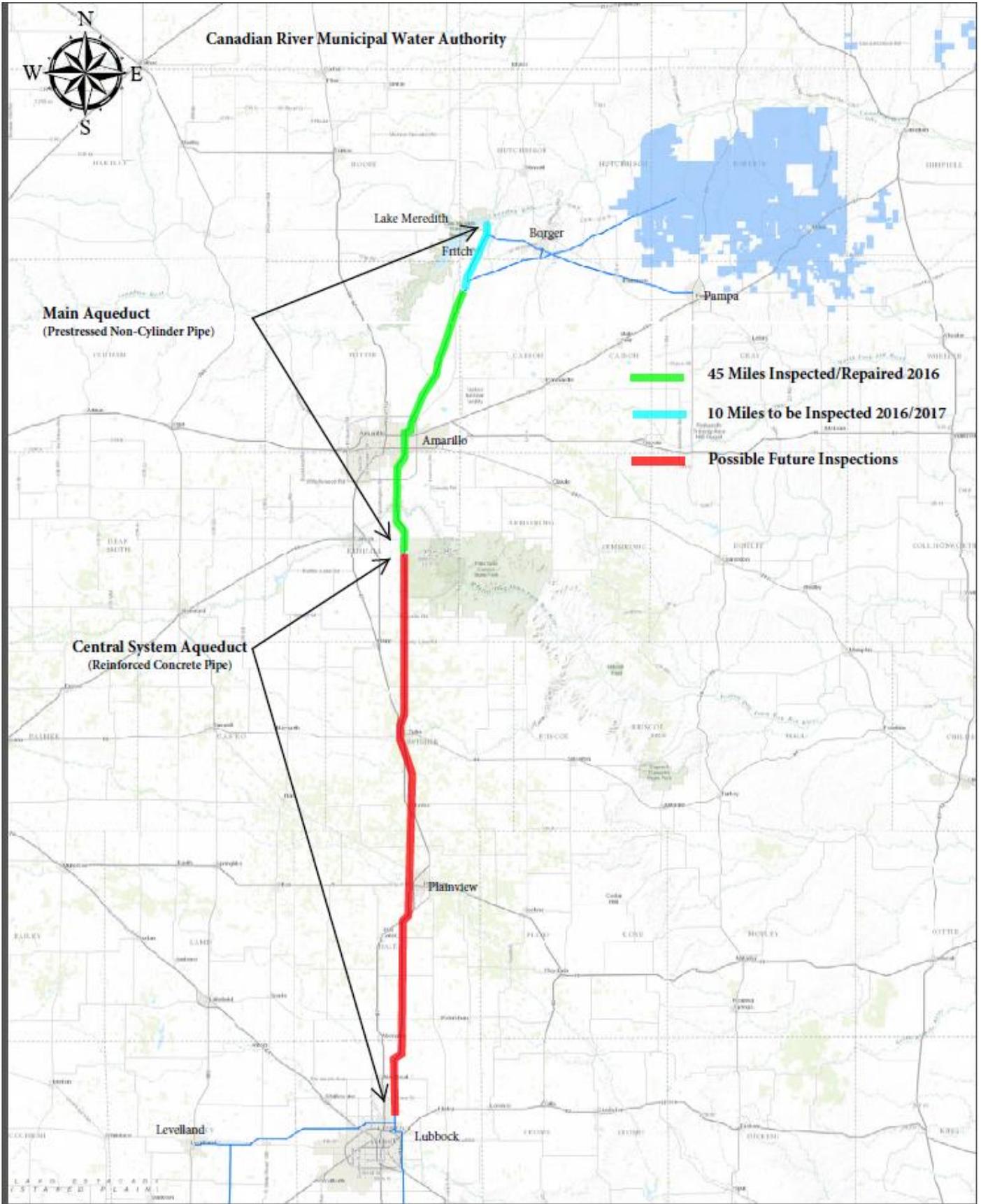
The inspection performed on the pipe under the City of Fritch identified one joint of pipe with significant damage so it was repaired by lining the pipe with carbon fiber. This method was chosen because of the location and the difficulties of excavation in a neighborhood area.

The inspection of the pre-stressed pipe from Pumping Plant 3 to the end of that section (Station 2976+00) revealed that about 3.8% (423 pipe joints) of the pipe had some level of distress or wire breakage. According to the vendor, who inspects pipe worldwide, this amount of damage is consistent with other similar pipe. Each damaged pipe was categorized as having either small, medium or large anomalies.

74 of the 423 pipe joints were considered to have large anomalies increasing the risk of unplanned disruptions in delivering water to our member cities. 50 of the large anomalies were concentrated in three distinct areas. It was determined that the Authority would have a contractor construct pipelines to bypass these areas rather than repair the anomalies individually. The bypass line was designed to use steel pipe coated with polyurethane. Because these areas had corrosive soil conditions, cathodic protection equipment was designed and implemented as part of the contract.

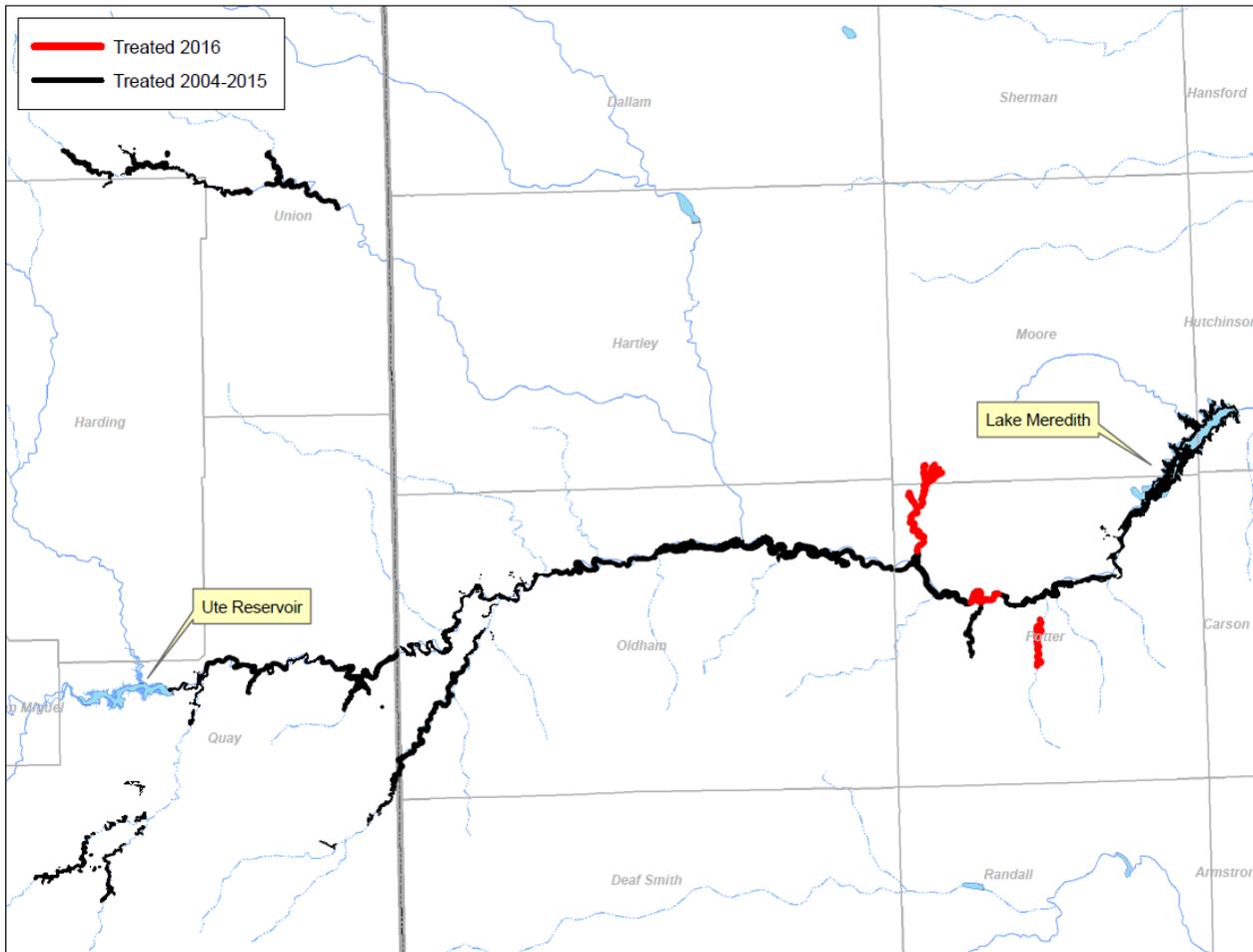
This left 24 joints with large anomalies to be repaired by the Authority. These 24 large anomalies were repaired using large steel clamps that fit over the pipe. The strength in these clamps take the place of the broken wires in the pipe and serve as a long term solution. The Authority also repaired 6 joints of “mediums” due to their close proximity to the work being performed on the “larges”.

The Authority plans to inspect the pre-stressed pipe between Pumping Plant 1 and Pumping Plant 3 in the fall of 2016. In addition to this inspection, repairs to any new “large” anomalies will be performed and “medium” anomalies will be on-going as part of normal operations and maintenance of the pipeline. It should be noted that all of the “mediums” are well below the threshold in which the pipe would fail and do not pose an immediate threat. The “small” anomalies will be monitored over time to see if and how the damage progresses.



Salt Cedar Control Project

The objectives of the Salt Cedar Control Project are to: 1) increase the flow in the Canadian River and its' tributaries within the Lake Meredith watershed, 2) increase water quality in the Canadian River and 3) create a better habitat for the Arkansas River Shiner, which is Federally listed as a threatened species. In 2016, the Authority completed its twelfth year in its Salt Cedar Control project, spraying 385 acres of salt cedar with a total of 31,069 acres treated to date. (See the map below that shows the areas treated for salt cedar along the Canadian River since 2004.) The Authority will continue the salt cedar maintenance as necessary.



Lake Meredith Salinity Control Project

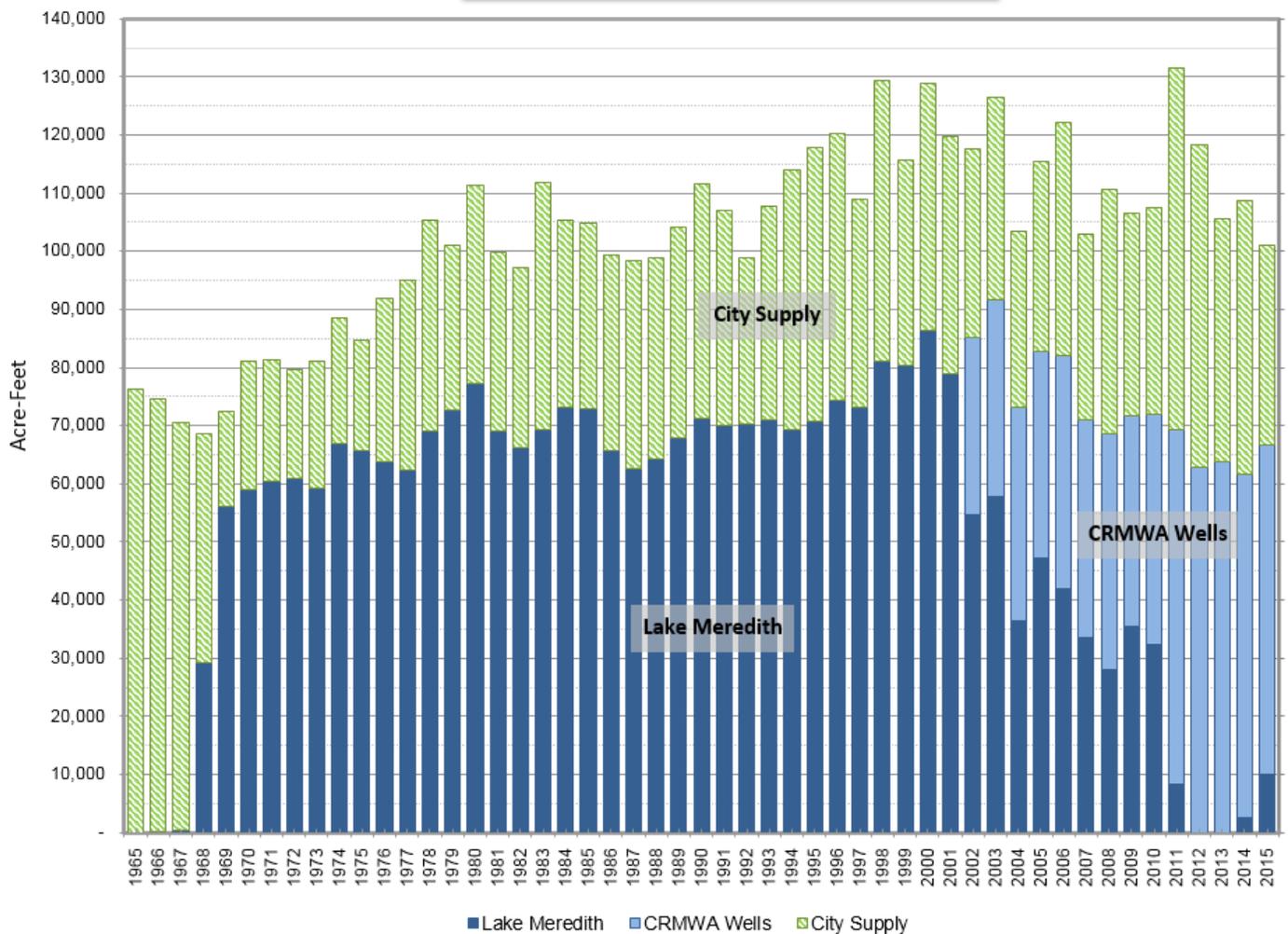
The Salinity Control Project is designed to improve the quality of water in Lake Meredith by intercepting brine water that is leaking into the Canadian River near Logan, New Mexico. An area in New Mexico just downstream from Ute Dam near Logan was identified as being a major contributor of saline water to the Canadian River System. Studies by the Bureau of Reclamation and consultants indicate that about 70 percent of the chlorides reaching Lake Meredith originate in this localized area, filtering into the river channel from a shallow brine aquifer that is under artesian pressure. Water in the brine aquifer is roughly as salty as seawater. Because salt is “stored” in the river channel sand between Lake Meredith and Logan, the extent of benefit will depend upon climatic conditions and stream flow.

Even though the Authority is not currently using much surface water from Lake Meredith, the continuation of the project is important. Without it, brine would build up in the river alluvium at an uncontrolled rate. The project reduces the amount of brine entering the river and ultimately Lake Meredith.

Future Water Supply Initiatives

The Texas Water Development Board adopted the 2017 State Water Plan (the Plan) on May 19, 2016. The Plan is based on projections indicating that the population will continue with its rapid growth. Based on these population projections, a total population growth in the member cities of about 53 percent is projected during the 50-year period from 2020 to 2070, with Amarillo, Lubbock and Pampa showing the greatest increase in population during this time period. The estimated population of the member cities is expected to increase gradually to an aggregate of nearly 867,000 by the year 2070. Current member cities' water needs are at 33 billion gallons per year ("BGY") with the Authority currently able to supply only 22.5 BGY (69,000 acre-feet) and the remaining amount being provided by groundwater wells or other resources owned by the member cities. Because droughts have reduced the ability of Lake Meredith to provide a constant supply of water, the Authority has expanded its existing wellfield capacity to the maximum capability of existing transportation infrastructure and has purchased additional groundwater resources in the Panhandle. Further increases in delivery capability will require construction of additional aqueduct capacity. (See the discussion of CRMWA II on page 13 for further details.)

CRMWA Member Cities - Historical Usage

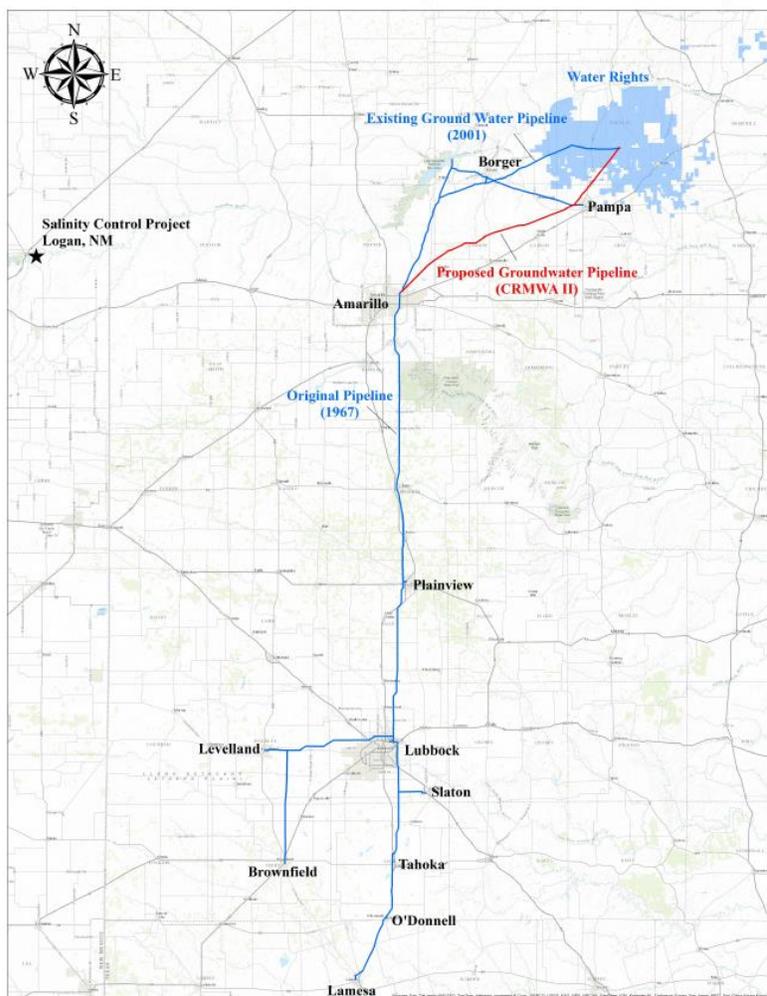


CRMWA II

With the decline in Lake Meredith, the Authority is needing to more fully utilize its groundwater resources. The groundwater infrastructure connects with the original surface water system for delivery to the cities. The current groundwater infrastructure is capable of supplying only enough water to utilize about half of the original surface water system's delivery capacity. This means half of the original system is unable to be utilized. Instead, the cities are relying more heavily on their own local resources. The needs vs. supply gap will widen even more over time without either replenishment of the surface water supply (Lake Meredith) or additional groundwater infrastructure.

CRMWA II is the proposed project to bridge the gap in needs vs. supply. It would consist of additional aqueduct infrastructure to bring more groundwater to a point in Amarillo where it could be introduced into the original surface water delivery system. An in-house study was performed and found that some of our member cities have a greater need for additional supply while others have more resources and are in less need of additional water. However, forcing the cities to rely this heavily on their own resources will cause those resources to be exhausted more quickly and local replacement options are limited. The actual date the expansion will occur will be decided collectively by the member cities based on what is most advantageous and affordable for all.

The study has been completed proposing the route for this new pipeline which totals about 70 miles in length. The study focused on the following: most economical route for construction, access and maintenance, possible environmental obstacles, possible archeological obstacles, etc. The purchase of easement or right of way is ongoing and is expected to be completed during the next fiscal year.



Awards and Acknowledgements

The Government Finance Officers Associations of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Canadian River Municipal Water Authority for its comprehensive annual financial report for the fiscal year ended September 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We are pleased to present this report to the Board for formal adoption.

Respectfully submitted,



Kent Satterwhite
General Manager



Chad Pernell
Deputy General Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

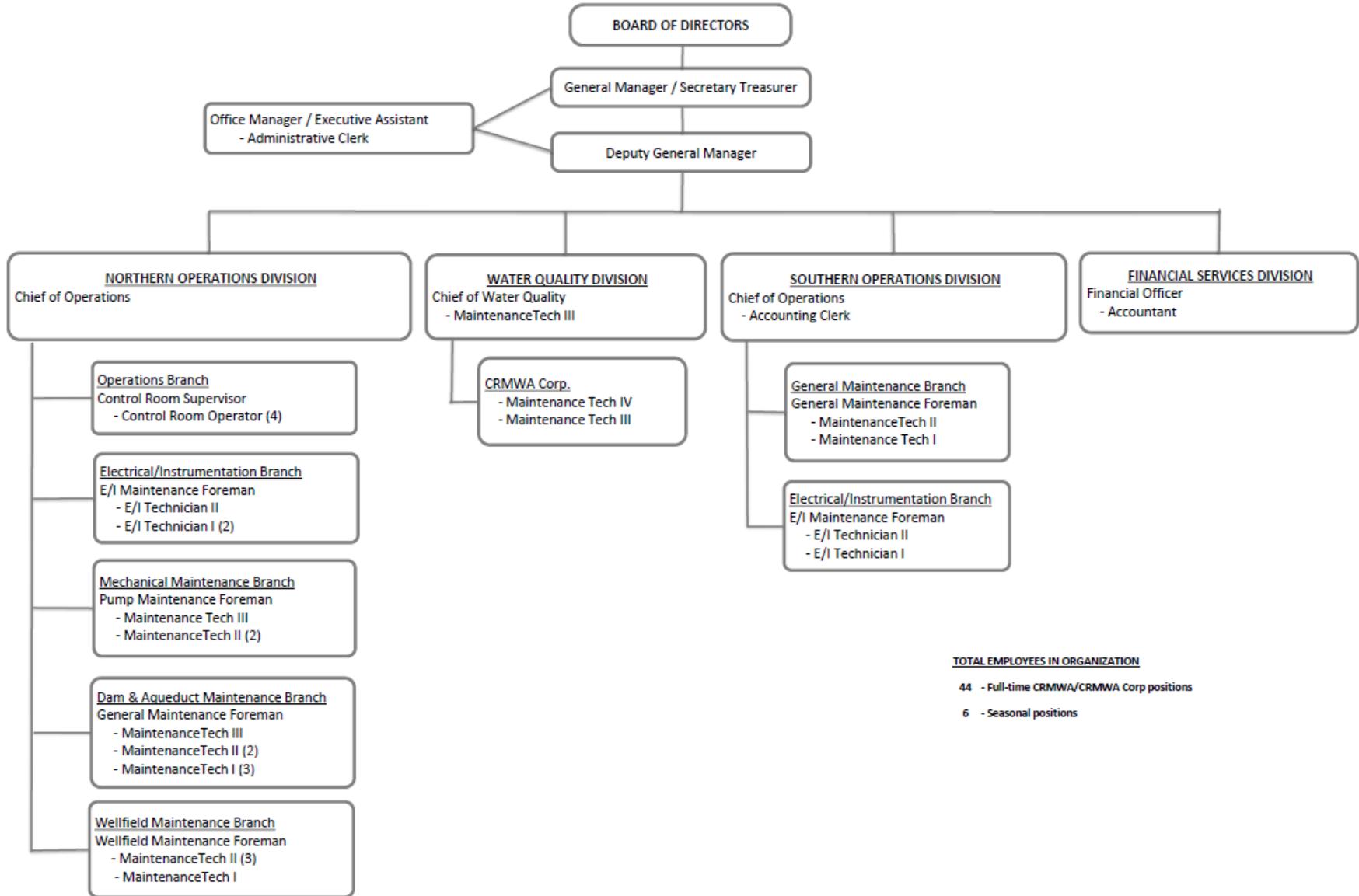
**Canadian River
Municipal Water Authority
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

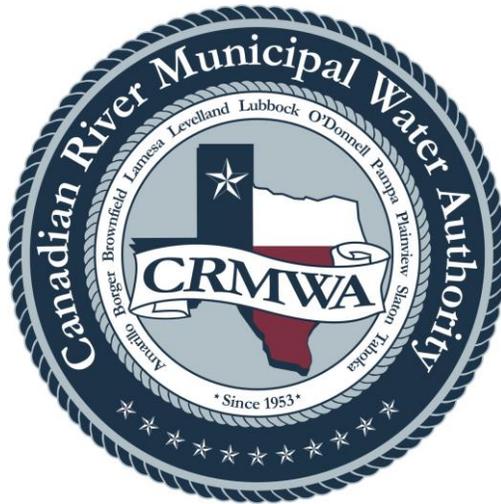
September 30, 2015

Executive Director/CEO

CRMWA - Organization Chart



TOTAL EMPLOYEES IN ORGANIZATION
 44 - Full-time CRMWA/CRMWA Corp positions
 6 - Seasonal positions



Financial Section





To the Board of Directors
Canadian River Municipal Water Authority
Sanford, Texas

Independent Auditors' Report

We have audited the accompanying financial statements of the Canadian River Municipal Water Authority (the Authority) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Canadian River Municipal Water Authority as of September 30, 2016, and the changes in financial position and changes in cash flows 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 discussion and analysis on pages 22 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Canadian River Municipal Water Authority's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information on page 56 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016 on our consideration of the Canadian River Municipal Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canadian River Municipal Water Authority's internal control over financial reporting and compliance.

Doshier, Pickens & Francis, LLC

Doshier, Pickens & Francis, LLC

December 1, 2016

Management's Discussion and Analysis



CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Management's Discussion and Analysis Year Ended September 30, 2016

The Canadian River Municipal Water Authority's (the Authority) discussion and analysis provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, the discussion and analysis should be read in conjunction with the Authority's letter of transmittal which can be found on pages 1 through 14. *[Notation; some of the information in the sections below is actually from events that occurred in prior years, but is considered appropriate here to provide adequate background for the reader to understand the status of work.]*

FINANCIAL HIGHLIGHTS

- Conjunctive Use Groundwater Supply Project

The Authority began work to provide an alternate water supply from groundwater in 1995 by acquiring 42,765 acres of water rights in Hutchinson and Roberts Counties in the Texas Panhandle. A field of 27 wells with appurtenances and approximately a 36-mile aqueduct pipeline were installed and placed in operation in 2001 to allow delivery of the groundwater and blending with surface water. Contract Revenue Bonds issued in 1995 and 1999 supported these developments.

In April 2005, the Authority issued Contract Revenue Bonds, Series 2005 to pay for acquisition and construction costs in connection with the expansion of the Conjunctive Use Groundwater Supply Project. Two wells were added to the original wellfield as Phase II, and one small well previously drilled but not equipped with a pump was also placed in operation.

In April 2006, the Authority issued Contract Revenue Bonds, Series 2006 to pay acquisition costs of additional water rights for the project expansion of the Conjunctive Use Groundwater Supply Project Phases II and III.

Due to the availability of a larger area of water rights than originally anticipated, the Board authorized additional purchases of water rights, with the cost to be reimbursed from future bond sales. Economic conditions also resulted in very favorable construction bids; therefore, the number of wells to be added was increased. In addition, the size of the new transmission pipeline was enlarged to allow more water to be delivered from the expanded wellfield area and to provide for future developments. As of September 30, 2009, the Authority had acquired a total of 260,000 acres of water rights.

In October 2009, the Authority issued Contract Revenue Bonds, Series 2009 to complete funding for the project expansion of the Conjunctive Use Groundwater Supply Project Phase III. Funds from the Authority's General Reserve in the amount of \$1,617,806 were utilized to establish the Bond Reserve Fund for this issue to minimize debt service requirements. The design of the wellfield expansion included fifteen new wells, collection pipelines to serve all of the new wells, a 54-inch transmission pipeline and other necessary facilities. Together with the original wellfield and the two wells added as part of Phase II, the expanded wellfield would fully utilize the 54-inch pipeline from Roberts County to the Canadian River Aqueduct with allowance for rotation of wells in service. The expanded wellfield allows for production of up to about 70,000 acre-feet annually. All wells were brought on line by the spring of 2011. Route planning and purchasing right of way has started for the next phase of this project which is referred to as CRMWA II. (Additional information related to CRMWA II can be found on page 10.)

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Management's Discussion and Analysis Year Ended September 30, 2016

The Authority issued two new bond issues in 2010 to refinance the 1999 bond issues realizing a significant cost savings due to the low interest rates.

In December 2011, the Authority issued Subordinate Lien Contract Revenue Bonds, Series 2011 to pay for acquisition of additional water rights to support expansion of the Conjunctive Use Groundwater Supply Project. As of September 30, 2016, the Authority's total holdings of water rights were just over 475,000 acres.

The Authority issued a new bond issue in 2012 to refinance the 2005 bond issue realizing a significant cost savings due to the low interest rates.

The Authority issued a new bond issue in 2014 to refinance the 2005 refunding bond issue and the 2006 bond issue realizing a significant cost savings due to the low interest rates.

All of the Authority's bonds have been rated by Moody's as 'Aa3'.

Due During Fiscal Years Ending	Total Annual Requirements For All Long-Term Debt		
	Principal	Interest	Total
2017	\$ 11,695,000	\$ 7,669,150	\$ 19,364,150
2018	13,225,000	7,197,600	20,422,600
2019	11,520,000	6,598,638	18,118,638
2020	12,605,000	6,029,925	18,634,925
2021	12,965,000	5,416,975	18,381,975
2022	13,610,000	4,761,275	18,371,275
2023	14,275,000	4,078,625	18,353,625
2024	14,985,000	3,358,950	18,343,950
2025	15,745,000	2,602,216	18,347,216
2026	9,600,000	1,977,819	11,577,819
2027	10,065,000	1,494,106	11,559,106
2028	6,975,000	1,087,541	8,062,541
2029	8,440,000	753,013	9,193,013
2030	6,025,000	426,975	6,451,975
2031	6,325,000	138,175	6,463,175
Totals	<u>\$ 168,055,000</u>	<u>\$ 53,590,983</u>	<u>\$ 221,645,983</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Management's Discussion and Analysis

Year Ended September 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of the following components: 1) the basic financial statements, 2) the notes to the financial statements, 3) supplementary information and 4) statistical information. This report provides both long-term and short-term information about the Authority's financial status (including CRMWA Corporation). The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the Authority's financial statements. The notes to the financial statements can be found on pages 33-54 of this report.

The Authority's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units on an accrual basis as required for enterprise funds. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.

The Authority experienced unexpected pipeline infrastructure needs resulting in an amendment to the budget for the year ending September 30, 2016. The CAFR presents both the original and final budget for the year. Additional information can be found in the Letter of Transmittal on pages 3-4.

The Statement of Net Position presents financial information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is displayed in three components: net investment in capital assets (net of related debt), restricted, and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The results for the current fiscal year were positive in that overall net position increased by \$4.5 million to reach an ending balance of \$340,714,990. The main source of this increase is the addition of infrastructure capital assets in the last year.

The Statement of Revenues, Expenses, and Changes in Net Position report total operating revenues, operating expenses, and non-operating revenues and expenses during the fiscal year ending September 30, 2016.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Management's Discussion and Analysis Year Ended September 30, 2016

CANADIAN RIVER MUNICIPAL WATER AUTHORITY SUMMARIZED FINANCIAL INFORMATION September 30, 2016 (With Comparative Amounts for September 30, 2015)

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 27,834,723	\$ 27,413,072
Net Capital Assets	330,957,176	326,838,884
Other Noncurrent Assets	<u>169,793,693</u>	<u>182,160,344</u>
Total Assets	<u>528,585,592</u>	<u>536,412,300</u>
Deferred Outflows of Resources	<u>-</u>	<u>496,124</u>
Current Liabilities	15,229,292	14,671,035
Noncurrent Liabilities	<u>172,641,310</u>	<u>186,062,853</u>
Total Liabilities	<u>187,870,602</u>	<u>200,733,888</u>
Net Position:		
Net Investment in Capital Assets	154,074,007	137,903,819
Restricted	171,903,499	183,221,813
Unrestricted	<u>14,737,484</u>	<u>15,048,904</u>
Total Net Position	<u>\$ 340,714,990</u>	<u>\$ 336,174,536</u>

The increase in current assets is due to the increase in the amounts due from member cities to cover the higher bond principal payments coming due in the next year.

The increase in net capital assets of \$4.1 million was the net of the current year additions in the amount of \$7.6 million less current year depreciation of \$3.5 million. Current year additions to capital assets included the construction of three pipeline bypasses, building improvements, operating equipment, SCADA system improvements and work in progress costs related to the CRMWA II infrastructure project including capitalized interest. (Additional information on the Authority's capital assets can be found in Note 5 on page 37 of this report.)

The decrease in other noncurrent assets and noncurrent liabilities relate to: 1) the reclassification of the current portion of the principal payments to be received from the member cities, 2) the reclassification of the current principal to be paid to the bond agencies during the next year, and 3) infrastructure costs funded from bond proceeds. (Additional information on the Authority's long-term debt can be found in Note 6 on pages 38-46 of this report.)

The decrease in deferred outflows of resources is due to current year amortization.

The Authority's assets exceeded liabilities by \$340.7 million at September 30, 2016, a \$4.5 million increase from September 30, 2015. The excess is comprised of the net position 1) restricted for debt service (i.e., amounts due from the member cities) and 2) the net investment in capital assets which the Authority utilizes to deliver water to the member cities. The unrestricted net position is to help ensure funds are available for future repair and replacement of equipment, pumps, pumping stations and wellfield related items such as wells, pumps, motors and controls.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Management's Discussion and Analysis Year Ended September 30, 2016

CANADIAN RIVER MUNICIPAL WATER AUTHORITY SUMMARIZED CHANGES IN NET POSITION Year Ended September 30, 2016 (With Comparative Amounts for Year Ended September 30, 2015)

	2016	2015
Operating Revenues	\$ 20,659,003	\$ 13,465,083
Operating Expenses	(14,322,474)	(13,465,044)
Revenues in excess of expenses before depreciation/amortization	6,336,529	39
Operating Expenses - Depreciation	(3,495,414)	(3,449,032)
Operating Expenses - Amortization	1,223,964	(2,070)
Operating Income (Loss)	4,065,079	(3,451,063)
Nonoperating Revenues:		
Assessments to member cities for bond interest	8,091,061	8,025,253
Other revenues	180,203	132,871
Nonoperating Expenses:		
Bond interest expense	(7,795,889)	(7,671,019)
Credits to member cities for bond refunding activity	-	(3,111,475)
Other expenses	-	(508,756)
Operating Income (Loss) Net of Nonoperating Revenues (Expenses)	4,540,454	(6,584,189)
Increase (Decrease) in Net Position	4,540,454	(6,584,189)
Restated Net Position - Beginning of Year	336,174,536	342,758,725
Net Position - End of Year	\$ 340,714,990	\$ 336,174,536

The Authority's member cities are assessed each month for general operation and maintenance (GOM) costs on the basis of estimated costs to each member city as budgeted for that fiscal year. Charges for pumping energy and line chemical (PEC) costs are assessed monthly for actual water delivered at the projected rates for anticipated energy costs. The Authority maintains a cost system by which it allocates its actual costs to each member city. After the end of each fiscal year it issues additional assessments or credits to each member city for the difference between actual costs allocated to each city and the estimated costs previously assessed.

Actual GOM costs exceeded the GOM assessments billed to the cities by \$947,640 due to the unanticipated pipeline infrastructure costs. (Additional information regarding the amount due to the Authority and on the pipeline rehabilitation project can be found in the transmittal letter on pages 3-4 and pages 9-10 of this report.) The additional amount owed to the Authority will be collected according to the individual city payment arrangements made in accordance with the Authority's policies.

Estimated PEC costs billed to the cities exceeded actual PEC costs by \$539,638 due to decreased pumping energy usage from the multiple shutdowns that occurred during the year related to the pipeline rehabilitation effort. With usage and energy rates being lower than anticipated, the excess collections will be credited to future assessments for each member city.

The increase in net position is the net of the capitalization of assets offset by current year depreciation and reserve utilization.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Management's Discussion and Analysis Year Ended September 30, 2016

The following schedule provides a reconciliation of the member cities' assessments and other sources to operating expenses, excluding depreciation and amortization, and other uses of funds.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY Operating Sources and Uses Year Ended September 30, 2016 (With Comparative Amounts for September 30, 2015)

	2016	2015
Sources of Funds:		
Member City Assessments:		
GOM assessments to member cities	\$ 14,924,608	\$ 5,762,240
PEC assessments to member cities	5,734,395	7,702,843
Total Member City Assessments	20,659,003	13,465,083
 Other Sources:		
Minor Equipment Replacement Reserve	547,214	103,339
Well and Well Pump Reserve	620,233	899,217
Dam and Reservoir Reserve	48,061	67,811
2009 Bond Proceeds	236,420	1,380
General Reserve	-	14,496
Sales Proceeds and Other Insurance Proceeds	9,400	43,260
Total Other Sources	1,461,328	1,138,707
 Total Sources of Funds	 \$ 22,120,331	 \$ 14,603,790
 Uses of Funds:		
Personnel costs	\$ 4,244,692	\$ 3,575,271
Professional fees	1,371,603	241,136
Purchased and contracted services	1,522,484	1,291,355
Consumable supplies and materials	1,225,080	554,067
Recurring operating costs	818,569	513,447
Pumping energy and line chemicals	5,140,047	7,289,768
Capitalized costs	6,978,508	500,671
Contribution to the Minor Equipment Replacement Reserve - Corp	225,000	225,000
Contribution to the Well and Well Pump Reserve - PEC fees	273,774	413,075
Contribution to the New Well Construction Reserve	320,574	-
Total Uses of Funds	\$ 22,120,331	\$ 14,603,790

Basic Financial Statements



CANADIAN RIVER MUNICIPAL WATER AUTHORITY
STATEMENT OF NET POSITION
September 30, 2016

Assets:

Current Assets:

Cash and cash equivalents	\$	15,589,006
Due from member cities and other receivables		<u>12,245,717</u>

Total Current Assets		<u>27,834,723</u>
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Noncurrent Assets:

Restricted cash and cash equivalents		20,225,002
Due from member cities and other receivables		149,568,691
Land and land rights		4,225,960
Capital assets, net of accumulated depreciation of \$72,772,521		<u>326,731,216</u>

Total Noncurrent Assets		<u>500,750,869</u>
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Total Assets		<u>528,585,592</u>
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Liabilities:

Current Liabilities:

Bonds payable - current		11,695,000
Accounts payable and other accruals		1,633,388
Interest payable		969,266
Unearned revenue		718,155
Compensated absences		<u>213,483</u>

Total Current Liabilities		<u>15,229,292</u>
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Noncurrent Liabilities:

Bonds payable		<u>172,641,310</u>
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Total Noncurrent Liabilities		<u>172,641,310</u>
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Total Liabilities		<u>187,870,602</u>
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Net Position:

Net investment in capital assets		154,074,007
Restricted for debt service		171,903,499
Unrestricted		<u>14,737,484</u>

Total Net Position	\$	<u>340,714,990</u>
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The accompanying notes are an integral part of these financial statements.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For Year Ended September 30, 2016

Operating Revenues:

Assessments to member cities	
General operation and maintenance costs	\$ 14,924,608
Pumping and chemical costs	<u>5,734,395</u>

Total Operating Revenues 20,659,003

Operating Expenses:

Personnel costs	4,244,692
Professional fees	1,371,603
Purchased and contracted services	1,522,484
Consumable supplies and materials	1,225,080
Recurring operating costs	818,568
Depreciation and amortization	2,271,450
Pumping energy and line chemicals	<u>5,140,047</u>

Total Operating Expenses 16,593,924

Operating Income 4,065,079

Nonoperating Revenues (Expenses):

Assessments to member cities	
Debt service interest assessment	8,091,061
Other income	4,805
Investment income	165,998
Gain on disposal of asset	9,400
Interest expense	<u>(7,795,889)</u>

Total Nonoperating Income 475,375

Increase in Net Position 4,540,454

Net Position at Beginning of Year 336,174,536

Net Position at End of Year \$ 340,714,990

The accompanying notes are an integral part of these financial statements.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
For Year Ended September 30, 2016

Cash Flows From Operating Activities:	
Cash received from member cities for assessments	\$ 19,783,087
Cash payments to employees for services	(4,143,592)
Cash payments to suppliers for goods and services	<u>(9,951,328)</u>
Net Cash Provided by Operating Activities	<u>5,688,167</u>
Cash Flows From Capital and Related Financing Activities:	
Cash paid for acquisition or construction of capital assets	(7,641,846)
Proceeds from sale of assets	9,400
Interest received on cash deposits for debt service	59,682
Cash received from member cities for debt service	19,684,487
Principal paid on debt	(11,400,000)
Interest paid on debt	<u>(7,852,883)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(7,141,160)</u>
Cash Flows From Investing Activities:	
Interest received on cash deposits	<u>128,001</u>
Net Cash Provided by Investing Activities	<u>128,001</u>
Net Decrease in Cash and Cash Equivalents	(1,324,992)
Cash and Cash Equivalents at Beginning of Year	<u>37,139,000</u>
Cash and Cash Equivalents at End of Year	<u>\$ 35,814,008</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
For Year Ended September 30, 2016

Continuation

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating income	\$ 4,065,079
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Other nonoperating income, expense and costs	4,805
Depreciation and amortization	2,271,450
Increase in operating portion of due from member cities and other receivables	(997,813)
Increase in accounts payable, other accruals and compensated absences	222,749
Increase in assessments received in advance	<u>121,897</u>
Net Cash Provided by Operating Activities	<u>\$ 5,688,167</u>

The accompanying notes are an integral part of these financial statements.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Canadian River Municipal Water Authority (the Authority) have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is responsible for establishing accounting standards for state and local governments through its pronouncements (Statements and Interpretations).

The most significant accounting and reporting policies of the Authority are described in the following notes to the financial statements.

1. Financial Reporting Entity

The Canadian River Municipal Water Authority was created on May 27, 1953, by the Texas legislature Acts 1953, 53rd Leg., Ch. 243, as amended, (previously Art. 8280-154). Its purpose is to supply water for municipal and industrial uses to member cities. Member cities include: Amarillo, Borger, Brownfield, Lamesa, Levelland, Lubbock, O’Donnell, Pampa, Plainview, Slaton and Tahoka. Each member city is represented by one or two persons on the Authority’s Board of Directors. The Authority’s sources of water are surface water from Lake Meredith and groundwater from Roberts County, Texas.

The definition of the reporting entity is based primarily on the notion of financial accountability. The Authority is financially accountable for CRMWA Corporation (the Corporation), a not-for-profit corporation created in the State of Texas, authorized to operate in New Mexico to facilitate the construction and operation of the Salinity Control Project. The Corporation is presented in these financial statements as a blended component unit. The Corporation’s governing body is the same as the Authority’s. The blended component unit, although a legally separate entity, is in substance part of the Authority’s operations and is reported with the Authority. Separate financial statements are not published for the Corporation which follows the same accounting policies as the Authority. Transactions with other governmental entities consist of assessments to member cities for costs of operations, pumping energy and construction projects.

2. Basis of Accounting

The Authority qualifies as a special purpose government engaged only in business-type activities, and accordingly only the financial statements required for an enterprise fund are presented as basic financial statements. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The Authority measures the full cost of providing water to the member cities for the purpose of fully recovering that cost through charges to the member cities. Charges to member cities are computed on a cost-reimbursement basis. The Authority’s basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred. Internal activity has been eliminated in the accompanying financial statements.

3. Inventory

The Authority has elected to not record inventory since member cities are charged for supply and material costs at the time of purchase rather than at the time of use. The impact to the financial statements taken as a whole is not material.

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

4. Capital Assets

Capital assets, which include land, water systems, water rights, buildings and equipment, are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The Authority capitalizes all assets with a historical cost of at least \$7,500 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Land and land rights are not depreciated.

Depreciation is computed utilizing the straight-line method over the following estimated useful lives:

Water systems	10 to 200 years
Buildings	75 years
Other equipment	3 to 10 years
Automobiles/trucks	5 to 10 years

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. The deferred charge on refunding, which has been fully amortized, would be reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The Authority did not have any items that qualified for reporting in this category for the year ended September 30, 2016.

6. Compensated Absences

Employees are entitled to annual leave with pay ranging from two to five weeks per year. Annual leave that is unused at the end of the year may be carried over, but the cumulative total carryover shall not exceed the employee's annual rate of leave accrual as of the current December 31. Upon separation in good standing, the employee shall be paid the amount of unused annual leave accrued to his credit as of the date of termination.

Sick leave accrues at approximately one day per month, up to a maximum of 720 hours. During November of each year, each current employee with one year or more of continuous service shall be paid for the amount of his unused sick leave, up to a maximum of forty (40) hours pay, reduced by sick leave taken during the preceding 12 months.

All accumulated vacation is recorded as an expense and a liability at the time the benefit is earned. Due to the nature of sick leave, management has elected not to record a liability for its sick leave policy. The expense and related liability would not be material to the financial statements taken as a whole.

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

7. Capitalized Interest

The Authority capitalizes interest on constructed assets during the period of construction. The amount of interest cost capitalized on qualified assets acquired or constructed with proceeds of tax-exempt borrowings that are externally restricted to finance acquisition of specified assets is all interest cost of the borrowing less any interest earned on related interest-bearing investments acquired with such unexpended proceeds from the date of the borrowings until the assets are substantially complete and are ready for their intended use.

8. Revenue Policies

The principal portion of the Authority's revenues is provided by assessments from member cities for all costs incurred in delivering water to them. Water is delivered to member cities on demand up to predetermined allocations and revenue is recognized at the time of delivery.

9. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash, and have an original maturity date of three months or less. Interest on certificates of deposits is recorded as earned, but is subject to forfeiture for early withdrawal of deposits.

10. Classification of Revenues

Operating revenues consist of assessments to member cities for all general operating costs and for pumping and energy costs. Nonoperating revenues consist primarily of assessments to member cities for servicing debt and of investment income.

11. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations imposed on the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

1. During April, the budget is adopted by the Board of Directors.
2. Budgeted amounts are as originally adopted but may be revised as necessary.
3. All appropriations lapse at the end of the Authority's fiscal year and may be re-budgeted the next year.
4. The budgets for the operating funds of the Authority and the Corporation are adopted on a basis consistent with generally accepted accounting principles (GAAP) on the accrual basis of accounting, except for depreciation expense which is not included in the annual budget.
5. Formal budgetary integration on an annual basis is employed as a management control device during the year for the operating revenues and expenses. Formal budgetary integration is not employed for the debt service because effective budgetary control is alternatively achieved through the bond redemption schedules for the various bonds. Formal budgetary integration is not employed for construction because effective budgetary control is alternatively achieved through appropriations received for the specified purpose and through budgetary integration on a project length basis at the time the agreements with engineers/contractors are signed.
6. The Authority adhered to the prescribed budgets as a whole, as discussed above, for the year ended September 30, 2016. The negative variance in purchased and contract services (\$1,325,194) was funded from bond funds, the Well and Well Pump Reserve and the Minor Equipment Replacement Reserve funds.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are classified in the accompanying Statement of Net Position as follows:

Current assets:

Cash and cash equivalents	\$ 15,589,006
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Non-current assets:

Restricted cash and cash equivalents	20,225,002
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	\$ 35,814,008
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Cash and cash equivalents held by the Authority consist of the following:

Deposits	\$ 2,900,406
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Money Market Funds	32,913,602
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	\$ 35,814,008
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Texas law and Board policy require that Authority deposits be placed in financial institutions located in Texas. Such deposits must be collateralized with securities or surety bonds to the extent not insured by the Federal Deposit Insurance Corporation (FDIC). Securities that may be accepted as collateral are those authorized by the Public Funds Collateral Act. Accordingly, these are limited to obligations of the United States and its agencies and instrumentalities, obligations issued by public agencies with at least a rating of "A" by a nationally recognized rating agency, and any other security in which a public entity may invest under the Public Funds Investment Act.

At September 30, 2016, Authority deposits in excess of the amount insured by the FDIC were collateralized by securities pledged in the amount of \$37.610 million and were held separate and apart from the pledging bank.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 4 – DUE FROM MEMBER CITIES AND OTHER RECEIVABLES

The following is a summary of the amounts due from the member cities and other receivables:

Current due from member cities and other receivables:

Due from member cities for bond issues (see Note 6)	\$ 11,351,578
Net year-end adjustments receivable from member cities	<u>894,139</u>
	<u><u>\$ 12,245,717</u></u>

Noncurrent due from member cities and other receivables:

Due from member cities for bond issues (see Note 6)	<u><u>\$ 149,568,691</u></u>
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 is as follows:

	Balance at September 30, 2015	Increases	Decreases	Balance at September 30, 2016
Capital assets not being depreciated:				
Land	\$ 4,193,221	\$ 32,739	\$ -	\$ 4,225,960
Total capital assets not being depreciated	<u>4,193,221</u>	<u>32,739</u>	<u>-</u>	<u>4,225,960</u>
Capital assets being depreciated:				
Buildings	1,117,988	12,389	-	1,130,377
Operating Equipment	2,328,514	338,417	(65,092)	2,601,839
Communications Facilities	2,275,976	16,582	-	2,292,558
Dam and Reservoir	21,733,541	-	-	21,733,541
Pipelines	107,901,612	6,387,041	-	114,288,653
Pumping Plants	27,829,614	5,513	-	27,835,127
Regulating Reservoirs	2,006,836	236,522	-	2,243,358
Water Treatment Facilities	385,695	-	-	385,695
Water Rights	185,829,092	-	-	185,829,092
Groundwater Production Facilities	33,141,215	-	-	33,141,215
Salinity Control Facilities	6,464,209	-	-	6,464,209
Work in Progress	973,570	584,503	-	1,558,073
Total capital assets being depreciated	<u>391,987,862</u>	<u>7,580,967</u>	<u>(65,092)</u>	<u>399,503,737</u>
Less accumulated depreciation for:				
Buildings	(278,100)	(18,347)	-	(296,447)
Operating Equipment	(1,494,939)	(176,877)	65,092	(1,606,724)
Communications Facilities	(1,221,694)	(29,743)	-	(1,251,437)
Dam and Reservoir	(11,538,804)	(219,531)	-	(11,758,335)
Pipelines	(28,216,968)	(1,004,929)	-	(29,221,897)
Pumping Plants	(6,029,591)	(321,578)	-	(6,351,169)
Regulating Reservoirs	(961,405)	(21,424)	-	(982,829)
Water Treatment Facilities	(238,667)	(5,142)	-	(243,809)
Water Rights	(7,695,242)	(938,032)	-	(8,633,274)
Groundwater Production Facilities	(4,442,769)	-	-	(4,442,769)
Salinity Control Facilities	(7,224,020)	(759,811)	-	(7,983,831)
Total accumulated depreciation	<u>(69,342,199)</u>	<u>(3,495,414)</u>	<u>65,092</u>	<u>(72,772,521)</u>
Total capital assets being depreciated, net	<u>322,645,663</u>	<u>4,085,553</u>	<u>-</u>	<u>326,731,216</u>
Total capital assets, net	<u><u>\$ 326,838,884</u></u>	<u><u>\$ 4,118,292</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 330,957,176</u></u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 – LONG-TERM DEBT AND OTHER LIABILITIES

In the year ended September 30, 2000, the Authority issued Contract Revenue Bonds, Series 1999 for financing construction of the Conjunctive Use Groundwater Supply Project and for the advance refunding of the Contract Revenue Bonds, Series 1996. The cities of Lubbock and O'Donnell have paid their portion of the Project costs from their own resources and are not participants in the debt financing for this project.

In the year ended September 30, 2005, the Authority issued Contract Revenue Refunding Bonds, Series 2005 in the amount of \$28,260,000 for the advance refunding of a portion of the Contract Revenue Bonds, Series 1999. In the year ended September 30, 2010, the Authority issued Contract Revenue Refunding Bonds, Series 2010 in the amount of \$5,235,000 for the refunding of the remaining portion of the Contract Revenue Bonds, Series 1999 with principal maturing annually through February 15, 2020. Interest ranges from 3% - 3.5% and a Bond Reserve Fund of \$523,500 was established. The Authority then issued Subordinate Lien Contract Revenue Refunding Bonds, Series 2014 in the amount of \$11,750,000 for refunding of the Series 2005 Refunding issue with principal maturing annually through February 15, 2020. Interest ranges from 2% - 5%.

In the year ended September 30, 2005, the Authority issued Contract Revenue Bonds, Series 2005 in the amount of \$48,125,000 for water rights purchases with principal maturing annually through February 15, 2025. The Authority issued Subordinate Lien Contract Revenue Refunding Bonds, Series 2012 in the amount of \$39,505,000 for the advance refunding portion of the Contract Revenue Bonds, Series 2005 with principal maturing annually through February 15, 2025. Interest ranges from 2% - 5%. The City of Lubbock has a different structure of repayment than the other member cities.

In the year ended September 30, 2006, the Authority issued Contract Revenue Bonds, Series 2006 in the amount of \$49,075,000 for acquisition and construction costs with principal maturing annually through February 15, 2027. Interest ranges from 4.25% - 5%. Slaton and Tahoka had initially opted out of the bond issue and seven of the other cities (not including Lamesa or O'Donnell) agreed to pick up their shares. Slaton and Tahoka then decided to buy in, as allowed by the contract. Even though the buy-in option was exercised, the initial participating member cities are still obligated to make the bond payments in full. The Authority provides these seven member cities credit for the payments made by Slaton and Tahoka on an annual basis to compensate for the buy-in. The Authority issued Subordinate Lien Contract Revenue Refunding Bonds, Series 2014 in the amount \$30,415,000 for the advance refunding of the Contract Revenue Bonds, Series 2006 with principal maturing annually through February 15, 2027. Interest ranges from 2% - 5%. Slaton and Tahoka are participants in the Series 2014 issue.

In the year ended September 30, 2010, the Authority issued Contract Revenue Bonds, Series 2009 in the amount of \$21,105,000 for financing the continuation and expansion of the Conjunctive Use Groundwater Supply Project with principal maturing annually through February 15, 2029. Interest ranges from 3% - 5%. The Authority established a Bond Reserve Fund with a contribution of \$1,617,806 from the general reserve fund which will not be repaid by the member cities. All of the member cities share proportionately the obligations of the annual debt service. Unspent bond proceeds as of September 30, 2016 totaled \$6.7 million.

Also, in the year ended September 30, 2010, the Authority issued Contract Revenue Refunding Bonds, Series 2010 in the amount of \$10,520,000 for refunding of the Series 1999 Bureau of Reclamation Prepayment Project with principal maturing annually through October 1, 2018. Interest ranges from 2% - 3.5%. The City of Lubbock has paid its portion of the Project cost from its resources and is not participating in the debt financing for this project. The remaining ten member cities share proportionately the obligations of the annual debt service. A Bond Reserve Fund in the amount of \$1,052,000 was established.

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 – LONG-TERM DEBT AND OTHER LIABILITIES – Continuation

In the year ended September 30, 2013, the Authority issued Subordinate Lien Contract Revenue Bonds, Series 2011 in the amount of \$81,630,000 for financing the purchases of various water rights with principal maturing annually through February 15, 2031. Interest ranges from 3% - 5%. The member cities share proportionately the obligations of the annual debt service with a modification made for the City of Levelland for consideration of a cash contribution.

All bonds are payable from and secured by an irrevocable first lien on and pledge of the participating member cities' project payments in accordance with their individual Conjunctive Use Groundwater Supply Agreements and/or the Bureau of Reclamation Prepayment Project Agreements. Moody's has rated each of these bonds an 'Aa3'.

The following is a summary of the Authority's long-term debt and other liabilities:

	Contract Revenue Conjunctive Use Groundwater Series 2011	Contract Revenue Refunding Conjunctive Use Groundwater Series 2010	Contract Revenue Refunding Bureau of Reclamation Project Series 2010	Contract Revenue Conjunctive Use Groundwater Series 2009
Interest Rate	3.0 - 5.0%	3.0 - 3.5%	2.0 - 3.5%	3.0 - 5.0%
Principal Due Annually	Feb	Feb	Oct	Feb
Interest Due Semi-Annually	Feb / Aug	Feb / Aug	Oct / April	Feb / Aug
Balances at September 30, 2015	\$ 73,075,000	\$ 2,640,000	\$ 4,430,000	\$ 17,230,000
Principal Payments	(3,150,000)	(400,000)	(1,095,000)	(860,000)
Balances at September 30, 2016	69,925,000	2,240,000	3,335,000	16,370,000
Bond Premium Net of Amortization	5,448,288	51,190	93,584	201,988
Total Bonds Payable at September 30, 2016	<u>\$ 75,373,288</u>	<u>\$ 2,291,190</u>	<u>\$ 3,428,584</u>	<u>\$ 16,571,988</u>
Amounts Due Within One Year	<u>\$ 3,305,000</u>	<u>\$ 405,000</u>	<u>\$ 1,125,000</u>	<u>\$ 895,000</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

Contract Revenue Conjunctive Use Groundwater Series 2006	Contract Revenue Refunding Conjunctive Use Groundwater Series 2012	Contract Revenue Refunding Conjunctive Use Groundwater Series 2014-2005 Ref	Contract Revenue Refunding Conjunctive Use Groundwater Series 2014 - 2006	Totals
4.25 - 5.0% Feb Feb / Aug	2.0 - 5.0% Feb Feb / Aug	2.0 - 5.0% Feb Feb / Aug	2.0 - 5.0% Feb Feb / Aug	
\$ 2,190,000 (2,190,000)	\$ 38,445,000 (1,570,000)	\$ 11,550,000 (2,135,000)	\$ 29,895,000 -	\$ 179,455,000 (11,400,000)
-	36,875,000	9,415,000	29,895,000	168,055,000
-	5,357,646	844,437	4,284,177	16,281,310
<u>\$ -</u>	<u>\$ 42,232,646</u>	<u>\$ 10,259,437</u>	<u>\$ 34,179,177</u>	<u>\$ 184,336,310</u>
<u>\$ -</u>	<u>\$ 1,640,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,125,000</u>	<u>\$ 11,695,000</u>

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 – LONG-TERM DEBT AND OTHER LIABILITIES – Continuation

The annual requirements to amortize the Authority's long-term debt, including interest as of September 30, 2016 is presented below:

Due During Fiscal Years Ending	Contract Revenue Bonds Conjunctive Use Groundwater Supply Project Series 2011 (\$81,630,000)			Contract Revenue Refunding Bonds Conjunctive Use Groundwater Supply Project Series 2010 (\$5,235,000)		
	Principal	Interest (3-5%)	Total	Principal	Interest (3-3.5%)	Total
	2017	\$ 3,305,000	\$ 3,214,425	\$ 6,519,425	\$ 405,000	\$ 70,300
2018	3,470,000	3,062,400	6,532,400	420,000	56,875	476,875
2019	3,610,000	2,902,750	6,512,750	435,000	41,913	476,913
2020	3,790,000	2,736,700	6,526,700	980,000	17,150	997,150
2021	3,945,000	2,562,275	6,507,275	-	-	-
2022 - 2026	22,845,000	9,601,275	32,446,275	-	-	-
2027 - 2031	28,960,000	3,391,000	32,351,000	-	-	-
Totals	<u>\$ 69,925,000</u>	<u>\$ 27,470,825</u>	<u>\$ 97,395,825</u>	<u>\$ 2,240,000</u>	<u>\$ 186,238</u>	<u>\$ 2,426,238</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

Contract Revenue Refunding Bonds Bureau of Reclamation Project Series 2010 (\$10,520,000)			Contract Revenue Bonds Conjunctive Use Groundwater Supply Project Series 2009 (\$21,105,000)		
Principal	Interest (2-3.5%)	Total	Principal	Interest (3-5%)	Total
\$ 1,125,000	\$ 111,100	\$ 1,236,100	\$ 895,000	\$ 689,850	\$ 1,584,850
2,210,000	77,350	2,287,350	930,000	653,350	1,583,350
-	-	-	970,000	615,350	1,585,350
-	-	-	1,015,000	570,575	1,585,575
-	-	-	1,065,000	518,575	1,583,575
-	-	-	6,045,000	1,869,485	7,914,485
-	-	-	5,450,000	423,310	5,873,310
<u>\$ 3,335,000</u>	<u>\$ 188,450</u>	<u>\$ 3,523,450</u>	<u>\$ 16,370,000</u>	<u>\$ 5,340,495</u>	<u>\$ 21,710,495</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 – LONG-TERM DEBT AND OTHER LIABILITIES – Continuation

The annual requirements to amortize the Authority's long-term debt, including interest as of September 30, 2016 is presented below:

Due During Fiscal Years Ending	Contract Revenue Refunding Bonds Conjunctive Use Groundwater Supply Project Series 2012 (\$39,505,000)			Contract Revenue Refunding Bonds Conjunctive Use Groundwater Supply Project Series 2014 - 2005 (\$11,750,000)		
	Principal	Interest (3-5%)	Total	Principal	Interest (2-5%)	Total
2017	\$ 1,640,000	\$ 1,769,350	\$ 3,409,350	\$ 2,200,000	\$ 393,750	\$ 2,593,750
2018	1,700,000	1,710,750	3,410,750	2,285,000	303,625	2,588,625
2019	1,780,000	1,632,250	3,412,250	2,405,000	186,375	2,591,375
2020	1,860,000	1,541,250	3,401,250	2,525,000	63,125	2,588,125
2021	5,400,000	1,359,750	6,759,750	-	-	-
2022 - 2026	24,495,000	2,526,625	27,021,625	-	-	-
2027 - 2031	-	-	-	-	-	-
Totals	<u>\$ 36,875,000</u>	<u>\$ 10,539,975</u>	<u>\$ 47,414,975</u>	<u>\$ 9,415,000</u>	<u>\$ 946,875</u>	<u>\$ 10,361,875</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

Contract Revenue Refunding Bonds Conjunctive Use Groundwater Supply Project Series 2014 - 2006 (\$30,415,000)			Total Annual Requirements For All Long-Term Debt		
Principal	Interest (2-5%)	Total	Principal	Interest	Total
\$ 2,125,000	\$ 1,420,375	\$ 3,545,375	\$ 11,695,000	\$ 7,669,150	\$ 19,364,150
2,210,000	1,333,250	3,543,250	13,225,000	7,197,600	20,422,600
2,320,000	1,220,000	3,540,000	11,520,000	6,598,638	18,118,638
2,435,000	1,101,125	3,536,125	12,605,000	6,029,925	18,634,925
2,555,000	976,375	3,531,375	12,965,000	5,416,975	18,381,975
14,830,000	2,781,500	17,611,500	68,215,000	16,778,885	84,993,885
3,420,000	85,500	3,505,500	37,830,000	3,899,810	41,729,810
<u>\$ 29,895,000</u>	<u>\$ 8,918,125</u>	<u>\$ 38,813,125</u>	<u>\$ 168,055,000</u>	<u>\$ 53,590,983</u>	<u>\$ 221,645,983</u>

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 – LONG-TERM DEBT AND OTHER LIABILITIES - Continuation

The principal balances of the member cities' obligations as of September 30, 2016 were as follows:

	Contract Revenue Conjunctive Use Groundwater Series 2011	Contract Revenue Refunding Conjunctive Use Groundwater Series 2010	Contract Revenue Refunding Bureau of Reclamation Project Series 2010	Contract Revenue Conjunctive Use Groundwater Series 2009	Contract Revenue Conjunctive Use Groundwater Series 2006	Contract Revenue Refunding Conjunctive Use Groundwater Series 2012	Contract Revenue Refunding Conjunctive Use Groundwater Series 2014 - 2005	Contract Revenue Refunding Conjunctive Use Groundwater Series 2014 - 2006	Total
Receivables from Cities at September 30, 2015	\$ 70,836,762	\$ 2,378,741	\$ 4,360,991	\$ 16,618,543	\$ 817,147	\$ 37,479,516	\$ 10,151,390	\$ 29,895,000	\$ 172,538,090
Principal Payments	(3,266,980)	(404,458)	(1,104,677)	(886,717)	(817,147)	(1,615,706)	(2,184,004)	(1,338,132)	(11,617,821)
Receivables from Cities at September 30, 2016	<u>\$ 67,569,782</u>	<u>\$ 1,974,283</u>	<u>\$ 3,256,314</u>	<u>\$ 15,731,826</u>	<u>\$ -</u>	<u>\$ 35,863,810</u>	<u>\$ 7,967,386</u>	<u>\$ 28,556,868</u>	<u>\$ 160,920,269</u>
City of Amarillo	\$ 27,708,943	\$ 1,287,547	\$ 1,506,436	\$ 6,376,989	\$ -	\$ 17,145,383	\$ 5,192,805	\$ 11,568,184	\$ 70,786,287
City of Borger	3,785,084	186,731	267,045	871,124	-	2,342,132	753,105	1,580,263	9,785,484
City of Brownfield	1,499,330	69,667	228,541	345,058	-	927,737	280,973	625,954	3,977,260
City of Lamesa	1,486,515	69,056	242,478	342,076	-	919,715	278,509	620,543	3,958,892
City of Levelland	1,136,469	88,448	283,804	437,995	-	1,177,616	356,722	794,545	4,275,599
City of Lubbock	25,381,403	-	-	5,845,282	-	9,290,000	-	10,619,124	51,135,809
City of O'Donnell	189,524	-	26,708	43,642	-	117,335	-	79,170	456,379
City of Pampa	2,465,746	89,302	367,550	567,840	-	1,523,016	362,266	1,031,595	6,407,315
City of Plainview	2,528,050	119,009	168,351	582,194	-	1,561,521	482,777	1,057,671	6,499,573
City of Slaton	1,075,093	49,939	127,025	247,412	-	665,199	201,411	448,819	2,814,898
City of Tahoka	313,625	14,584	38,376	72,214	-	194,156	58,818	131,000	822,773
Receivables from Member Cities	<u>\$ 67,569,782</u>	<u>\$ 1,974,283</u>	<u>\$ 3,256,314</u>	<u>\$ 15,731,826</u>	<u>\$ -</u>	<u>\$ 35,863,810</u>	<u>\$ 7,967,386</u>	<u>\$ 28,556,868</u>	<u>\$ 160,920,269</u>
Current Portion	\$ 3,263,116	\$ 383,507	\$ 1,046,315	\$ 876,827	\$ -	\$ 1,620,477	\$ 2,085,302	\$ 2,076,034	\$ 11,351,578
Noncurrent Portion	64,306,666	1,590,776	2,209,999	14,854,999	-	34,243,333	5,882,084	26,480,834	149,568,691
	<u>\$ 67,569,782</u>	<u>\$ 1,974,283</u>	<u>\$ 3,256,314</u>	<u>\$ 15,731,826</u>	<u>\$ -</u>	<u>\$ 35,863,810</u>	<u>\$ 7,967,386</u>	<u>\$ 28,556,868</u>	<u>\$ 160,920,269</u>

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 6 – LONG-TERM DEBT AND OTHER LIABILITIES – Continuation

Unearned Revenue:

As of September 30, 2016, member cities participating in the debt financing had remitted interest payments since the most recent bond interest payment on August 15, 2016 totaling \$718,155 toward the February 15, 2017 and April 1, 2017 debt service requirements. The interest remitted has been recorded as unearned revenue.

	<u>Interest Payments Remitted</u>
Contract Revenue Conjunctive Use Groundwater Series 2011	\$ 288,896
Contract Revenue Refunding Conjunctive Use Groundwater Series 2010	8,885
Contract Revenue Refunding Bureau of Reclamation Project Series 2010	7,771
Contract Revenue Conjunctive Use Groundwater Series 2009	62,312
Contract Revenue Refunding Conjunctive Use Groundwater Series 2012	172,783
Contract Revenue Refunding Conjunctive Use Groundwater Series 2014 - 2005	49,648
Contract Revenue Refunding Conjunctive Use Groundwater Series 2014 - 2006	<u>127,860</u>
Total Unearned Revenue	<u><u>\$ 718,155</u></u>

NOTE 7 – ASSESSMENTS TO MEMBER CITIES

Member cities of the Authority are assessed each month for general operation and maintenance costs, except pumping energy and line chemicals, on the basis of estimated costs to each member city as budgeted for that fiscal year. The Authority maintains a cost system by which it allocates its actual costs to each member city. After the end of each fiscal year it issues additional assessments or credits to each member city for the difference between actual costs allocated to each city and the estimated costs previously assessed. These year-end adjustments are reflected in these financial statements.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 8 – PUMPING ENERGY AND CHEMICAL COSTS

Costs of pumping energy and line chemicals are assessed to the member cities each month on a direct cost basis. Therefore, these costs are segregated from other expenses of the Authority.

In accordance with the Authority manual adopted by the Board of Directors at its meeting on October 12, 1977, pumping energy and chemical charges are increased by 2% from actual costs. This additional charge along with interest earned on investments is placed into a reserve to be used for repairs and replacements to pumping equipment.

Beginning October 2001, pumping energy charges for the conjunctive use groundwater project in Roberts County are increased by 10% from actual costs. This additional charge is placed into a reserve to be used for repairs and replacements to well field equipment.

By action of the Board of Directors effective for the year ending September 30, 2016, the 2% charge is to be placed in the same reserve as the 10% charge and should be used for repairs and replacements to well field equipment. The Board of Directors will continue to re-evaluate this decision on an annual basis.

Beginning October 2015, pumping energy charges for the conjunctive use groundwater project in Roberts County are increased by 15% from actual costs. This additional charge is placed into a reserve to be used providing for construction of new wells.

NOTE 9 – RESERVES

- Minor Equipment Replacement Reserve (Includes the Injection Well Reserve)

The Minor Equipment Replacement Reserve covers the cost of replacing equipment and facilities not provided for in the Pumping and Chemical Reserve. In each annual General Operation and Maintenance (GOM) budget, the covered equipment is listed and its life span based on normal usage is estimated along with the expected replacement cost. The resulting contributions to this reserve are included in the annual GOM budget with the intent of reducing unusual “spikes” in annual charges to member cities. However, it was determined that no contribution was needed for the year ended September 30, 2016. \$547,214 of the reserve was utilized in the year ended September 30, 2016, resulting in a reserve balance of \$1,114,836.

For financial statement purposes, the Injection Well Reserve is combined with the Minor Equipment Replacement Reserve. The Injection Well Reserve shall be maintained for the purpose of major repair or rehabilitation of the injection well or wells at the Lake Meredith Salinity Control Project, for the purpose of maintaining or restoring the capacity of the well or wells to receive injectate, or to comply with regulatory requirements. The Board of Directors of the Authority shall determine the maximum amount of this reserve. The fiscal year 2016 GOM budgeted contribution was \$225,000 and none of the reserve was utilized this year. The Injection Well Reserve had a balance of \$3,160,329 at September 30, 2016 resulting in a combined total for the Minor Equipment Replacement Reserve of \$4,275,165 at September 30, 2016.

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 – RESERVES – Continuation

- Pumping and Chemical Reserve

This reserve shall be maintained to replace or repair pump units, pump unit motors/ motor controls, check valves/ value actuating systems and ventilating units for pump unit motors of pumping plant facilities. These are items that deteriorate or wear to an extent as to require periodic replacement or major repair. Minor component parts and supplies shall be provided for as part of the annual budget and not funded through the use of this fund. None of the reserve was utilized for year ended September 30, 2016, however \$100,000 was transferred to the Well and Well Pump Reserve Fund as per the Board of Directors. The maximum amount of the reserve shall be the average annual direct cost of pumping energy for the two immediately preceding complete budget years. Such reserve had a balance of \$3,436,555 at September 30, 2016 which is under the currently calculated maximum of \$3,475,831.

- Well and Well Pump Reserve

This reserve shall be maintained for the purpose of providing for the major repair or rehabilitation of wells, well pumps, well pump motors, motor controls, or related equipment, and for the purpose of paying any applicable minimum charges which may become due on contracts or tariffs for motive power for pumping from wells. Utilization of the reserve totaled \$620,233 for year ended September 30, 2016. In addition to the transfer of \$100,000 from the Pumping and Chemical Reserve, assessments to member cities in the amount of \$273,774 were placed in this Reserve. The maximum amount of the reserve shall be the amount required to pay the minimum charges on any contract or tariff for motive power for pumping, plus the average annual direct cost of motive power for well pumping for the two immediately preceding complete budget years. Such reserve had a balance of \$2,099,002 at September 30, 2016 which is under the currently calculated maximum of \$2,739,076.

- Dam and Reservoir Reserve

The Authority established the Dam and Reservoir Reserve in the amount of \$1,506,917 in accordance with the provisions of the Contracts between the cities and the Authority whereby interest earnings would accumulate to meet the annual expense for the dam and reservoir previously paid by the Bureau of Reclamation. As a result of cumulative expenses exceeding cumulative interest earnings, the reserve balance has fallen below the value specified in the Contracts. The Contracts state that the Board of Directors will establish procedures to replenish the fund when and if necessary. It was determined by the Board of Directors at the January 12, 2012 meeting that the fund will continue to be used until it is exhausted. Such reserve had a balance of \$910,865 at September 30, 2016. Utilization of the reserve totaled \$48,061 for year ended September 30, 2016.

- New Well Construction Reserve

The Authority established this reserve with an initial contribution of \$575,000 for the purpose of providing for construction of new wells. This reserve will be funded by the member cities by adding a 15% surcharge on the Wellfield pumping costs effective October 1, 2015. This surcharge totaled \$320,574 for the year ended September 30, 2016. Any additional funding to this reserve will be based on the member cities' percentage of total groundwater usage over a 5-year period ending with the most recent calendar year end. Such reserve had a balance of \$901,113 at September 30, 2016.

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 9 – RESERVES – Continuation

- General Reserve

This Reserve shall be maintained 1) to meet the extraordinary and unforeseen costs of operation and maintenance, repair and betterment of project works, 2) for replacement or major repair of items of equipment and facilities not provided for by the Pumping and Chemical Reserve or the Well and Well Pump Reserve, 3) for capital or major improvement of project works. The amount accumulated in this reserve shall not be reduced to less than \$300,000 for the purposes listed in items 2 or 3 without the approval of the Contracting Officer of the Bureau of Reclamation. The maximum amount of the Reserve shall be \$300,000 plus the average of the amounts budgeted for General Operation and Maintenance Costs during the two immediately preceding complete budget years. Such Reserve had a balance of \$3,114,784 at September 30, 2016 which is under the currently calculated maximum of \$6,160,874.

NOTE 10 – CHANGES IN UNRESTRICTED NET POSITION

Changes in the Authority's unrestricted Net Position are shown below:

	Minor Equipment Replacement Reserve	Pumping and Chemical Reserve	Well and Well Pump Reserve	Dam and Reservoir Reserve	New Well Construction Reserve	General Reserve	Total Unrestricted Reserves
Balances at beginning of year	\$ 4,577,085	\$ 3,513,326	\$ 2,332,220	\$ 952,912	\$ 576,910	\$ 3,096,451	\$ 15,048,904
Capital replacement funding from:							
CRMWA Corp	225,000	-	-	-	-	-	225,000
2% PE&C expense	-	(100,000)	160,058	-	-	-	60,058
10% PE&C well field	-	-	213,716	-	-	-	213,716
15% PE&C new wells	-	-	-	-	320,574	-	320,574
Miscellaneous income	-	-	-	-	-	4,805	4,805
Utilization of reserve	(547,214)	-	(620,233)	(48,061)	-	-	(1,215,508)
Interest income	20,294	23,229	13,241	6,014	3,629	13,528	79,935
Balances at end of year	<u>\$ 4,275,165</u>	<u>\$ 3,436,555</u>	<u>\$ 2,099,002</u>	<u>\$ 910,865</u>	<u>\$ 901,113</u>	<u>\$ 3,114,784</u>	<u>\$ 14,737,484</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 11 – NET POSITION

Net position at September 30, 2016 consisted of the following:

Net investment in capital assets	
Capital assets, net	\$ 330,957,176
Cash and cash equivalents restricted for construction projects	7,453,141
Less outstanding debt issued for purchase or construction of capital assets	<u>(184,336,310)</u>
Total net investment in capital assets	154,074,007
Restricted net position	171,903,499
Unrestricted net position	<u>14,737,484</u>
Total Net Position	<u>\$ 340,714,990</u>

NOTE 12 – RETIREMENT PLAN

The Authority has established a money purchase defined contribution 401(a) plan and a 457 plan for its employees, both of which are administered by ICMA. The plan is governed by the Board of Directors which may amend benefits and other plan provisions, and are responsible for the management of the plan assets. Contribution requirements of plan members and the Authority may also be amended by the Board of Directors. Currently, the Authority and CRMWA Corporation contribute 14% of eligible employee earnings to the 401(a) plan. Eligible employees must contribute 7% of their earnings. Employees may also contribute to the 457 plan. Employee contributions to both plans were equivalent to 9.63% of covered payroll or \$301,558 for the year ended September 30, 2016. The total cost to the Authority and Corporation for year ended September 30, 2016 was \$438,509, including administrator fees of \$57. Combined entities' payroll for year ended September 30, 2016 was \$3,224,942 and the Authority's contributions to the 401(a) plan were based on a covered payroll of \$3,131,800. As of September 30, 2016, there were 50 plan members with account balances in the 401(a) plan representing both current (44) and former employees/retirees (6). The 457 plan had 27 members with account balances representing 26 current employees and 1 former employee/retiree.

During the fiscal year ended September 30, 1992, the Board of Directors approved an amendment to the plan to allow early retirement. The amendment established a factor based on the total of the employee's age and length of service to equal 82.5 years, after age 55.

NOTE 13 – RISK MANAGEMENT

The Authority's major areas of risk management are directors' liability, general liability, property damage, boiler and machinery equipment damage, pollution, workers' compensation, automobile liability and employee health insurance. The Authority has purchased commercial insurance to cover risks of loss in these areas. There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage for the current year or the previous three years.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 14 – BLENDED COMPONENT UNIT

CONDENSED COMBINING STATEMENT OF NET POSITION
September 30, 2016

	Canadian River Municipal Water Authority	CRMWA Corporation	Totals
Current Assets	\$ 24,631,441	\$ 3,185,217	\$ 27,816,658
Accounts Receivable from the Corporation	18,065	-	18,065
Net Capital Assets	330,758,433	198,743	330,957,176
Other Noncurrent Assets	169,793,693	-	169,793,693
Total Assets	525,201,632	3,383,960	528,585,592
Current Liabilities	14,990,921	6,823	14,997,744
Accounts Payable to the Corporation	-	18,065	18,065
Compensated Absences	199,179	14,304	213,483
Noncurrent Liabilities	172,641,310	-	172,641,310
Total Liabilities	187,831,410	39,192	187,870,602
Net Position:			
Net Investment in Capital Assets	153,875,264	198,743	154,074,007
Restricted for debt service	171,903,499	-	171,903,499
Unrestricted	11,591,459	3,146,025	14,737,484
Total Net Position	\$ 337,370,222	\$ 3,344,768	\$ 340,714,990

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 14 – BLENDED COMPONENT UNIT – Continuation

CONDENSED COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended September 30, 2016

	Canadian River Municipal Water Authority	CRMWA Corporation	Totals
Operating Revenues	\$ 20,659,003	\$ -	\$ 20,659,003
Operating Expenses	(14,044,625)	(277,849)	(14,322,474)
Revenues in excess of (under) expenses before depreciation/amortization	6,614,378	(277,849)	6,336,529
Operating Expenses - Depreciation	(3,483,661)	(11,753)	(3,495,414)
Operating Expenses - Amortization	1,223,964	-	1,223,964
Operating Income (Loss)	4,354,681	(289,602)	4,065,079
Nonoperating Revenues:			
Assessments to member cities for bond interest	8,091,061	-	8,091,061
Other revenues	168,122	12,081	180,203
Nonoperating Expenses:			
Bond interest expense	(7,795,889)	-	(7,795,889)
Operating Income (Loss) Net of Nonoperating Revenues (Expenses)	4,817,975	(277,521)	4,540,454
Transfers	(538,048)	538,048	-
Increase in Net Position	4,279,927	260,527	4,540,454
Net Position - Beginning of Year	333,090,295	3,084,241	336,174,536
Net Position - End of Year	<u>\$ 337,370,222</u>	<u>\$ 3,344,768</u>	<u>\$ 340,714,990</u>

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 14 – BLENDED COMPONENT UNIT – Continuation

CONDENSED COMBINING STATEMENT OF CASH FLOWS
For Year Ended September 30, 2016

	Canadian River Municipal Water Authority	CRMWA Corporation	Totals
Cash Flows From Operating Activities:			
Cash received from member cities for assessments	\$ 19,783,087	\$ -	\$ 19,783,087
Cash payments to employees for services	(3,988,513)	(155,079)	(4,143,592)
Cash payments to suppliers for goods and services	(9,809,837)	(141,491)	(9,951,328)
Net Cash Provided (Used) by Operating Activities	<u>5,984,737</u>	<u>(296,570)</u>	<u>5,688,167</u>
Cash Flows From Capital and Related Financing Activities:			
Transfers	(567,871)	567,871	-
Cash paid for acquisition or construction of capital assets	(7,605,153)	(36,693)	(7,641,846)
Proceeds from sale of assets	9,400	-	9,400
Interest received on cash deposits for debt service	59,682	-	59,682
Cash received from member cities for debt service	19,684,487	-	19,684,487
Principal paid on debt	(11,400,000)	-	(11,400,000)
Interest paid on debt	(7,852,883)	-	(7,852,883)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,672,338)</u>	<u>531,178</u>	<u>(7,141,160)</u>
Cash Flows From Investing Activities:			
Interest received on cash deposits	<u>115,920</u>	<u>12,081</u>	<u>128,001</u>
Net Cash Provided by Investing Activities	<u>115,920</u>	<u>12,081</u>	<u>128,001</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,571,681)</u>	<u>246,689</u>	<u>(1,324,992)</u>
Cash and Cash Equivalents at Beginning of Year	<u>34,200,472</u>	<u>2,938,528</u>	<u>37,139,000</u>
Cash and Cash Equivalents at End of Year	<u>\$ 32,628,791</u>	<u>\$ 3,185,217</u>	<u>\$ 35,814,008</u>

Continued

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE 14 – BLENDED COMPONENT UNIT – Continuation

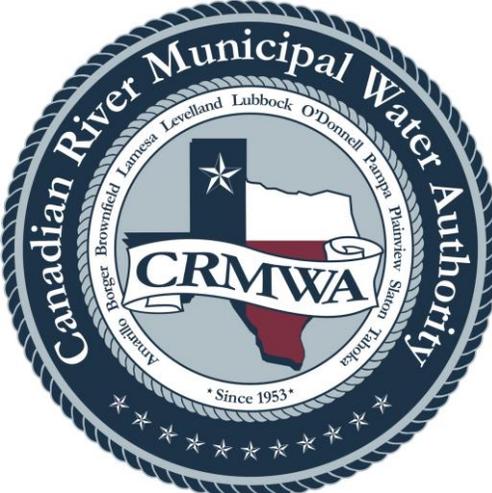
CONDENSED COMBINING STATEMENT OF CASH FLOWS
For Year Ended September 30, 2016

	<u>Canadian River Municipal Water Authority</u>	<u>CRMWA Corporation</u>	<u>Totals</u>
Continuation			
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ 4,354,681	\$ (289,602)	\$ 4,065,079
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Other nonoperating income, expense and costs	4,805	-	4,805
Depreciation and amortization	2,259,697	11,753	2,271,450
(Increase) decrease in operating portion of due from member cities and other receivables	(1,017,707)	19,894	(997,813)
Increase (decrease) in accounts payable, other accruals and compensated absences	261,364	(38,615)	222,749
Increase in assessments received in advance	121,897	-	121,897
Net Cash Provided by (Used for) Operating Activities	<u>\$ 5,984,737</u>	<u>\$ (296,570)</u>	<u>\$ 5,688,167</u>

NOTE 15 – SUBSEQUENT EVENTS

The Authority has been involved in a lawsuit that claims damages resulting from the installation of a pipeline to serve wells in the recently developed wellfield (Phase III of Conjunctive Use Groundwater Project). The lawsuit is in its infancy and the Authority intends to vigorously defend the lawsuit. A liability for the damages had been recorded for the year ended September 30, 2016. Any other loss over and above what has already been recorded for damages is indeterminable at this time and no increase in liability has been recorded.

Supplementary Information



CANADIAN RIVER MUNICIPAL WATER AUTHORITY
SUPPLEMENTARY INFORMATION
For Year Ended September 30, 2016

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Budget to Actual
For Year Ended September 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance to Final Budget</u>
Operating Revenues:				
Assessments to member cities				
General O&M costs	\$ 6,117,050	\$ 15,774,844	\$ 14,924,608	\$ (850,236)
Pumping and chemical costs	11,334,204	11,334,204	5,734,395	(5,599,809)
Total Operating Revenues	<u>17,451,254</u>	<u>27,109,048</u>	<u>20,659,003</u>	<u>(6,450,045)</u>
Operating Expenses:				
Personnel costs	3,765,246	4,280,905	4,244,692	36,213
Professional fees	406,202	2,053,741	1,371,603	682,138
Purchased and contracted services	242,290	197,290	1,522,484	(1,325,194)
Consumable supplies and materials	666,077	1,321,393	1,225,080	96,313
Recurring operating cost	573,385	957,665	818,568	139,097
Depreciation and amortization	-	-	2,271,450	(2,271,450)
Pumping energy and line chemicals	10,074,165	10,074,165	5,140,047	4,934,118
Total Operating Expenses	<u>15,727,365</u>	<u>18,885,159</u>	<u>16,593,924</u>	<u>2,291,235</u>
Operating Income	<u>1,723,889</u>	<u>8,223,889</u>	<u>4,065,079</u>	<u>(4,158,810)</u>
Nonoperating Revenues (Expenses):				
Assessments to member cities				
Debt service interest assessment	-	-	8,091,061	8,091,061
Other income	-	-	4,805	4,805
Investment income	-	-	165,998	165,998
Gain on disposal of asset	-	-	9,400	9,400
Interest expense	-	-	(7,795,889)	(7,795,889)
Total Nonoperating Revenues	<u>-</u>	<u>-</u>	<u>475,375</u>	<u>475,375</u>
Increase in Net Position	<u>\$ 1,723,889</u>	<u>\$ 8,223,889</u>	<u>\$ 4,540,454</u>	<u>\$ (3,683,435)</u>
Other Operating Sources (Uses):				
Dam and Reservoir Reserve Utilization	\$ 60,000	\$ 60,000	\$ 48,061	\$ (11,939)
Well and Well Pump Reserve Utilization	-	-	620,233	620,233
Minor Equipment Replacement Reserve Utilization	-	-	547,214	547,214
Sales Proceeds	-	-	9,400	9,400
Bond 09 Utilization	-	-	236,420	236,420
Net Capital Expenditures	(298,850)	(6,798,850)	(6,978,508)	(179,658)
Well and Well Pump Reserve	(569,677)	(569,677)	(273,774)	295,903
New Well Construction Reserve - PEC portion	(690,362)	(690,362)	(320,574)	369,788
Minor Equipment Replacement Reserve - CRMWA Corp	(225,000)	(225,000)	(225,000)	-
Total Other Operating Uses	<u>(1,723,889)</u>	<u>(8,223,889)</u>	<u>(6,336,528)</u>	<u>1,887,361</u>
Increase (Decrease) in Net Position after Other Operating Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,796,074)</u>	<u>\$ (1,796,074)</u>
Reconciliation to Approved General Operation and Maintenance Budget				
Operating Expenses	\$ 18,885,159			
Pumping energy and line chemicals	(10,074,165)			
Capital Expenditures	6,798,850			
Reserve Utilization	367,199			
Minor Equipment Replacement Reserve - Corp	225,000			
Total General Operation and Maintenance Budget	<u>\$ 16,202,043</u>			

Statistical Section (Unaudited)



CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

STATISTICAL SECTION NARRATIVE SUMMARY

The information in this section is not covered by the Independent Auditors' Report, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report (CAFR). The objectives of the statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the Authority's overall financial health and current business needs.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	59 - 60
Revenue Capacity <i>These schedules contain information to help the reader assess the Authority's most significant local revenue source, the assessments to member cities.</i>	61
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	62
Demographic and Economic Information <i>These schedules present information to help the reader understand the environment within which the Authority's financial activities take place.</i>	63- 74
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	75 - 77

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net Position										
Net investment in capital assets	\$ 154,074,007	\$ 137,903,819	\$ 129,107,249	\$ 122,072,146	\$ 116,953,027	\$ 110,447,444	\$ 106,073,046	\$ 101,183,507	\$ 96,478,813	\$ 92,526,045
Restricted for debt service	171,903,499	183,221,813	198,205,403	208,905,421	219,921,655	147,855,177	154,813,526	136,391,673	142,634,620	147,906,777
Unrestricted	14,737,484	15,048,904	15,446,073	14,446,811	13,495,044	13,010,852	12,632,794	13,408,132	13,293,368	12,827,411
Total Net Position	\$ 340,714,990	\$ 336,174,536	\$ 342,758,725	\$ 345,424,378	\$ 350,369,726	\$ 271,313,473	\$ 273,519,366	\$ 250,983,312	\$ 252,406,801	\$ 253,260,233

Note: Certain accounts in the prior year columns have been reclassified for comparative purposes to conform to the presentation in the current year column.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Operating Revenues:										
Assessments to members cities										
General O&M Costs	\$ 14,924,608	\$ 5,762,240	\$ 5,937,108	\$ 5,859,319	\$ 5,653,120	\$ 5,302,842	\$ 5,197,688	\$ 5,634,272	\$ 5,218,898	\$ 5,048,829
Pumping and chemical costs	5,734,395	7,702,843	8,293,522	7,262,188	7,022,023	7,333,795	6,060,625	6,112,569	7,960,396	6,981,113
Total Operating Revenues	20,659,003	13,465,083	14,230,630	13,121,507	12,675,143	12,636,637	11,258,313	11,746,841	13,179,294	12,029,942
Operating Expenses:										
Personnel costs	4,244,692	3,575,271	3,499,405	3,487,022	3,327,308	3,163,488	3,058,537	3,179,056	3,002,521	2,798,713
Professional fees	1,371,603	241,136	322,364	231,419	211,998	200,237	311,457	467,238	247,088	354,568
Purchased and contracted services	1,522,484	1,291,355	804,799	647,609	519,833	687,825	741,342	466,185	825,600	358,995
Consumable supplies and materials	1,225,080	554,067	614,263	705,858	661,177	564,070	481,028	620,724	617,518	402,674
Recurring operating costs	818,568	513,447	453,645	475,080	549,133	538,217	375,056	405,736	411,289	360,480
Depreciation and amortization	2,271,450	3,451,102	3,655,860	3,499,339	2,766,589	3,687,991	3,093,571	2,688,099	2,779,038	3,436,751
Pumping energy and line chemicals	5,140,047	7,289,768	7,722,518	6,605,430	6,642,259	6,969,641	5,799,817	5,848,335	7,611,486	6,669,879
Total Operating Expenses	16,593,924	16,916,146	17,072,854	15,651,757	14,678,297	15,811,469	13,860,808	13,675,373	15,494,540	14,382,060
Operating Loss	4,065,079	(3,451,063)	(2,842,224)	(2,530,250)	(2,003,154)	(3,174,832)	(2,602,495)	(1,928,532)	(2,315,246)	(2,352,118)
Non operating Revenues (Expenses):										
Assessments to member cities:										
Debt service interest assessment	8,091,061	8,025,253	9,397,296	8,931,887	9,647,282	6,942,351	7,109,374	6,831,120	7,070,669	7,724,201
Other Income	4,805	8,540	35,613	5,056	3,233	15,273	11,168	3,588	24,467	196,343
Gain on disposal of asset	9,400	24,342	-	11,070	14,265	-	-	-	-	49,895
Investment income	165,998	99,989	116,971	112,043	72,255	63,859	102,493	373,466	1,296,791	3,076,673
Other expense	-	-	-	-	-	-	-	(360,353)	(6,650)	(617,214)
Interest expense	(7,795,889)	(7,671,019)	(9,373,309)	(8,994,930)	(8,794,024)	(6,068,065)	(5,156,958)	(6,263,855)	(6,833,678)	(6,850,379)
Credits to member cities for bond refunding activity	-	(3,111,475)	-	(2,070,000)	-	-	-	-	-	-
Other bond costs	-	(508,756)	-	(410,224)	(844,526)	(14,281)	(300)	(78,923)	(89,785)	(108,745)
Total Nonoperating Revenues (Expenses)	475,375	(3,133,126)	176,571	(2,415,098)	98,485	939,137	2,065,777	505,043	1,461,814	3,470,774
Capital Contributions (Credits) and Transfers:										
Contributions from member cities for bond activity	-	-	-	-	82,630,000	-	22,186,829	-	-	-
Contributions from member cities for low level pump	-	-	-	-	-	29,802	885,943	-	-	-
Total Capital Contributions (Credits) and Transfers	-	-	-	-	82,630,000	29,802	23,072,772	-	-	-
Increase (Decrease) in Net Position	4,540,454	(6,584,189)	(2,665,653)	(4,945,348)	80,725,331	(2,205,893)	22,536,054	(1,423,489)	(853,432)	1,118,656
Net Position at Beginning of Year	336,174,536	342,758,725	345,424,378	350,369,726	271,313,473	273,519,366	250,983,312	252,406,801	253,260,233	252,141,577
Prior period adjustment	-	-	-	-	(1,669,078)	-	-	-	-	-
Net Position at End of Year	\$ 340,714,990	\$ 336,174,536	\$ 342,758,725	\$ 345,424,378	\$ 350,369,726	\$ 271,313,473	\$ 273,519,366	\$ 250,983,312	\$ 252,406,801	\$ 253,260,233

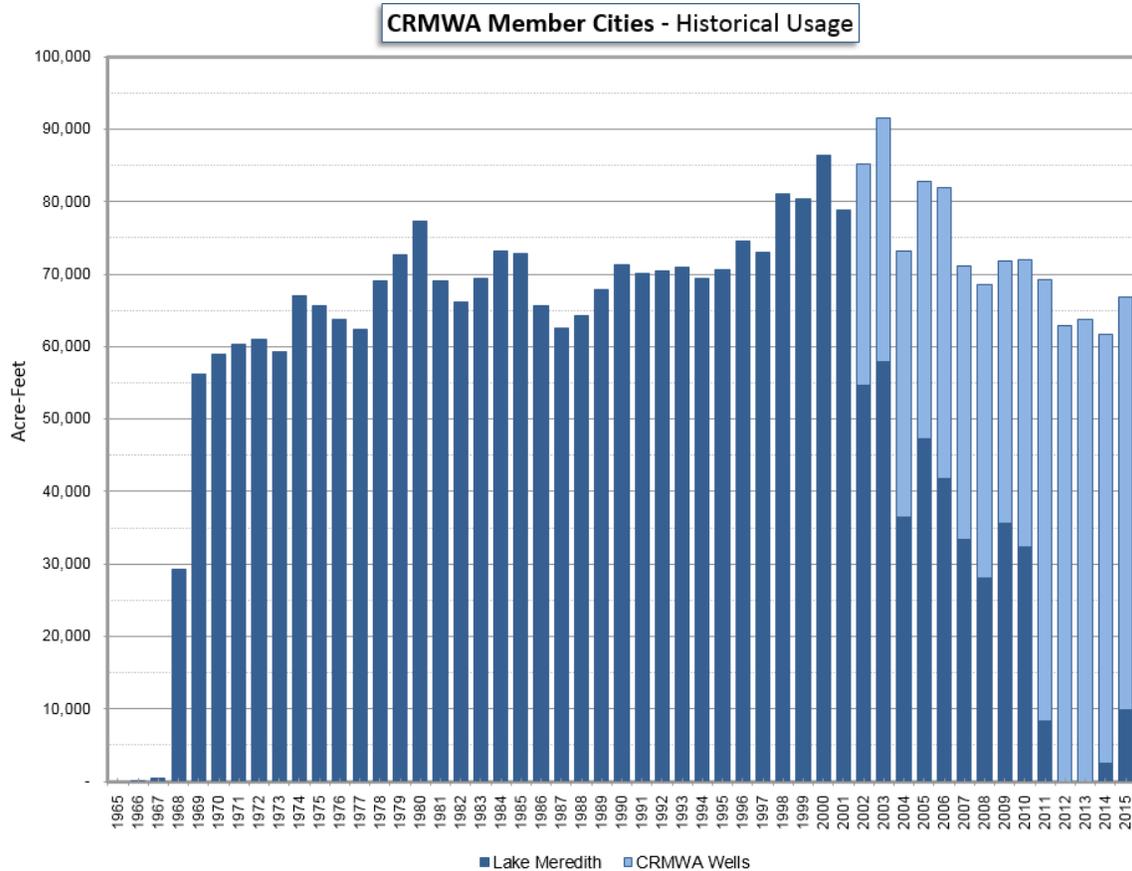
Note: Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

HISTORICAL WATER DELIVERIES TO MEMBER CITIES (Calendar Year)



Historical Usage (Acre-feet)							
Year	Lake	Year	Lake	Year	Lake	Wells	Total
1965	-	1982	66,128	1999	80,474		
1966	89	1983	69,345	2000	86,488		
1967	411	1984	73,223	2001	78,842		
1968	29,292	1985	72,810	2002	54,689	30,559	85,248
1969	56,229	1986	65,679	2003	57,899	33,728	91,627
1970	58,922	1987	62,516	2004	36,518	36,611	73,129
1971	60,325	1988	64,332	2005	47,215	35,501	82,715
1972	60,954	1989	67,841	2006	41,837	40,125	81,962
1973	59,269	1990	71,259	2007	33,430	37,676	71,106
1974	66,959	1991	70,028	2008	28,050	40,442	68,492
1975	65,702	1992	70,365	2009	35,540	36,242	71,782
1976	63,820	1993	70,982	2010	32,405	39,604	72,009
1977	62,344	1994	69,426	2011	8,287	61,039	69,326
1978	69,053	1995	70,686	2012		62,909	62,909
1979	72,745	1996	74,480	2013		63,786	63,786
1980	77,241	1997	73,058	2014	2,466	59,181	61,647
1981	69,143	1998	81,000	2015	9,934	56,862	66,796

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority Ratios of Outstanding Debt by Issue Last Ten Fiscal Years

Contract Revenue Bonds	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Lake Meredith Salinity Control Project Series 1999	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,000	\$ 540,000	\$ 795,000
Bureau of Reclamation Project Series 1999	-	-	-	-	-	-	-	10,295,000	11,095,000	11,865,000
Conjunctive Use Groundwater Series 2005	-	-	850,000	1,665,000	46,130,271	47,046,944	47,933,618	48,795,291	49,631,964	50,443,637
Conjunctive Use Groundwater Series 2005 - 2012 Refunding	42,232,646	44,429,679	45,056,711	45,683,744	-	-	-	-	-	-
Conjunctive Use Groundwater Series 1999 - 2005 Partial Refunding	-	-	15,500,000	18,245,000	20,875,000	23,385,000	25,790,000	33,215,000	35,800,000	38,265,000
Conjunctive Use Groundwater Series 2005 Partial Refunding- 2014 Refunding	10,259,437	12,639,793	-	-	-	-	-	-	-	-
Conjunctive Use Groundwater Series 2006	-	2,190,000	38,065,493	40,138,895	42,117,297	44,005,699	45,809,101	47,542,503	49,210,905	50,814,308
Conjunctive Use Groundwater Series 2006 - 2014 Refunding	34,179,177	34,585,474	-	-	-	-	-	-	-	-
Conjunctive Use Groundwater Series 2009	16,571,988	17,449,015	18,291,043	19,103,070	19,895,098	20,662,125	21,409,153	-	-	-
Bureau of Reclamation Project Series 1999 - 2010 Refunding	3,428,584	4,567,739	5,671,894	6,741,049	7,775,204	8,774,359	9,748,515	-	-	-
Conjunctive Use Groundwater Series 1999 - 2010 Refunding	2,291,190	2,705,759	3,275,328	3,824,897	4,354,464	4,869,032	5,373,599	-	-	-
Conjunctive Use Groundwater Series 2011	75,373,288	78,895,394	82,267,500	85,494,605	88,566,711	-	-	-	-	-
Total Outstanding Debt	\$ 184,336,310	\$ 197,462,853	\$ 208,977,969	\$ 220,896,260	\$ 229,714,045	\$ 148,743,159	\$ 156,063,986	\$ 140,122,794	\$ 146,277,869	\$ 152,182,945
Per Capita (1)	\$ 339	\$ 364	\$ 389	\$ 386	\$ 414	\$ 274	\$ 291	\$ 267	\$ 282	\$ 296

Note: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

(1) Population data can be found in the Member City Population section on page 61

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority Member City Population Last Ten Fiscal Years

Year	Amarillo	Borger	Brownfield	Lamesa	Levelland	Lubbock	O'Donnell	Pampa	Plainview	Slaton	Tahoka	Total
2016	199,651	13,451	9,725	9,422	14,060	243,736	800	21,336	22,194	6,275	2,570	543,220
2015	199,744	12,978	9,757	9,115	14,114	241,322	800	23,043	22,194	6,250	2,553	541,870
2014	198,402	13,024	9,734	9,115	14,080	238,706	800	23,043	22,194	6,200	2,585	537,883
2013	196,336	12,916	9,711	9,115	13,746	236,362	777	22,119	22,121	6,200	2,566	531,969
2012	194,375	13,077	9,693	9,207	13,677	233,651	795	22,326	22,121	6,120	2,608	528,045
2011	195,666	13,240	9,675	9,357	13,610	231,937	813	22,535	22,194	6,122	2,650	527,799
2010	190,695	13,251	9,657	9,422	13,542	229,573	831	22,744	22,194	6,121	2,673	520,703
2009	191,514	14,300	8,940	9,475	13,474	218,327	849	22,248	21,884	6,118	2,703	509,832
2008	190,042	13,462	9,064	9,528	13,407	214,847	867	21,000	21,324	6,117	2,726	502,384
2007	187,609	12,901	9,117	9,581	13,339	212,365	885	21,919	21,656	6,116	2,749	498,237
% Population Change	6.42%	4.26%	6.67%	-1.66%	5.41%	14.77%	-9.60%	-2.66%	2.48%	2.60%	-6.51%	9.03%

Sources: Member City CAFR's, 2000 and 2010 United States Census

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority

Assessments to Member Cities

Current Year and Nine Years Ago

<u>Member City</u>	<u>2016</u>			<u>2007</u>		
	<u>Assessments¹</u>	<u>Rank</u>	<u>Percentage of total Assessments</u>	<u>Assessments¹</u>	<u>Rank</u>	<u>Percentage of total Assessments</u>
Lubbock	\$ 9,114,413	1	44.13%	\$ 4,834,908	1	40.12%
Amarillo	6,979,491	2	33.78%	4,481,760	2	37.18%
Levelland	894,153	3	4.33%	410,767	5	3.41%
Plainview	834,639	4	4.04%	268,217	8	2.22%
Brownfield	701,307	5	3.39%	384,784	6	3.19%
Lamesa	571,508	6	2.77%	355,015	7	2.95%
Pampa	506,536	7	2.45%	533,245	3	4.42%
Borger	474,727	8	2.30%	516,195	4	4.28%
Slaton	387,295	9	1.87%	184,762	9	1.53%
Tahoka	130,746	10	0.63%	55,747	10	0.46%
O'Donnell	64,190	11	0.31%	29,355	11	0.24%
	<u>\$ 20,659,005</u>		<u>100.00%</u>	<u>\$ 12,054,756</u>		<u>100.00%</u>

Notes:

1 Assessments to member cities includes General Operation and Maintenance costs (GOM) and Pumping, Chemical and Energy costs (PEC) less groundwater conservation district fees

Source: Canadian River Municipal Water Authority Records

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority
Principal Water Customers of the Member Cities
Current Year and Nine Years Ago

Name of Customer	City	2015			2006		
		Gallons	Rank	Percentage of City's Average Annual Water Consumption	Gallons	Rank	Percentage of City's Average Annual Water Consumption
Tyson Fresh Meat / IBP	Amarillo	140,255,583	1	12.25%	145,080,000	1	10.00%
Agrium U.S. Inc.	Borger	108,988,000	2	41.61%	49,123,000	3	40.94%
WRB Refining / Phillips 66	Borger	46,842,750	3	17.89%	27,175,000	8	22.65%
TDCJ (Clements & Neal Units)	Amarillo	33,388,971	4	2.92%	29,695,417	6	2.05%
Sid Richardson	Borger	24,804,750	5	9.47%	35,305,000	4	29.43%
Texas Tech University	Lubbock	24,786,167	6	2.57%	21,425,000	10	1.83%
City of Canyon	Amarillo	24,344,167	7	2.13%	28,341,666	7	1.95%
Orion Engineered Carbon	Borger	21,911,167	8	8.37%	*	*	
Lubbock Parks Department	Lubbock	17,088,417	9	1.77%	19,287,000		1.65%
Owens-Corning Fiberglass	Amarillo	16,642,334	10	1.45%	14,760,833		1.02%
Lubbock ISD	Lubbock	10,280,500		1.07%	22,429,000	9	1.92%
Xcel Energy	Amarillo	9,139,750		0.80%	71,309,582	2	4.91%
Amarillo ISD	Amarillo	*		*	30,877,083	5	2.13%
		<u>478,472,556</u>			<u>494,808,581</u>		

The Authority supplied 68%, 36% and 68% of Amarillo's, Borger's and Lubbock's total water consumption in 2015
The Authority supplied 61%, 57% and 76% of Amarillo's, Borger's and Lubbock's total water consumption in 2006

* not available

Sources: 2006 and 2015 Continuing Disclosure Reports

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority Principal Employers of Member Cities Current Year and Nine Years Ago

Name of Employer	City	2015			2006		
		Employees	Rank	Percentage of Individual Member City Employment ¹	Employees	Rank	Percentage of Individual Member City Employment ¹
Texas Tech University	Lubbock	5,453	1	3.860%	9,740	1	7.360%
Covenant Health System	Lubbock	4,393	2	3.110%	4,870	2	3.680%
United Supermarkets (Corporate)	Lubbock	3,803	3	2.690%	2,571	7	1.940%
TTU Health Sciences Center	Lubbock	3,703	4	2.620%	2,257	8	1.710%
Tyson Foods	Amarillo	3,678	5	2.938%	3,700	3	2.930%
Lubbock Independent School District	Lubbock	3,532	6	2.500%	3,566	4	2.700%
University Medical Center	Lubbock	3,208	7	2.270%	2,828	6	2.140%
Baptist/St. Anthony's Health Systems	Amarillo	2,900	8	2.316%	2,900	5	2.296%
City of Lubbock	Lubbock	2,245	9	1.590%	2,109	9	1.590%
Northwest Texas Healthcare	Amarillo	1,490	10	1.190%	1,797	10	1.423%
		34,405			36,338		

Notes:

1 The percentage is based on the specific member city employee data - not the member cities employees in total

Source: Member Cities CAFR's

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Canadian River Municipal Water Authority Full-time Equivalent Employees by Division Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of September 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Management	4	3.5	4	5	5	5	5	5	5	5
Northern Operations Division	26	24.5	25	24	24	23	23	23	23	23
Water Quality Division	2	2	2	2	2	2	2	2	2	1
Southern Division	8	8	8	8	8	8	8	8	8	8
Financial Services Division	2	2	2	3	3	3	3	3	3	3
Water Quality Division Logan, New Mexico	2	2	2	2	2	2	2	2	2	2
Total	44	42	43	44	44	43	43	43	43	42

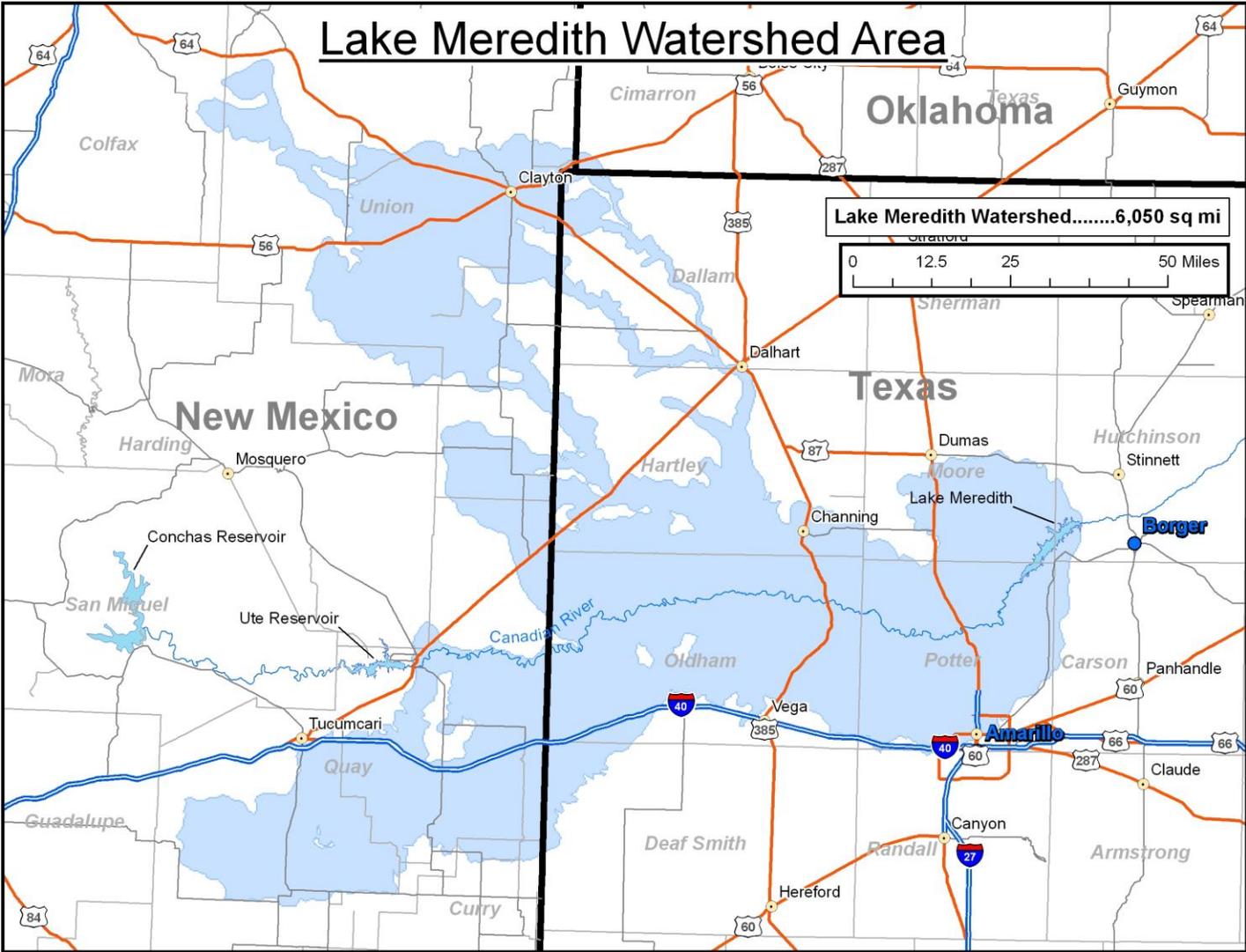
Source: Quarter 3 Form 941 - Employers Quarterly Federal Tax Return

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

LAKE MEREDITH WATERSHED AREA

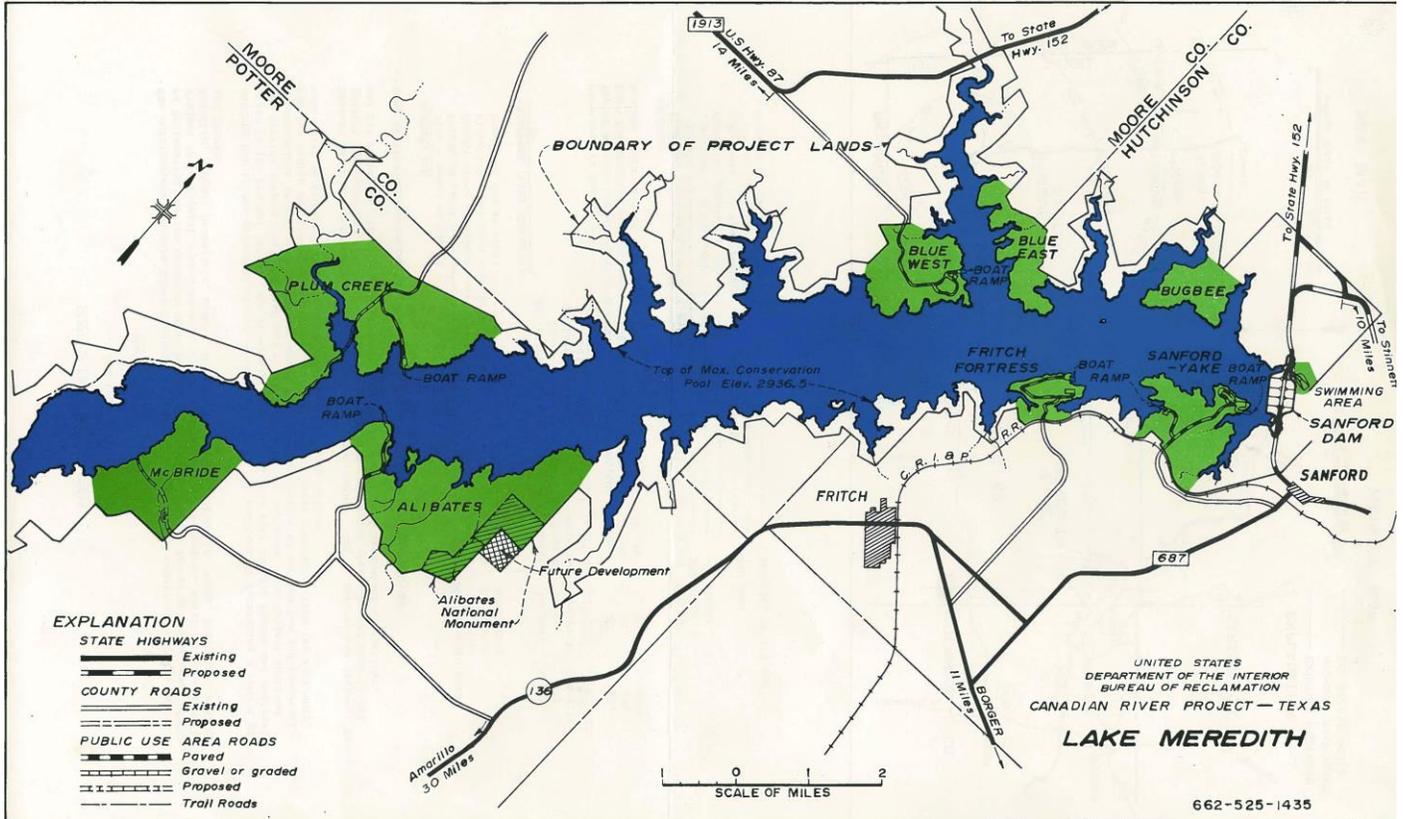


CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

LAKE MEREDITH



Location

Canadian River Mile 508.5

Project Purposes

Flood control, water supply, irrigation, recreation, fish and wildlife

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

LAKE MEREDITH ELEVATIONS AND STORAGES

<u>Feature</u>	<u>Elevation</u>	<u>Reservoir Area</u> <u>(acres)</u>	<u>Original Reservoir Capacity</u> <u>(acre-feet)</u>	<u>Based on 1995 Survey</u> <u>Reservoir Capacity</u> <u>(acre feet)</u>
Top of Dam	3011.0			
Maximum pool	3004.9	30,470	2,434,200	
Top of flood control pool	2965.0 (2)	21,640	1,407,600	
Bottom of flood control pool	2941.3	17,320	945,500	
Top of conservation pool (ultimate)	2941.3	17,320	945,500	
Top of conservation pool (initial)	2936.5	16,500	864,400	817,970
Top of inactive pool	2860.0	4,500	79,200	73,443
Top of dead pool	2850.0	2,770	43,000	38,414
Surcharge storage	2965.0 - 3004.9		1,026,600	
Flood control storage	2941.3 - 2965.0		462,100 (3)	
Conservation storage (initial)	2860.0 - 2941.3		866,300 (4)	
Storage between top of initial and ultimate conservation pools	2936.5 - 2941.3		81,100	
Dead and inactive storage	2813.0 - 2860.0		79,200	

(1) Spillway crest

(2) Contains 36,300 acre-feet for sediment storage

(3) Contains 366,300 acre-feet for sediment storage

(4) The initial top of the conservation pool at elevation 2936.5 provides 500,000 acre-feet of conservation capacity permitted under the terms of the Canadian River Compact with allowance for the portion of the 50-year sediment inflow expected to deposit below the top of the conservation pool. The top of the conservation pool will be raised, as necessary, to elevation 2941.3 to preserve the conservation capacity. Any water temporarily stored between elevations 2936.5 and 2941.3 will be released by the Bureau of Reclamation, or its designated agent, through the river outlet works. Such evacuations will be at rate of 2,800 cfs, or less.

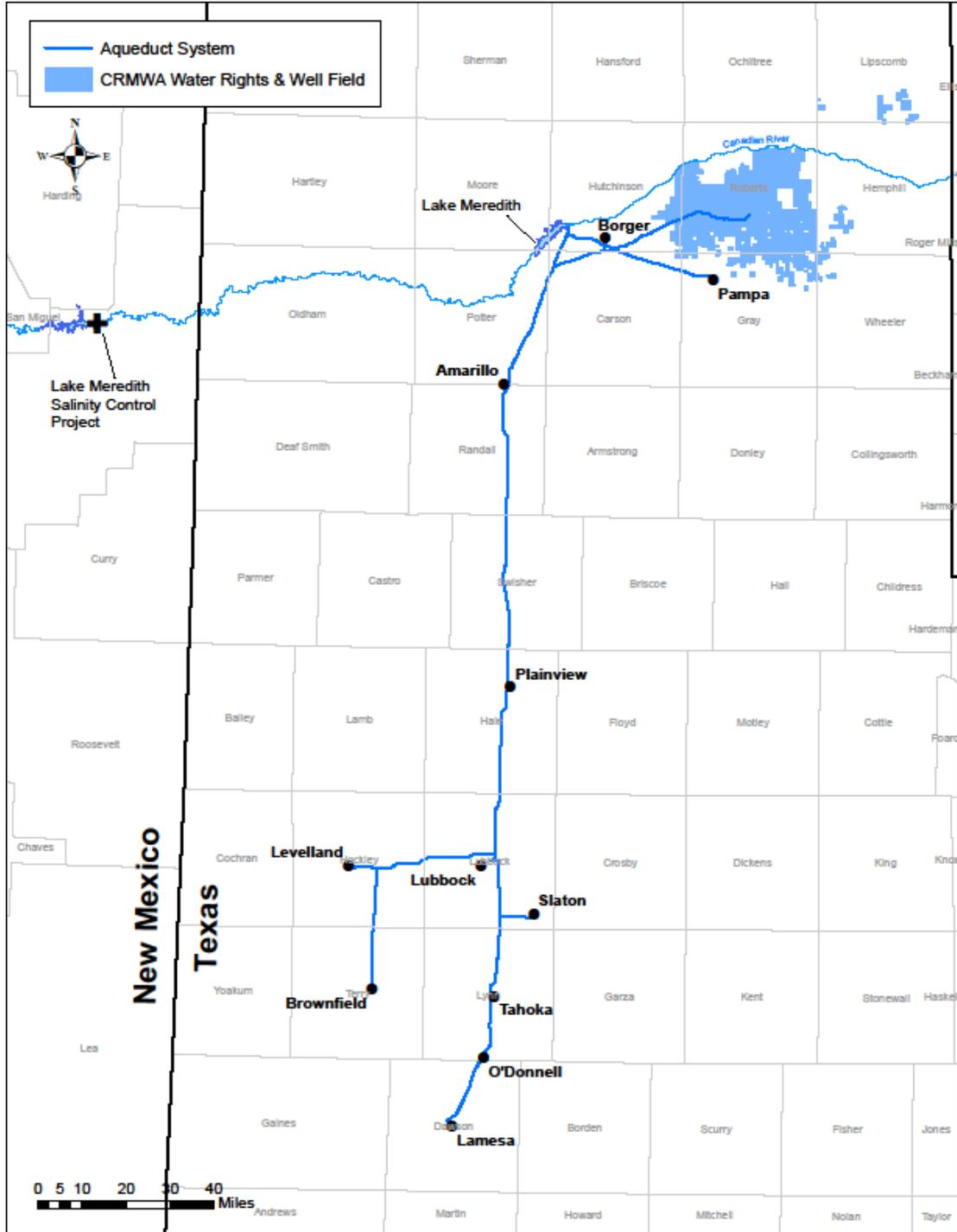
(5) 1995 Volumetric Survey only went up to elevation 2936.50. Elevations above this are assumed to have changed by at least this same value.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

AQUEDUCT SYSTEM

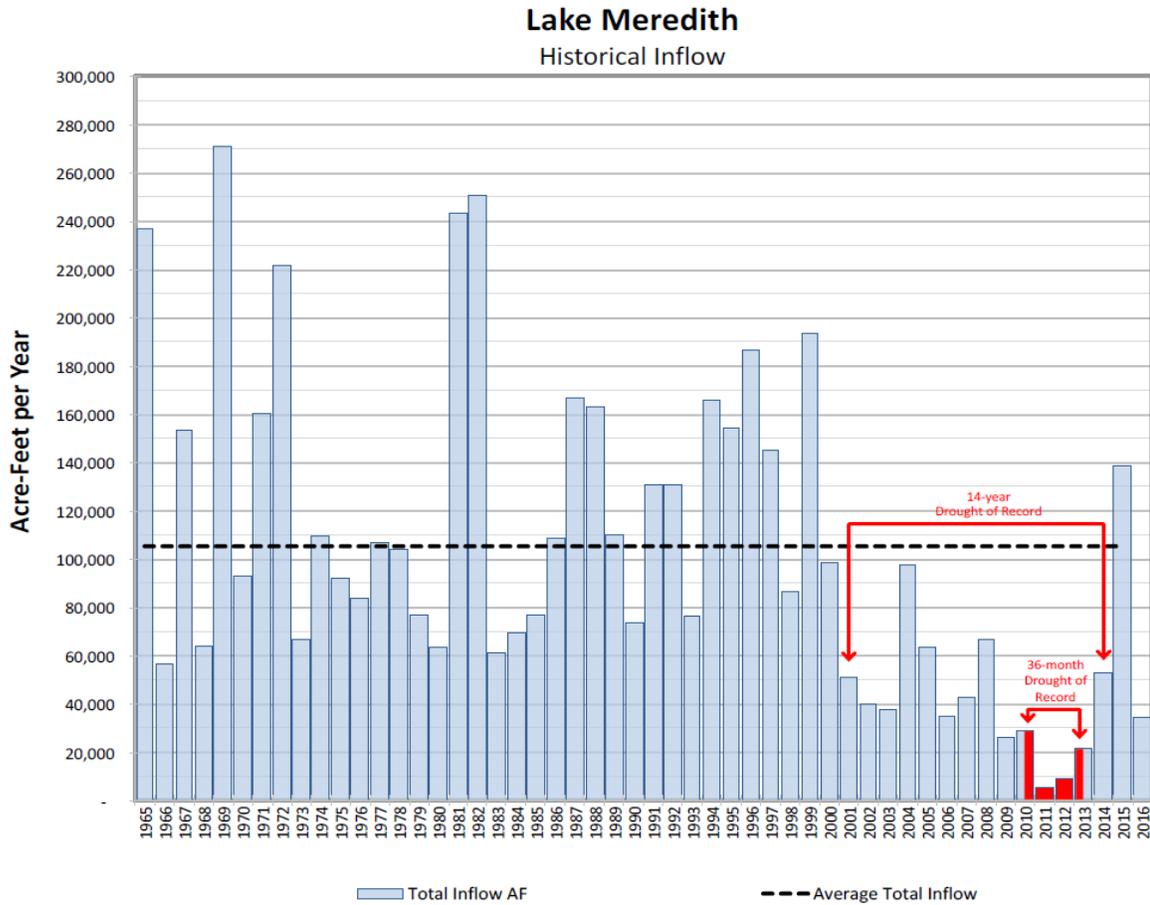


CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

HISTORICAL INFLOW (Calendar Year)



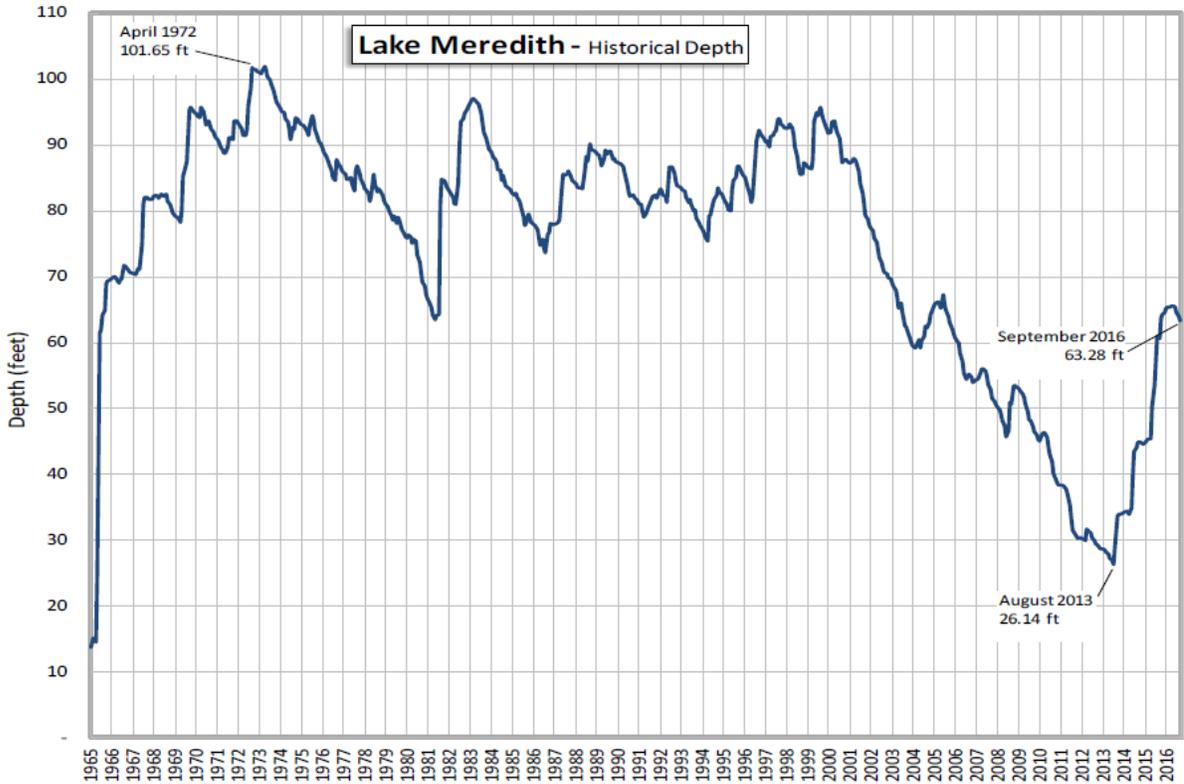
Historical Inflow					
Year	(Acre-Feet)	Year	(Acre-Feet)	Year	(Acre-Feet)
1965	236,666	1983	61,316	2000	98,695
1966	56,171	1984	69,396	2001	51,073
1967	153,525	1985	76,871	2002	40,078
1968	64,270	1986	108,734	2003	37,965
1969	270,416	1987	166,609	2004	97,616
1970	93,092	1988	163,481	2005	62,937
1971	160,553	1989	110,295	2006	34,843
1972	221,987	1990	73,884	2007	42,535
1973	66,422	1991	130,696	2008	66,781
1974	109,340	1992	130,988	2009	25,931
1975	92,222	1993	76,324	2010	28,745
1976	84,150	1994	165,734	2011	5,446
1977	106,319	1995	154,054	2012	8,827
1978	104,088	1996	186,715	2013	21,546
1980	63,060	1997	145,566	2014	52,933
1981	242,804	1998	86,915	2015	138,449
1982	250,560	1999	193,741	as of	
				9/30/2016	34,523

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

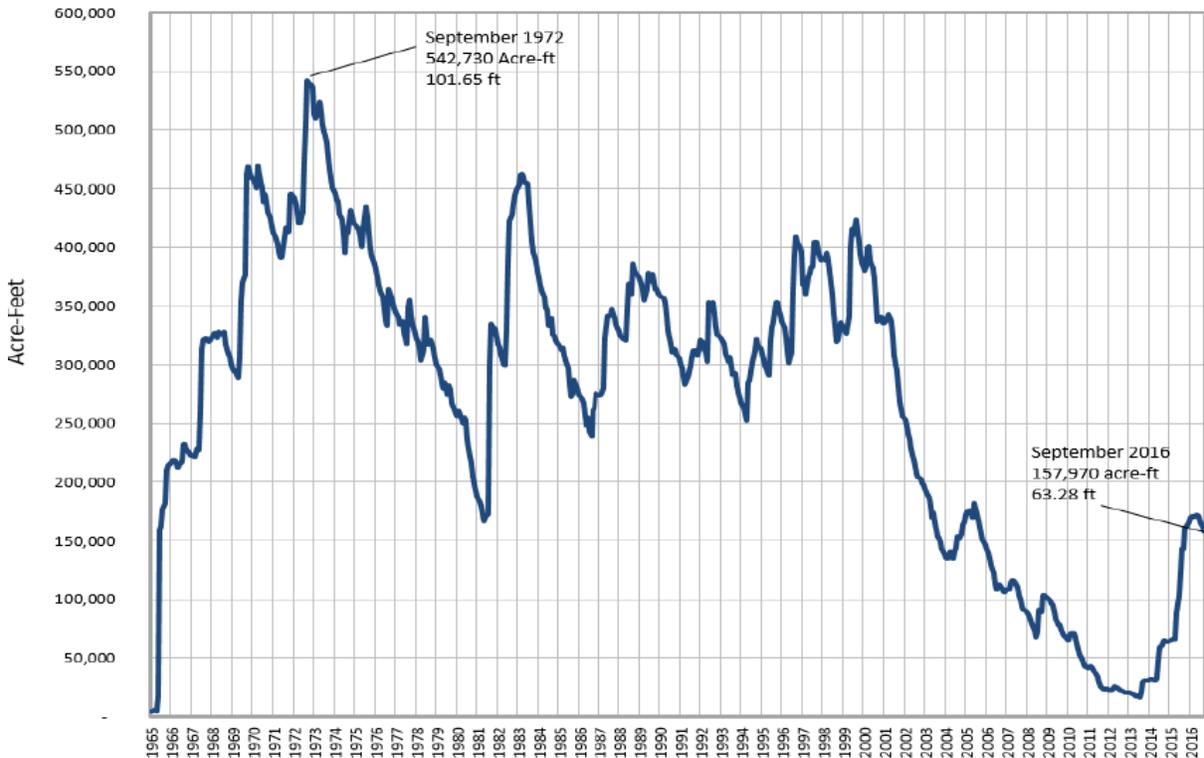
Statistical Section

Year Ended September 30, 2016

HISTORICAL DEPTH / STORAGE (Calendar Year)



LAKE MEREDITH
Total Reservoir Storage



CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

Historical Depth / Storage Levels						
As of September 30	Depth (ft)	Storage (Acre-Feet)		As of September 30	Depth (ft)	Storage (Acre-Feet)
1965	64.87	181,898		1991	82.22	311,266
1966	71.60	231,676		1992	85.69	343,502
1967	81.95	322,750		1993	80.06	292,091
1968	81.37	317,224		1994	82.30	311,989
1969	95.16	462,991		1995	86.69	353,119
1970	93.02	438,305		1996	92.20	409,345
1971	91.10	416,842		1997	93.87	403,934
1972	101.65	542,730		1998	85.47	319,999
1973	98.13	477,964		1999	94.80	414,094
1974	92.37	411,876		2000	87.28	336,736
1975	92.38	411,985		2001	81.04	281,584
1976	87.78	364,003		2002	70.51	203,810
1977	86.84	354,724		2003	62.33	152,310
1978	83.23	320,421		2004	62.21	151,600
1979	78.53	278,800		2005	63.91	161,760
1980	70.61	216,208		2006	55.09	111,890
1981	84.73	334,407		2007	52.71	99,750
1982	93.88	427,646		2008	50.50	89,083
1983	91.79	404,961		2009	47.22	74,381
1984	83.76	325,355		2010	40.00	48,955
1985	78.07	275,030		2011	30.91	24,526
1986	76.39	261,078		2012	29.50	21,873
1987	86.05	346,947		2013	33.50	29,842
1988	90.04	386,610		2014	44.81	64,471
1989	89.07	376,692		2015	60.57	142,050
1990	82.34	312,351		2016	63.28	157,970

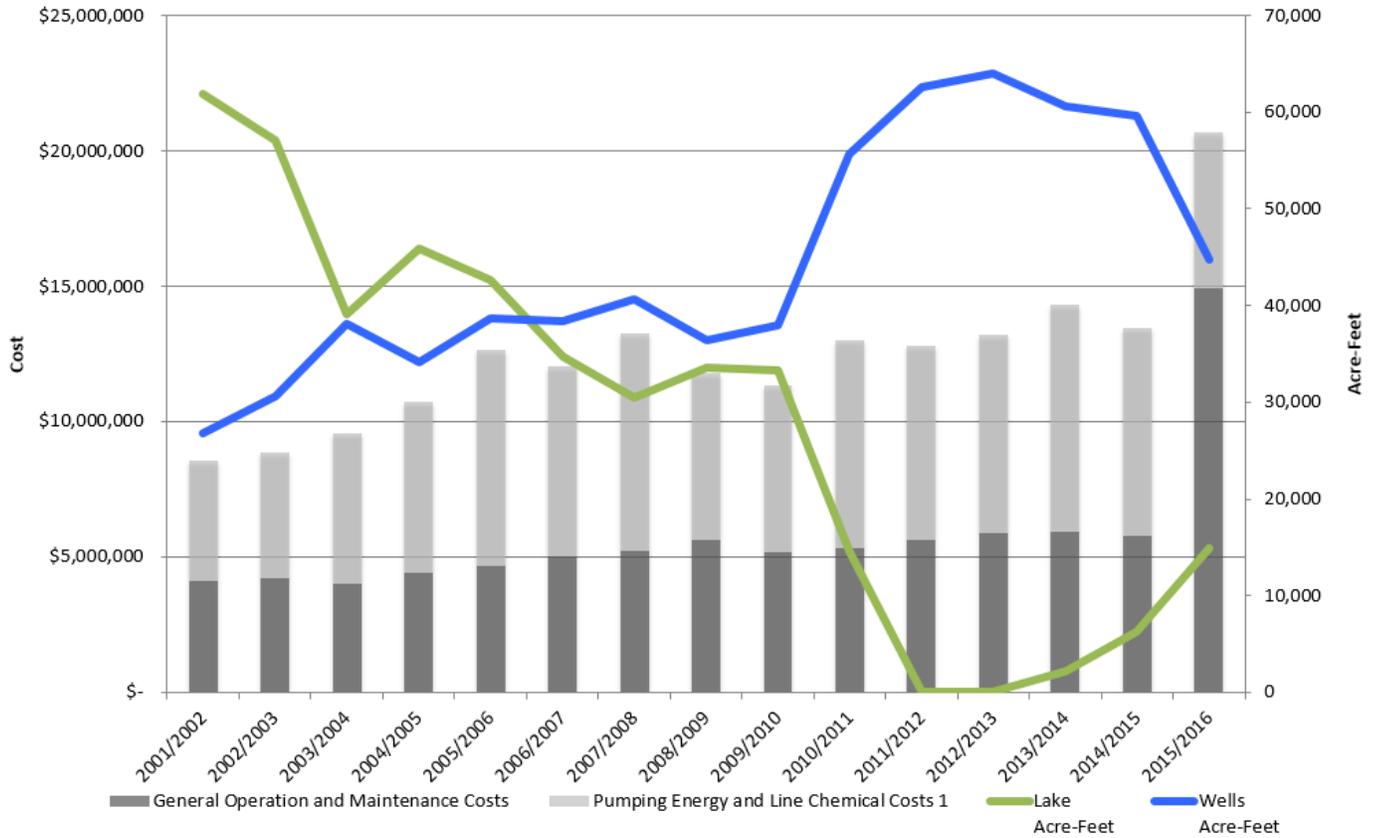
CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

HISTORICAL COSTS (Fiscal Year)

CRMWA Historical Cost vs Deliveries



Fiscal Year	Lake Acre-Feet	Wells Acre-Feet	Total Acre-Feet	Total KWHr	General Operation and Maintenance Costs	Pumping Energy and Line Chemical Costs ¹	Bond Payments ²	Total Member City Cost	Total Cost per Acre-Foot	Total Cost per 1,000 Gallons
2001/2002	61,867	26,763	88,630	118,501,731	\$ 4,099,573	\$ 4,483,588	\$ 6,359,733	\$14,942,894	\$ 169	\$ 0.52
2002/2003	57,079	30,576	87,654	124,393,081	\$ 4,210,200	\$ 4,653,083	\$ 6,005,785	\$14,869,067	\$ 170	\$ 0.52
2003/2004	39,041	38,043	77,084	120,176,204	\$ 4,023,905	\$ 5,564,344	\$ 6,016,681	\$15,604,930	\$ 202	\$ 0.62
2004/2005	45,915	34,162	80,077	121,047,125	\$ 4,441,227	\$ 6,309,561	\$ 6,316,757	\$17,067,545	\$ 213	\$ 0.65
2005/2006	42,635	38,669	81,304	126,888,698	\$ 4,685,346	\$ 7,942,665	\$ 8,818,664	\$21,446,675	\$ 264	\$ 0.81
2006/2007	34,648	38,392	73,040	119,338,682	\$ 5,008,562	\$ 7,046,193	\$13,694,762	\$25,749,517	\$ 353	\$ 1.08
2007/2008	30,508	40,706	71,215	118,579,357	\$ 5,218,898	\$ 8,035,218	\$12,879,400	\$26,133,515	\$ 367	\$ 1.13
2008/2009	33,552	36,406	69,959	116,086,293	\$ 5,634,272	\$ 6,181,500	\$12,822,044	\$24,637,816	\$ 352	\$ 1.08
2009/2010	33,230	38,018	71,247	123,969,388	\$ 5,197,688	\$ 6,127,440	\$13,753,463	\$25,078,591	\$ 352	\$ 1.08
2010/2011	14,601	55,695	70,297	145,467,623	\$ 5,302,842	\$ 7,702,444	\$14,068,856	\$27,074,143	\$ 385	\$ 1.18
2011/2012	-	62,562	62,562	146,264,706	\$ 5,653,120	\$ 7,124,401	\$19,027,670	\$31,805,190	\$ 508	\$ 1.56
2012/2013	-	64,030	64,030	146,184,719	\$ 5,859,319	\$ 7,369,273	\$19,744,674	\$32,973,266	\$ 515	\$ 1.58
2013/2014	2,131	60,549	62,680	145,272,690	\$ 5,937,108	\$ 8,392,506	\$20,427,944	\$34,757,559	\$ 555	\$ 1.70
2014/2015	6,300	59,676	65,976	145,511,467	\$ 5,762,240	\$ 7,702,843	\$19,306,441	\$32,771,524	\$ 497	\$ 1.52
2015/2016	14,948	44,724	59,672	118,559,009	\$ 14,924,608	\$ 5,734,395	\$19,642,479	\$40,301,482	\$ 675	\$ 2.07

NOTES:

1. Includes the fees assessed to member cities to fund reserves and the fees paid to the groundwater conservation districts
2. Includes both interest and principal

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

MEMBER CITIES' WATER ALLOCATIONS (Fiscal Year)

Water Deliveries to Member Cities												
	Amarillo	Borger	Brownfield	Lamesa	Levelland	Lubbock	O'Donnell	Pampa	Plainview	Slaton	Tahoka	Total Acre-feet
ACRE-FEET												
FY01-02	35,493	3,597	1,597	1,629	2,005	36,706	147	2,263	3,892	959	342	88,630
FY02-03	35,399	3,799	1,534	1,787	2,024	35,042	146	2,752	3,844	994	333	87,654
FY03-04	32,100	3,966	1,309	1,474	1,580	29,982	141	2,107	3,050	1,056	319	77,084
FY04-05	33,350	3,534	1,260	1,491	1,763	32,981	113	1,297	3,006	1,000	282	80,077
FY05-06	32,967	3,241	1,513	1,729	1,903	32,809	149	2,505	3,052	1,184	252	81,304
FY06-07	31,409	3,731	1,197	1,778	1,545	29,096	115	1,668	1,330	914	257	73,040
FY07-08	26,034	3,383	1,259	1,644	1,565	30,766	126	2,450	2,597	1,093	298	71,215
FY08-09	24,772	3,606	1,363	1,665	1,780	29,764	113	2,485	3,121	959	331	69,959
FY09-10	27,794	3,666	1,334	1,658	1,740	29,367	103	2,632	1,879	785	289	71,247
FY10-11	27,724	4,159	1,496	1,756	1,860	26,943	130	2,306	2,569	1,036	318	70,297
FY11-12	26,862	2,667	1,415	1,219	1,511	23,232	114	2,133	2,237	899	274	62,562
FY12-13	26,810	3,230	1,450	1,090	1,660	23,920	104	2,110	2,370	986	300	64,030
FY13-14	26,969	2,873	1,383	1,040	1,725	22,506	108	2,201	2,607	942	326	62,680
FY14-15	28,861	2,863	1,409	1,081	1,816	24,205	103	1,950	2,587	786	316	65,976
FY15-16	26,815	3,688	1,360	1,212	1,695	19,522	107	2,400	1,790	786	297	59,672
Proposed FY16-17	30,744	4,273	1,692	1,678	2,148	28,535	214	3,306	2,842	1,214	354	77,000
FY15-16	44.9%	6.2%	2.3%	2.0%	2.8%	32.7%	0.2%	4.0%	3.0%	1.3%	0.5%	100.0%
Proposed FY16-17	39.9%	5.5%	2.2%	2.2%	2.8%	37.1%	0.3%	4.3%	3.7%	1.6%	0.5%	100.0%

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Statistical Section

Year Ended September 30, 2016

GENERAL OPERATION AND MAINTENANCE BUDGET COMPARISON

CRMWA (includes CORP)	2014 - 2015 Budget	2015 - 2016 Original Budget	2015 - 2016 Final Budget	Final 2015/2016 Budget vs 2014/2015 Budget	
TOTAL PAYROLL EXPENSES	\$ 3,550,465	\$ 3,586,178	\$ 4,101,838	\$ 551,373	15.53%
TOTAL PROFESSIONAL FEES	276,101	403,252	2,050,791	1,774,690	642.77%
TOTAL CONTRACTED SERVICES	297,270	236,296	191,296	(105,974)	(35.65%)
TOTAL CONSUMABLE SUPPLIES	582,711	582,239	1,237,555	654,844	112.38%
TOTAL RECURRING EXPENSES	477,738	461,916	846,196	368,458	77.13%
CRMWA CORPORATION	596,914	628,319	628,319	31,405	5.26%
TOTAL CAPITAL OUTLAY	363,500	278,850	7,146,048	6,782,548	1,865.90%
GRAND TOTAL O&M	\$ 6,144,699	\$ 6,177,050	\$16,202,043	\$10,057,344	163.68%

Note:

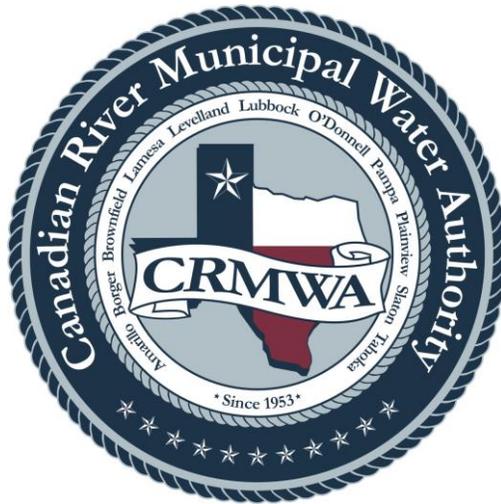
Refer to page 56 for the reconciliation of the general operation and maintenance budget to the budget for operating expenses.

CRMWA BUDGET SUMMARY FY15/16

CITY	Estimated O&M	Estimated PEC	Bond Payments	TOTAL	Allocation 1,000 gal	Cost per 1,000 gal
AMARILLO	\$ 1,966,749	\$ 4,589,682	\$ 8,798,993	\$ 15,355,425	9,857,635	\$ 1.56
BORGER	278,997	464,494	1,242,506	1,985,997	1,356,110	1.46
BROWNFIELD	210,207	333,672	532,309	1,076,188	537,165	2.00
LAMESA	192,566	251,895	533,349	977,810	532,522	1.84
LEVELLAND	254,024	454,179	598,229	1,306,431	681,843	1.92
LUBBOCK	2,460,462	4,283,947	5,795,576	12,539,985	9,056,540	1.38
O'DONNELL	26,419	32,137	52,517	111,074	67,940	1.63
PAMPA	373,894	379,536	823,804	1,577,234	949,458	1.66
PLAINVIEW	199,276	426,684	809,757	1,435,717	902,037	1.59
SLATON	118,648	182,187	367,257	668,092	385,156	1.73
TAHOKA	35,807	53,177	107,688	196,672	112,419	1.75
Less SLATON/TAHOKA 2006 Bond Issue buy-in			(19,507)	(19,507)		
TOTALS	\$ 6,117,050	\$ 11,451,590	\$ 19,642,479	\$ 37,211,119	24,438,825	\$ 1.52
BOR Share - Dam & Reservoir Replacement Reserve	60,000					
	-					
FY15/16 Original Budget	6,177,050	11,451,590	19,642,479	37,211,119		
FY15/16 Budget Amendment	10,024,993			10,024,993		
FY15/16 Final Budget	\$ 16,202,043	\$ 11,451,590	\$ 19,642,479	\$ 47,236,112	24,438,825	\$ 1.93

NOTE:

Based on estimated usage of 75,000 AF (24.4 billion gallons). Approximately 69,000 AF Groundwater and 6,000 AF Lake water.





To the Board of Directors
Canadian River Municipal Water Authority
Sanford, Texas

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Canadian River Municipal Water Authority (the Authority) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Canadian River Municipal Water Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Doshier, Pickens & Francis, LLC

Doshier, Pickens & Francis, LLC

December 1, 2016

